Physical address
Churchill Road, Limbe, Malawi

Postal Address
Private Bag 580, Limbe, Malawi

Tel: +265 111 843 988
Fax: +265 111 840 135
Email: infomalawi@illovo.co.za

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SUGAR ILLOVO MALAWI

ILLOVO THRIVING COMMUNITY

TOGETHER WECAN PAMODZI NDIZOTHEKA

ILLOVO SUGAR (MALAWI) PLC • ANNUAL REPORT 2024

ILLOVO SUGAR (MALAWI) PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2024

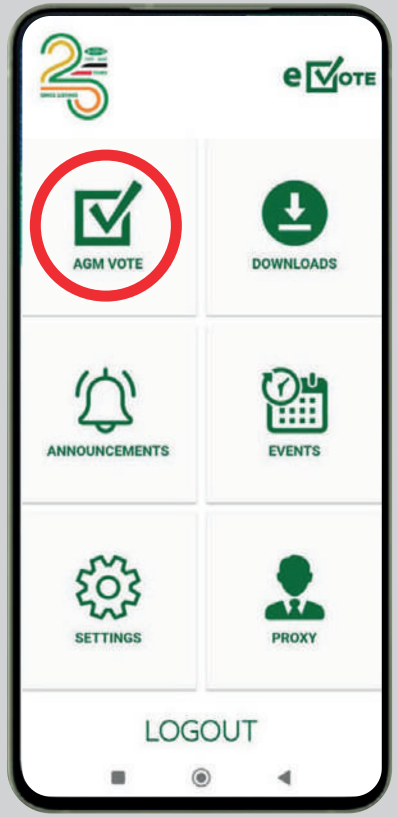
ILLOVO THRIVING COMMUNITY

TOGETHER **WE CAN**
PAMODZI **NDIZOTHEKA**

SUGAR ILLOVO MALAWI

We aim to foster closer and stronger relationships with our customers, improve the availability of sugar in the domestic market, and grow both volume and value for our stakeholders

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. 

DOWNLOAD

Contents

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

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

Our "Thriving Community" purpose is integral to who we are as a business, and underpins our corporate positioning.

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 pillars: **Sugar Market Leader, Community Connected, Value and Quality Driven Industry and Sustainable Agriculture.**

Purpose Pillars

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 Sugar Malawi's market, financial & business sustainability, and license to operate.

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.

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.

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.

Key Features (Consolidated)

Results (K million)

REVENUE
K313 689 — 15% GROWTH
FY'23 : K272 457

OPERATING PROFIT
K59 326 — 28% DECLINE
FY'23 : K81 923

NET PROFIT
K22 632 — 60% DECLINE
FY'23 : K56 758

NET CASH
K49 725 — 36% DECLINE
FY'23 : K77 217

CAPITAL INVESTMENT
K51 997 — 102% GROWTH
FY'23 : K25 735

Share Performance

YEAR-END MARKET PRICE (TAMBALA)
135 511 — 21% GROWTH
FY'23 : 112 142

HEADLINE EARNINGS (TAMBALA)
3 172 — 60% DECLINE
FY'23 : 7 955

DIVIDENDS DECLARED AND PAID (K MILLION)
1 840 — 30% DECLINE
FY'23 : 2 624

Performance Statistics (K Tons)

CANE CRUSHED
1923.5 — 17% DECLINE
FY'23 : 2 316.8

PRODUCTION
222.2 — 16% DECLINE
FY'23 : 264.1

DOMESTIC SALES
178.8 — 21% DECLINE
FY'23 : 225.4

EXPORT SALES
27.2 — 8% DECLINE
FY'23 : 29.4

About Illovo Sugar Malawi Plc

Illovo Sugar Malawi Plc

Illovo Sugar Malawi Plc (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.

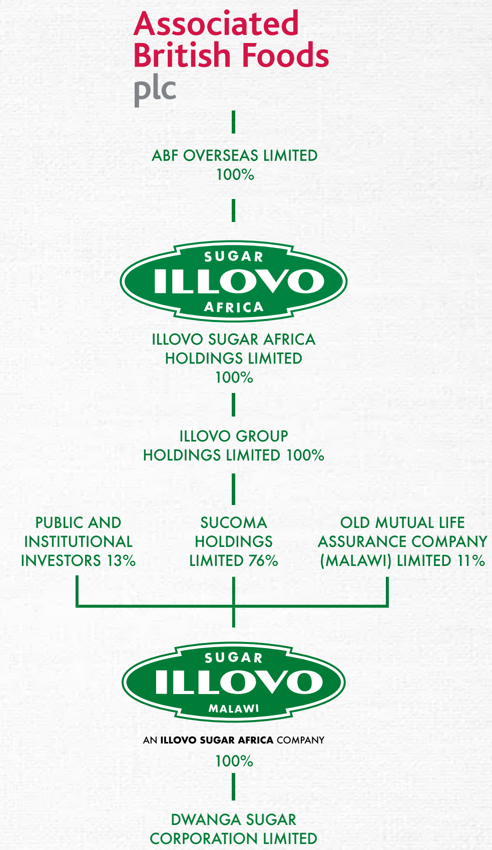
Ownership Structure

Associated British Foods plc is a diversified international food, ingredients and retail group with sales revenue of £20.1 billion achieved in the year ended 31 August 2024.

ABF Sugar, which manages all of ABF's sugar interests, employs around 35 000 people and operates in 9 countries across 27 locations globally. Its business units consist of 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 employer 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 6 785 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 2million tons of sugarcane across both estates, with Malawian growers contributing an average of 470 000 tons.

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 222 190 tons of sugar were produced, with 178 821 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 Belgium, Burundi, Czech Republic, DRC, Germany, Greece, Italy, Kenya, Poland, Rwanda, South Africa, UK, USA and Zimbabwe.

Operating Locations

ESG at Illovo Sugar Malawi plc

Our ESG priorities, are guided by the ABF Sugar Local Minds, Global Champions framework and our own local context and prioiritisation. Our priorities are under in 3 areas - building rural economies, thriving and healthy communities, and consuming resources responsibly.

We strive to produce quality and affordable food that acts as a catalyst for environmental,social, and economic benefits throughout Malawi. We believe this can be realised by delivering on our purpose to create a thriving Malawian community through provision of affordable food and energy. Our purpose is upheld by four key pillars: ensuring **Sustainable agricultural** practices, becoming **sugar market leader**, ensuring **value and quality driven industry**, and remaining **community connected.**

Our reporting is intended to provide all stakeholders with an understanding of our approach in addressing environmental, social and governance (ESG) issues.

We are committed to fostering sustainable development and creating a better future for our business, customers, and greater Malawian community. In 2023/24, our sustainability programme focused on key activities geared towards achieving the following:

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 by 30%.
5. Reduction of CO_2 emission by contributing towards achievement of ABF Group Science Based Targets.
6. Building vibrant and diverse working environments that enhance prosperity within the Malawian community by aligning our efforts to Malawi vision 2063 agenda for industrialization, agriculture productivity and commercialization.
7. Tackling of plastic and waste management.

GOVERNANCE

Illovo Sugar Malawi is working towards a more comprehensive governance framework that integrates ESG-related impacts, risks, and opportunities into its decision-making processes. The Executive Team has oversight of and responsibility for ESG risks and opportunities that are material to the company.

The Board, along with the managing director, is responsible for setting strategies and action plans based on material risks, local regulatory requirements, and customer expectations.

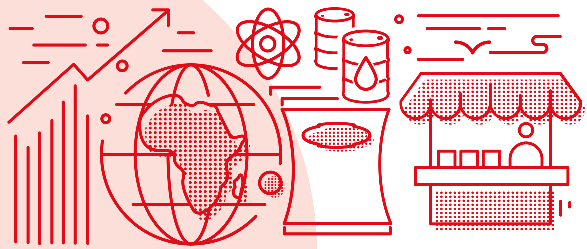
Through rich commercial insights and collaborative efforts with production and distribution partners, the company ensures that its products not only meet market demands but also contribute to the well-being of individuals and communities.

Sugar Market Leader

Illovo Sugar Malawi plc'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 also contribute to the well-being of individuals and communities. By consistently serving customers with quality products in the formats they require and at a price they can afford, Illovo Sugar Malawi fulfils its purpose of delivering food that is not only delicious but also nourishing and accessible to all. This commitment underpins the company's market, financial, and business sustainability, as well as its license to operate.

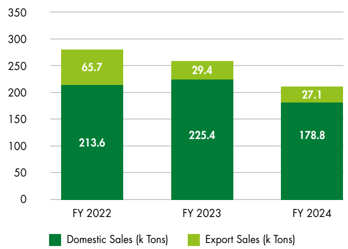
Illovo Sugar Malawi Plc continues to make an important contribution to Malawi's economy. Despite facing external challenges such as flooding the company has been able to provide economic opportunities for its employees, growers, and other stakeholders in the value chain particularly supporting Malawi's rural communities.

In alignment with its sustainability agenda, Illovo Sugar Malawi promotes vibrant and diverse ways of working that enhance community prosperity. The company's efforts are also in line with Malawi's 2063 agenda, focusing on the pillars of industrialization, agricultural productivity, and commercialization. In the 2024 financial year, Illovo Sugar Malawi made significant progress in advancing these goals.

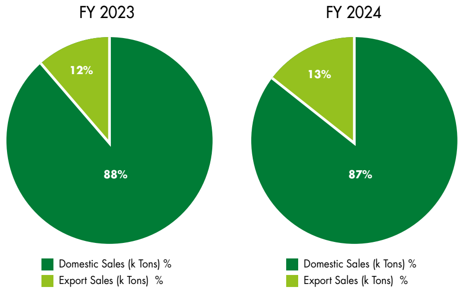


COMMERCIAL HIGHLIGHTS

Sales Volumes by Market



Sales by Market



PROVIDING NUTRITIOUS AND AFFORDABLE SOLUTIONS

Affordability

In a market like Malawi, where household incomes are low, it is important to make sure that sugar is both affordable and available. Illovo Malawi, therefore, strategically prices its sugar to ensure that it can be accessed by households across different geographic locations and income levels. To make sugar more accessible, the company regularly assesses its distribution methods to find ways to reach less populated and impoverished areas. For instance, in the 2023 financial year the company introduced a smaller 90g pack size to make sugar more affordable for low-income households.

Nutrition

Illovo Malawi prioritizes both affordability and nutritional value in its products, aiming to improve diet and public health. A significant part of this commitment is the fortification of sugar with Vitamin A to combat micronutrient malnutrition, especially in children.

In Malawi, micronutrient deficiency is a severe public health issue, particularly affecting children and pregnant women. Micronutrients, including Vitamin A, are essential for the body's production of enzymes, hormones, and other substances crucial for growth and development. Without these, the body cannot function properly. A National Micronutrient Survey confirmed sugar as a suitable vehicle for fortification due to its widespread use and ease of distribution[1].

VITAMIN A WAWONJEZEREDWA

IMPORTANCE OF VITAMIN A

Immune System Support: Prevents stunting, underweight, and wasting.

Eye Health: Prevents eye damage.

Infection Recovery: Reduces severity of infections like measles and diarrhoea, speeding up recovery.

Epithelial Tissue Maintenance: Forms a protective layer around organs, including the eyes.

MALNUTRITION INDICATORS

Children under 5 :

- Stunting (too short for age)
- Underweight (too thin for age)
- Wasting (too thin for height)

Repeated Infections:

- Acute respiratory infections
- Diarrhoea
- Malaria

CAUSES OF MALNUTRITION[3]

FOOD INSECURITY

LACK OF SAFE DRINKING WATER

POOR SANITATION

POOR HYGIENE

VITAMIN A FORTIFICATION - JOURNEY SO FAR

K 8.8 billion INVESTED IN THE FORTIFICATION PROGRAMME SINCE 2014

178 821 Tonnes TONNES OF FORTIFIED SUGAR SOLD IN FY 2023/24.

For more information on Vitamin A fortification visit www.makingsenseofsugar.com. Making Sense of Sugar is ABF Sugar's global platform for providing access to information based on robust science and helping to find collaborative solutions to health challenges as part of its commitment to thriving and healthy communities.

References:

1. www.nsomalawi.mw National Micronutrient Survey 2009
2. National Multisector Nutrition Policy 2018-2022
3. https://www.who.int/features/qa/malnutrition/en/
4. www.nsomalawi.mw MDHS 2015/16, page 156-167
5. The Malawi Growth and Development Strategy (MGDS) III, page 195

Capturing Market Opportunities through our Route to Consumer

We have continued to refine our route to market, keeping our customers' needs at the forefront. Our tailored routes to market are now less reliant on third parties, allowing us to connect more directly with consumers. This approach has enabled us to minimize price variations across different regions, and strengthen our relationships with distributors and stockists.

This year we continued to expand our geographic footprint by opening additional container depots in strategic locations and significantly scaling up our secondary distribution. This combination of improved delivery and an expanded footprint has transformed our market penetration, ensuring easier and more reliable access to our products, especially in rural areas.

Our commitment to refining our processes remains strong. We aim to foster closer and stronger relationships with our customers, improve the availability of sugar in the domestic market, and grow both volume and value for our stakeholders. To continue these efforts, we have added 44 more container depots.

OUR COMMITMENT TO QUALITY

Illovo Sugar (Malawi) plc 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, the sites 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 an approach that targets assurance and control for product quality and food safety, regular auditing and reviews, education, training, and investment.

We continue to drive the Quality Way to deliver 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.

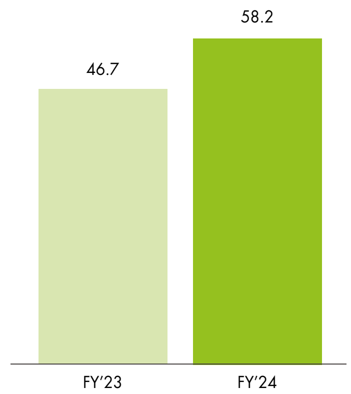
ECONOMIC IMPACT

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

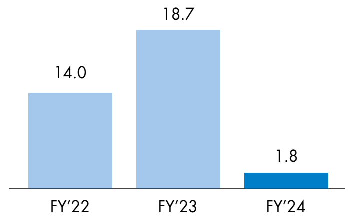
The company provides direct, indirect, and induced impacts. Direct impacts include the employment of workers on Illovo Malawi's farms and factories, as well as the company's tax payments, interest spending, shareholder dividends, investments, and other financial contributions. Indirect impacts in the value chain include the large number of independent growers from whom Illovo Sugar Malawi procures its cane. These growers deliver their cane to Illovo's mills through cane supply agreements and are paid for their produce.

Aside from the indirect impacts, there are also induced impacts. Induced impacts refer to the economic effects resulting from the spending by both direct and indirect employees. This spending leads to increased consumption and employment in other sectors of the economy. Additionally, Illovo Sugar Malawi's induced impacts include the employment opportunities created in the rural economy as an indirect result of the company's value chain, such as the establishment of Small to Medium-sized (SME) service providers, who are also rural employers.

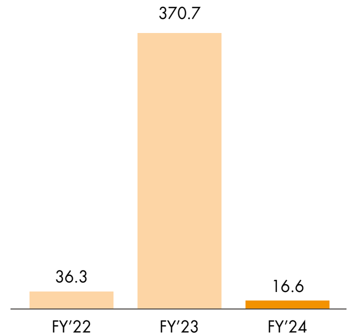
Economic Impact Highlights



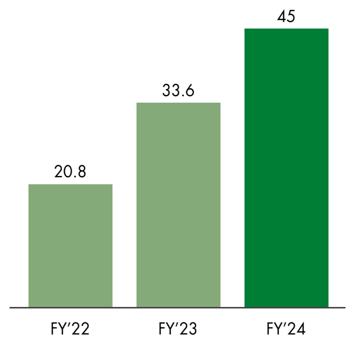
Taxes Paid (K Billions)



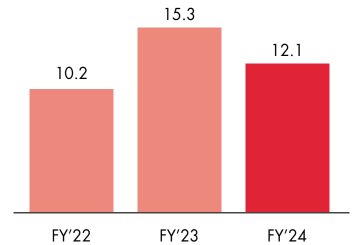
Dividends Paid (K Billions)



Interest Cover (Times)



Payments to Growers (K Billions)



Incentives to Distributors (K Billions)

Our aim is to engage with all our employees and share our Safety Journey with everyone and ensure that Safety is everyone's business.

Value and Quality-Driven Industry

Illovo Sugar Malawi plc 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 this expertise 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, prioritizing their safety, health, and wellbeing. We are dedicated to fostering a diverse and inclusive work environment, where everyone can thrive. Furthermore, we are deeply committed to reducing plastic waste and minimizing our supply chain's environmental footprint. We make it a priority to address issues such as water usage and CO_2 emissions throughout our entire supply chain. 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 recognize that our employees' skills, capabilities, and dedication are the foundational elements that drive innovation and foster sustainable growth.

Our Approach to Safety

To ensure Illovo Sugar Malawi plc is a safe place to work we have put in place measures such as safety hazards identification, safe work procedures, safety engagements (PTO, coaching, awareness, training). These will ensure that every employee adheres to our safety standards and behave consistently safely. Our aim is to engage with all our employees and share our Safety Journey with everyone and ensure that Safety is everyone's business.

By making safety a priority we strive to achieve:

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

Our Safety Performance this Year

In September 2023, we initiated several strategic actions as part of the ABF Sugar Safety Journey. These actions focus on enhancing behavioural safety and competence, integrating a comprehensive safety management system, and managing fatal risks, among other initiatives. Our ultimate vision is to create a safe environment for both work and living.

Fatalities, Lost Time Injury Frequency Rate's (LTIFR) and Incidents

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

Metric (Nchalo)	2023	2024
Employee LTIFR (per 1 million hours)	0.14	0.28
Contractor LTIFR (per 1 million hours)	0.25	0.66
Employee Fatalities	1	1
Contractor Fatalities	0	1
Metric (Dwangwa)	**2023**	**2024**
Employee LTIFR (per 1 million hours)	0.17	0.18
Contractor LTIFR (per 1 million hours)	0.15	0.13
Employee Fatalities	0	0
Contractor Fatalities	0	0

Safety Milestones

Current Safety Enhancements	
Leadership	Conducting task observations and coaching sessions.
Gemba Walks	Each department completes at least four Gemba walks; Heads of Department (HODs) conduct weekly walks.
Near Miss Reporting	All employees report at least one near miss, with tracked actions.
Audit Action Plans	Tracking closure of findings from various external audits (Legal Compliance, ABF Sugar Level 2 Assurance, ERM, MRG, NOSA Gap Assessment, NOSA Audit, Group Risk Audit, ExploLabs Hazardous Areas Audit).
Contractor Management	New standards introduced to enhance contractor safety.
Cognitive Task Analysis	Engaging a service provider to build safety and technical competency skills.
Safety Leadership Training	Focus on developing safety leadership competencies.
Near-Miss Reporting System	Launched in March 2024 to improve risk perception and proactively manage risks.

Key Safety Training Highlights and Investement in Safety Training

In FY24, our company demonstrated a strong commitment to safety and quality through comprehensive training programs and proactive leadership initiatives.

6 384 PEOPLE TRAINED
C3 AND BELOW 6 091
FLM AND ABOVE 293

TOTAL INVESTMENT
MK478 MILLION

TOTAL SAFETY AND QUALITY INTERVENTIONS
26 (NCHALO)
26 (DWANGWA)

The safety and quality interventions at Illovo Sugar Malawi cover a broad spectrum of areas including air quality monitoring, fire safety, water management, chemical handling, communicable diseases, emission sustainability, first aid, hazard identification and risk assessment, high voltage operations, and various aspects of quality and food safety. Additional focus areas include safety commitment, rescue operations, waste management, and comprehensive risk assessment.

Leadership commitment

The company's commitment to safety is further demonstrated by the Managing Director and leadership team through routine Gemba walks across all sites. During these walks, employees are encouraged to speak up about any safety concerns, which are then promptly addressed.

Health, Water and Sanitation

In FY24, our company has prioritized the health and well-being of our employees through initiatives aimed at improving hygiene and sanitation in our field operations. Below are the key highlights of our initiatives:

Mobile Toilets: mobile toilets have been procured for Dwangwa.

Water Provision: To ensure the well-being of our field workers, we provide water bowsers and issue drinking water bottles to all employees. Water taps are clearly marked to distinguish between raw and drinking water.

Shade for Field Workers: While we do not currently provide permanent shade structures, where possible we provide gazebos and tents for resting places and assembly points.

Hygiene and Sanitation Awareness: We conduct SHERQ and Public Health awareness programs, which include the use of signs in toilets to promote hygiene and sanitation. These topics are also transimitted through our drama groups and mobile public address systems, especially during outbreaks of diseases.

Additional Initiatives:

- Provision of soap to chemical handlers.
- Availability of changerooms.
- Periodic medical checkups for employees.

Quality Assurance and Customer query resolution

In FY24, our company has maintained a strong focus on quality assurance and timely customer query resolutions. Below are the key highlights:

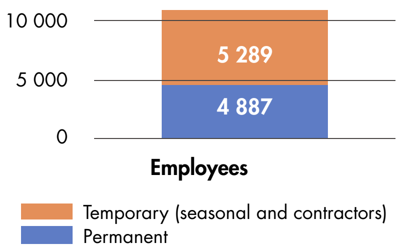
Metric	Details
Number of Complaints Received	7 total (Dwangwa:3 & Nchalo:4)
Consumer Complaints	1 (Nchalo)
Customer Complaints	6 (Dwangwa:3 & Nchalo:3)
Number of Complaints Resolved	6 resolved
Number of Complaints Still Under Investigation	Dwangwa: 1 Nchalo: 0
Regulator Findings	Dwangwa: 0
	Nchalo:1 (resolved)

EMPLOYEE WELLBEING

In FY24, Illovo Sugar Malawi has demonstrated a strong commitment to the overall well-being of our employees. We are dedicated to the physical safety and overall well-being of our employees, including their health, financial, mental, and general well-being. Our comprehensive initiatives ensure that support is available when and where it is needed, fostering a safe and healthy work environment.

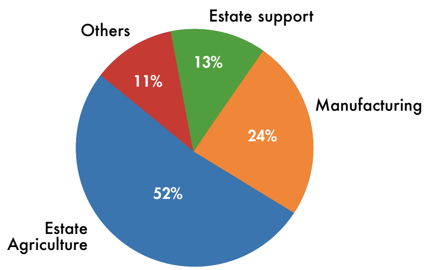
HEADCOUNT BY CONTRACT TYPE FY 2024

10 176

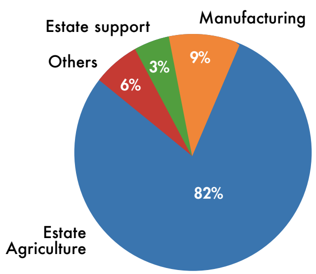


Workforce Composition

Permanent Employees



Temporary Employees (seasonal and contractors)



Employee Contract and Headcount Overview

Category	Details
Contract Types	Seasonal, Permanent, Fixed-Term
Collective Bargaining	6 638 employees
Total Headcount	10 176
Headcount by Contract Type	4 887 permanent; 5 289 temporary.
Headcount by Gender	1 630 female; 8 546 male.
Permanent Employee Turnover	433 leavers (8.8% of permanent workforce)
Workforce Reduction	Decreased by 281 in FY24 (3% reduction) due to retirements, dismissals, resignations, and other terminations

Medical Services

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.

Category	Nchalo	Dwangwa
Clinics	5	3
Beds	36	36
Medical Staff	1 doctor, 11 nurses, 3 clinical technicians/officers, 6 medical assistants, 29 support staff	1 doctor, 15 nurses, 3 clinical technicians/officers, 2 medical assistants, 41 support staff

In addition to general healthcare services, the clinics also offer:

- **Lung Functionality Tests:** For employees exposed to dust and fumes
- **Hearing Tests:** For employees exposed to excessive noise
- **HIV testing and treatment**
- **Malaria testing and treatment**

Medical Aid	Details	Coverage
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.	Junior to Executive Management	80%
	Non-Managerial Positions	100%

Reward Structure Reviews

This year, Illovo reviewed reward structures, with the lowest paid employees now earning **K910/hr, more than twice the government minimum wage**. This update clarified progression rates across grades, enhancing our reward proposition in line with the cost of living.

Educational Assistance

This Employee Value Proposition provided **102 employees with educational loans** totalling K102 million, while 12 employees received full sponsorships amounting to K54 million.

Employee Engagement

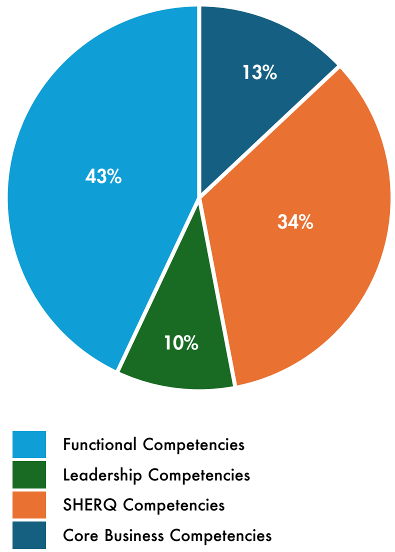
Illovo fosters a respectful and transparent workplace, conducting briefings on **Sexual Harassment** and **Speak Up** policies to reinforce a safe and supportive environment. The Speak Up initiative encourages open communication, allowing employees to report issues confidentially.

EMPLOYEE LEARNING AND DEVELOPMENT

At Illovo Sugar Malawi, we are committed to fostering a culture of continuous learning and development. In FY24, we focused extensively on enhancing the skills and competencies of our workforce to ensure they are well-equipped to meet the demands of our dynamic industry. Our comprehensive learning and development programs are designed to support multi-skilling initiatives, technical training, and leadership development, ensuring that our employees can grow both personally and professionally.

Learning Participants by Competency Areas

In FY24, ISM focused extensively on learning and development, with 31 167 learning participants across competency areas.



To support multi-skilling initiatives, many employees participated in technical training through partnerships with various Community Skill Development Centres. Employees from Dwangwa are registered with the Technical, Entrepreneurial, and Vocational Education and Training (TEVET) Authority in Malawi across trades such as Electrical, General Fitting, and Welding & Fabrication, while employees from Nchalo completed a basic engineering course. TEVET is a regulatory body that promotes and facilitates quality technical, entrepreneurial, and vocational education and training to enhance employability and support socio-economic development.

ESG Spotlight

Employee accommodation and living standards at Illovo sugar estates

Our estates are located in rural and remote areas and necessitate that we provide accommodation for many employees and their families. Each site has a comprehensive plan to continuously invest in its accommodation infrastructure. In 2024, Illovo Sugar Malawi reviewed housing and living conditions across its estates in Malawi. This review was part of a group wide effort that led to the creation of the ABF Sugar Housing and Living Standards Programme, which aims to ensure decent and safe living conditions for employees. Each site team developed updated minimum standards covering occupancy levels, number of rooms per household, and amenities such as washing and cooking facilities.

Programme Streams:

1. **Immediate Actions:** Addressing outstanding maintenance and repairs. As of 2023/24, renovations to approximately 150 houses at the Nchalo estate in Malawi have been completed.
2. **Minimum Standards Compliance:** Ensuring all entry-level estate houses meet updated minimum standards by 2029. Target 1 122 in Nchalo and 950 in Dwangwa.
3. **Future Housing Options:** Investigating housing options for employees both on and off the estate to support evolving workforce needs and expectations.

Technical Training Participants

ISM provided internships to 300 students from local colleges and universities, demonstrating their commitment to developing local talent. The learning and development program utilized 80% of its allocated budget, with safety training comprising 60% of the efforts. New system implementations, such as SAP S4HANA and Success Factors, were also significant parts of the training.

Institution	Participants
Lilongwe, Salima, and Nkhotakota Community Skill Development Centres	2 000
TEVETA Electrical, General Fitting, and Welding & Fabrication (Dwangwa)	265
Basic Engineering course (Nchalo)	158
Other TEVETA Courses	121
	23 exams passed
	98 preparing for foundational exams
ONLINE LEARNING LinkedIn and AB Sugar Campus:	Total hours 1 500 hours **Topics covered:** Change Management, Corporate Finance, Engineering, Leadership

Talent Development at Illovo

In FY24, Illovo made significant strides in strengthening its talent pipeline through a variety of structured programs. These initiatives were designed to foster personalized growth, technical proficiency, and leadership development among employees.

The Career Development Program facilitated personalized growth for employees, while the Artisan Development Program provided technical training for artisans. The Managers-In-Training (MIT) Program prepared emerging leaders through mentorship and structured learning. This is complemented by mentorship and coaching programmes as well as the group Leadership Development Programme (GLDP) which included cultural immersion in Tanzania and training in high-level strategic competencies. Lastly, selected managers also attended masterclasses on topics such as Sustainable Finance and Strategic Excellence in Manufacturing through the Toyota Wessels Institute for Manufacturing (TWIMS). In addition Illovo's technical partnerships with institutions like Lilongwe, Comboni, and Soche Technical Colleges enabled multi-skilling, training 2 310 employees under MOUs to support versatile operator skill sets.

Over-leaf is a detailed overview of the key programs and metrics that highlight Illovo's commitment to talent development.

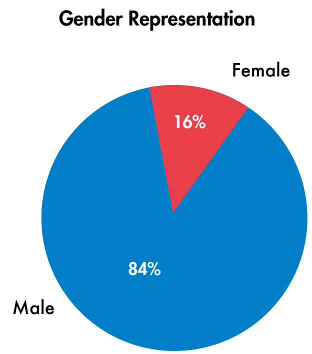
Talent Development Metric	Value
MIT Program Trainees	28 trainees
Target Succession Ratio	1:3 for critical roles
Mentorship and Coaching Engagement	27 employees
GLDP Participants	5 senior managers
TWIMS Participants	9 managers
Employees Trained via Technical Partnerships	2 310 employees

Note: GLDP – Group Leadership Development Programme
TWIMS – Toyota Wessels Institute for Manufacturing

DIVERSITY, EQUITY, INCLUSION, AND BELONGING (DEIB)

Our business believes that in order to thrive, we must create an environment that ensures diversity, equity, inclusion, and belonging (DEIB). By leveraging our people, we can ensure continued positive business performance, innovation, and the ability to attract and retain talent. This year, we focused primarily on women and women empowerment.

Workforce Representation



In the 2024 financial year, women represented 16% (1 630) of the workforce.

Women Empowerment Initiatives:

- **Illovo Women in Leadership (I WIL):** This program inspired young female students through career talks and mentorship. It also launched a three-month menstrual cup pilot project, receiving positive feedback from participants.
- **Mentorship:** Female leaders participated in workshops on mentorship, including 360-degree feedback, with commitments to mentoring peers and securing personal mentors.
- **360 Degree Assessments:** Completed for all female senior leaders, with each leader being assigned a mentor and a mentee. This initiative supports women's professional growth by providing comprehensive feedback, fostering leadership skills, and creating a supportive network through mentorship.

OUR OPERATIONS

Water

Illovo Sugar Malawi recognizes the critical importance of water for its crop growing activity and factory operations, making water management a key focus area. This year, the company has focused its activities in two main areas: improving the accuracy of water measurement and investing in irrigation efficiency to ensure every drop of water can reach the crop.

In 2024, Dwangwa decreased water abstraction from 73 835 987 cm^3 to 70 309 192 cm^3 representing a 5% drop in water abstraction. The decrease is understood to have been a result of flooding as irrigation started late in the fields that required positive pumping and continuous flow from Dwangwa River into the Estate in Nyamvuu 2. There are efforts to reduce water consumption by phased lining of the main canal, starting with 700 meters from Lakeshore Pump Station 1 to Lakeshore Pump Station 2 that will arrest the conveyance losses. Furthermore, there is the conversion project from furrow to other irrigation systems, Mikongwe 210 ha furrow to pivot irrigation system being the onset, whose capital has already been approved. Nchalo has increased water abstraction by 26.8% compared to the previous year, primarily due to the lack of water for irrigation in 2023. The 2023 season was notably dry while in contrast, the higher lake water levels in 2024 made more water available to meet current irrigation requirements.

The company is committed to optimizing water use and investing in improved irrigation systems across its estates. To reduce water consumption, it focuses on three key areas: reducing bulk water losses, minimizing infield water losses, and improving irrigation schedules. Each site has an action plan to enhance outcomes in reducing water loss, increasing water productivity, and fostering sustainable water use expertise.

To improve water efficiency and deliver more water to crops, the company continues to invest in Smart Water Irrigation Systems (SWIM). Water productivity is prioritized through irrigation scheduling, metering, and in-field technologies. Additionally, the company promotes sustainable water management by launching training sessions and workshops on irrigation scheduling. The plan includes converting non-performing dragline systems (65% efficient) to subsurface drip systems (95% efficient).

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. We have successfully achieved 100% recyclability of plastic used in our packaging, but understand that the recyclability of such plastics is dependent on the collection and subsequent recycling of this post consumer waste.

Moreover, we are making more use of muti-trip 1-tonne bags thereby reducing the number of new bags required. Once these bags are no longer fit for purpose, most of them are repurposed into tarpaulins and used during sugar distribution.

Furthermore, we have taken significant steps towards sustainability by employing reusable PP bags for 90% of prepack secondary packaging baler bags, with the remaining 10% being made from recyclable LDPE plastic. Additionally, ABF Sugar have a number of workstreams to explore more sustainable packaging solutions.

WATER

Illovo Sugar Malawi recognizes the critical importance of water for its crop growing activity and factory operations, making water management a key focus area.

In line with this initiative, Illovo Sugar Malawi have established contracts with plastic recycling companies to collect and recycle plastic from our Mills, which is then used to manufacture products such as roof sheeting.

Value Chain Impact through Local Procurement spends.

Illlovo 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 2023/24, a significant amount of K176.91 billion was allocated to local suppliers.

In addition, the company also spent K45 billion on cane from growers which is a 33.93% increase from previous financial year. These payments have contributed to the sustainability of domestic employment and economic activity.

ESG Spotlight

Managing our Emissions through Science Based Targets

At Illovo Sugar Malawi, we know climate change impacts us, whether it's changing weather patterns and extreme events, or having access to resources such as water, we are all affected in some way. That's why, Illovo Sugar Malawi, as part of ABF Sugar, has become one of the first agribusinesses organisations in Malawi to have validated decarbonisation targets with the SBTi.

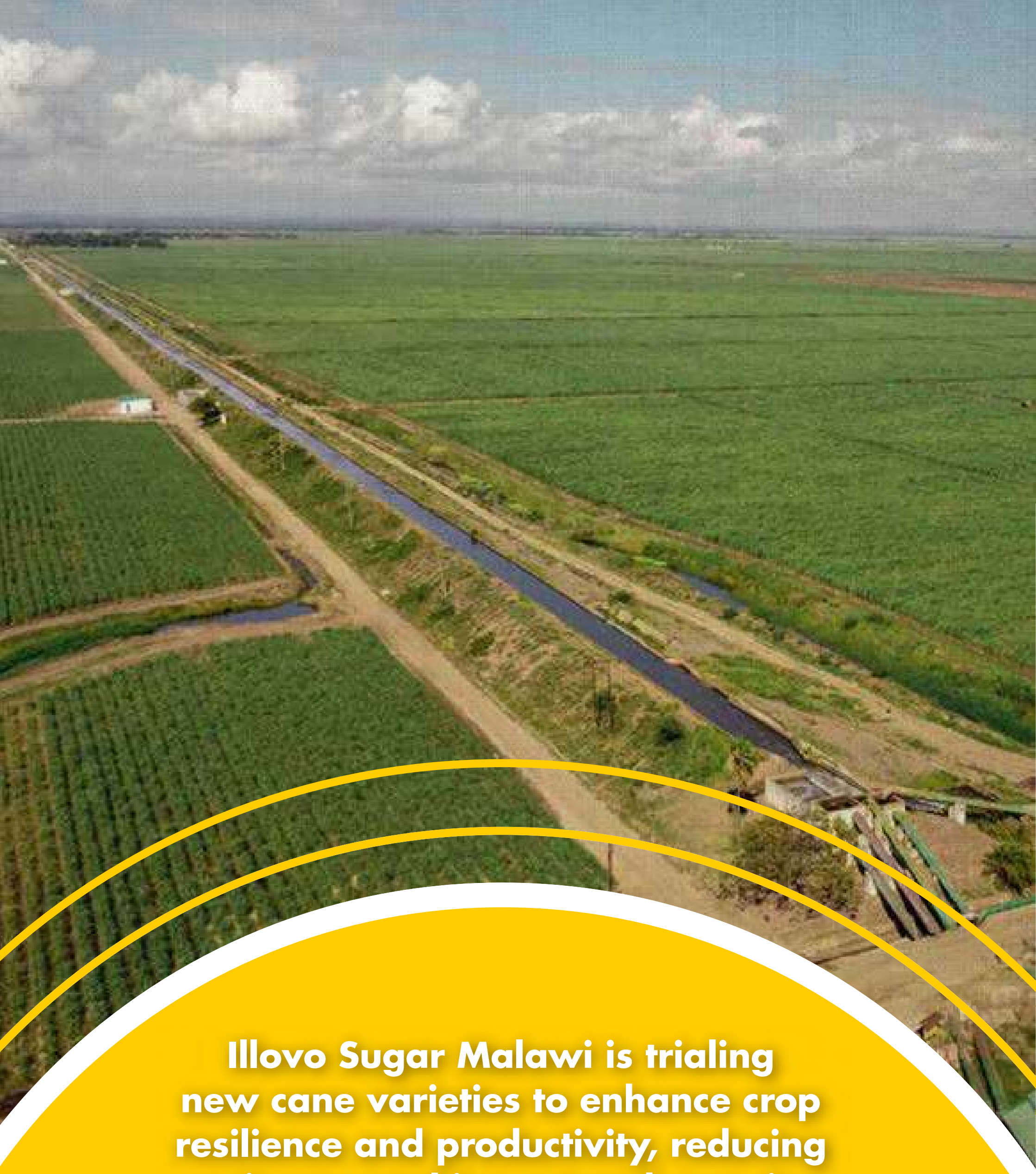
The Science Based Targets initiative is a partnership between Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI), and Worldwide Fund for Nature (WWF). The SBTi is widely considered the recognised methodology for credible corporate decarbonisation, helping businesses to understand how much and how quickly they must reduce their emissions in order to align with the Paris Agreement and a "1.5 degree world". It is a trusted and transparent way to demonstrate commitment to meaningful change.

In 2018 ABF Sugar launched the 2030 Commitments as part of our Global Minds Local Champions Sustainability framework. Our group wide aspiration to reduce our carbon footprint (Scope 1 and 2) by 30% was well received by our key stakeholders and was aligned with thinking, at the time, on the climate science. Today we are transforming our 2030 commitment to a science-based target, under the SBTI. This means we will be following the latest science, have targets that will help us articulate our progress in reducing carbon at the factory, in the field and on the move. These targets enable us to demonstrate the role we play in tackling climate change and innovating for future success.

Our Science Based Targets initiative (SBTi) validation is a significant milestone in our journey towards a more sustainable future.

To find out more about ABF Sugar's commitments visit ABF Sugar | World leading sugar business | Science Based Targets Initiative.

You can find out more about the Science Based Targets initiative by viewing the following resources Companies taking action - Science Based Targets Initiative



Illovo Sugar Malawi is trialing new cane varieties to enhance crop resilience and productivity, reducing environmental impact and ensuring consistent production despite climate variability

Sustainable Agriculture

By responsibly and sustainably utilizing local agricultural resources, Illovo Sugar Malawi addresses several environmental risks while creating opportunities for stakeholders.

APPROACH TO CO_2 REDUCTIONS

The company recognizes the high carbon footprint from fossil fuel use in agricultural machinery and transportation and is implementing precision agriculture techniques to optimize machinery use and reduce fuel consumption, thereby lowering GHG emissions. This not only mitigates climate change impacts but also reduces operational costs.

WATER MANAGEMENT

Illovo Sugar Malawi is committed to reducing its water across the entire supply chain by 30% by 2030. To enhance water resilience, the company is converting 4 700 hectares of land to drip irrigation, which will improve water usage efficiency, reduce energy consumption, and lower water requirements per tonne of sugar cane. This initiative addresses water scarcity and pollution risks while promoting sustainable water management practices.

BIODIVERSITY AND ECOSYSTEMS

Engagement in Sustainable Agriculture Initiatives

The company is actively engaged in the Sustainable Agriculture Initiative (SAI) and the SAI Regenerative Agriculture Platform, focusing on sustainable and regenerative farming practices. By collaborating with growers and research institutions like the South African Sugarcane Research Institute (SASRI), Illovo Sugar Malawi is trialing new cane varieties to enhance crop resilience and productivity, reducing environmental impact and ensuring consistent production despite climate variability.

Optimizing Fertilizer and Pesticide Use

Illovo Sugar Malawi is also addressing the risks associated with fertilizer and pesticide use by optimizing their application to reduce runoff and water pollution. The company is investing in research to develop eco-friendly fertilizers and pesticides, and implementing integrated pest management (IPM) to minimize chemical use and protect biodiversity. These efforts help maintain soil health, reduce environmental degradation, and support pollinator populations, which are crucial for crop yields.

Establishment of Protected Areas

In Illovo Sugar Malawi, both Dwangwa and Nchalo estates have established protected areas that are home to a variety of flora and fauna. The Dwangwa Estate encompasses 13 forest reserves, contributing to a total forest area of 782.2 hectares. There are 23 varieties of flora species, which also include 4 natural tree species across the estate that have been planted in the past five years, enhancing biodiversity and sustainability.

Kasasa Forest Protection and Re-establishment Strategies

The Kasasa forest reserve in Dwangwa supports diverse wildlife. The estate has put in place forest protection measures and re-establishment strategies to protect and sustain the forest reserves. These include measures such as a ban on hunting animals across the estate, establishment of forest fire breaks, annual re-afforestation projects led by the agronomy team, as well as formalized protection through forest guarding by Garda World security officers.

Nyala Park Conservation Efforts

In Nchalo, Nyala Park is about 350 hectares and is home to 8 species of animals, namely giraffe, nyala, zebra, waterbucks, bushbucks, impala, bushpigs, velvet monkeys, and a number of birds. It is also home to 50 different varieties of flora species. Additionally, both sites have donated a total of 22,000 tree seedlings to nearby communities.

GROWER RELATIONS

In terms of grower relations, Illovo Sugar Malawi is committed to promoting sustainable practices through training and workshops, ensuring access to essential resources, and facilitating connections with Fairtrade markets. This not only supports the economic development of rural communities but also aligns with international sustainability standards, enhancing the company's market position and reputation.

ESG Spotlight

Pilot with University of Cape Town to improve soil diversity

In collaboration with experts from the University of Cape Town, Illovo is conducting research on soil biodiversity in order to improve sugarcane yields in its Southern African supply chains and establish more sustainable agricultural practices.

The project aims to educate the local teams about the benefits of increased soil biodiversity and to develop protocols for on-farm teams to monitor soil biodiversity over time as more regenerative practices are adopted and modified according to local conditions.

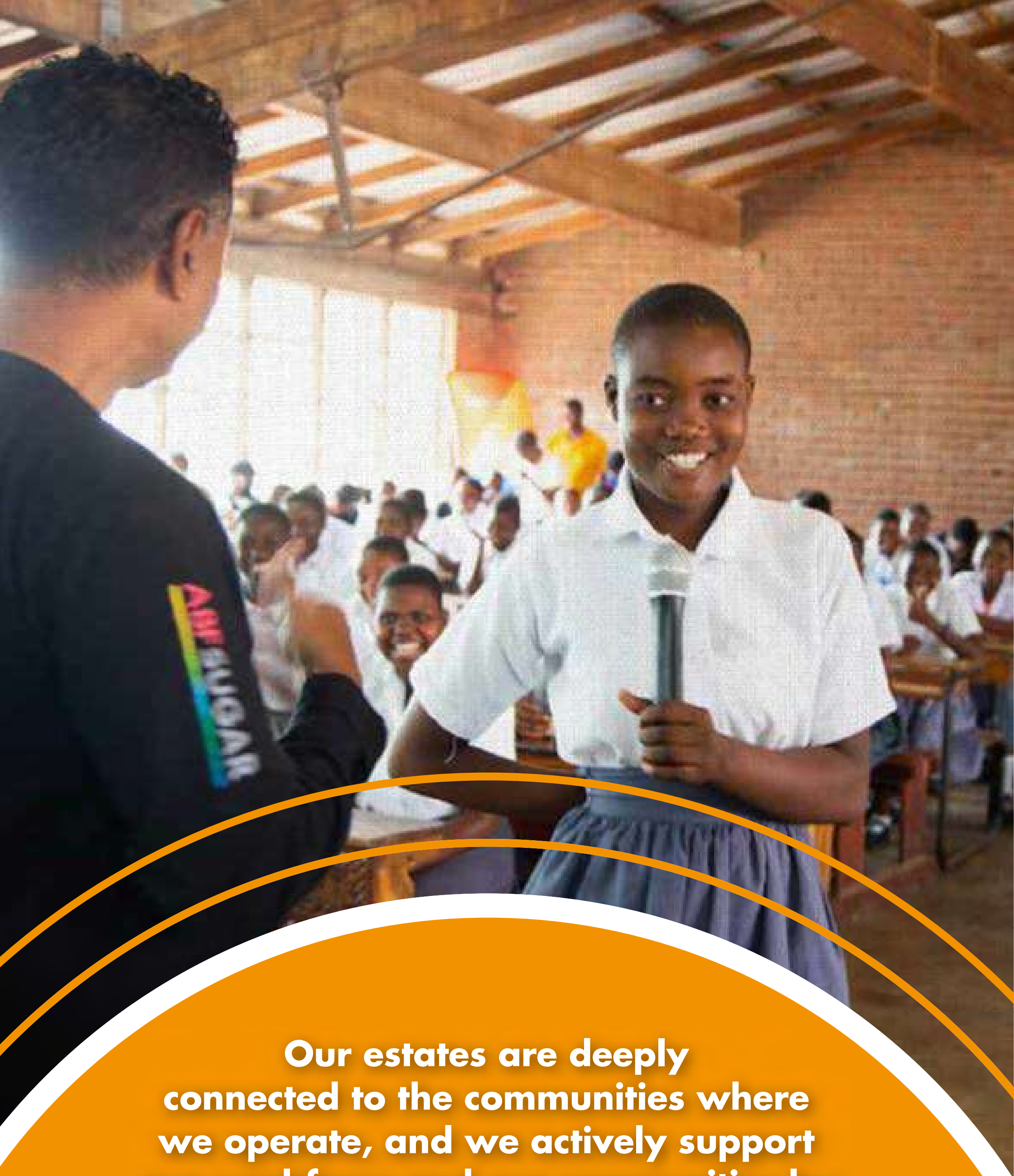
Soil biodiversity plays a crucial role in agroecosystems, particularly in litter decomposition, nutrient cycling, and pest regulation. Initially, the project will employ a range of tools, including taxonomic, molecular, ecological, and stable isotope tools, to assess soil biodiversity in sugarcane fields subject to different management (such as conventional versus regenerative agriculture) and harvesting (green cane versus field burning) practices.

The primary objective is to evaluate soil fauna density and diversity in fields under various management, ultimately contributing to the development of a rapid assessment for long-term monitoring of soil biological quality in sugarcane fields. Additionally, the project aims to study soil food webs under different sugarcane management practices, shedding light on the diversity of decomposers and predator-prey relationships in soil under sugarcane cultivation and guiding efforts to promote natural predators.

Overall, this project will contribute to deepen ABF Sugar understanding of the composition and resilience of soil biodiversity in sugarcane cropping systems while providing insights into how to improve soil biological quality.

To date, the project has collected nearly 1,000 samples from sugarcane fields at Nakambala (Zambia Sugar), Nchalo (Illovo Sugar Malawi), and Ubombo (Ubombo Sugar Limited, Eswatini).

Looking ahead, Illovo will adopt the protocols recommended by this research to measure soil health in its fields with the aim of encouraging and accelerating the adoption of these practices across its operations.



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

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, Illovo Sugar Malawi is 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.

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

Human Rights Within Our Operations

Human rights and modern slavery are a material issue within our operations and supply chain. 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 company recognises that its long-term success relies on upholding the respect and dignity of its workforce, supply chain workers and other stakeholders. This is why we aim to ensure that 'Decent Work' conditions – as defined by the International Labour Organization which inlcudes, paying fair wages, providing safe working conditions, promoting dignity and equality, are respected.

Illovo Sugar Malawi is guided by the ABF Sugar group standards and policies on Human rights related issues. ABF Sugar has started a new review of its businesses' supply chain and operations related activities. This assessment, guided by the risk-based approach recommended by the UN Guiding Principles (UNGPs) and OECD Guidelines, revealed several opportunities for improvement. As a first step, ABF Sugar is working at a divisional level to support its businesses to address these findings, including by developing a Human Rights Policy and Due Diligence Framework. ABF Sugar is also working at a divisional level to support its businesses to address these findings, including by developing a Human

Rights Policy and Due Diligence Framework which will further guide Illovo Sugar Malawi operations.

Illovo has implemented a Code of Conduct and Business Ethics. All policies and Codes are reviewed, and communicated with the approval of ABF Sugar Executive Committee. It is the responsibility of each ABF Sugar business to comply with these policies and Codes.

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.

Training is an important part of our approach. The business trains staff and grower partners on key issues such as child labour, forced labour and safety. This includes online training for all head office staff every three years, training for all new starters, and in-person training.

Supporting our communities

Illovo recognises that its sugar estates are a key part of the communities where it operates, and this is reflected in its activities to support those communities, such as providing clinics, schools and local services to support its workforce, and in some cases their communities and surrounding neighbours.

This year, Illovo invested in several community support projects across its operational areas. These initiatives focussed on providing access to potable water, offering natural disaster relief, improving healthcare, advancing education, and developing infrastructure. The company invests in numerous corporate responsibility activities. In FY 2023/24 the company invested a total of K2.13 billion in various projects that benefitted the communities.

EDUCATION
K 292.6 million

HEALTH
K 62.8 million

INFRASTRUCTURE
K 527.4 million

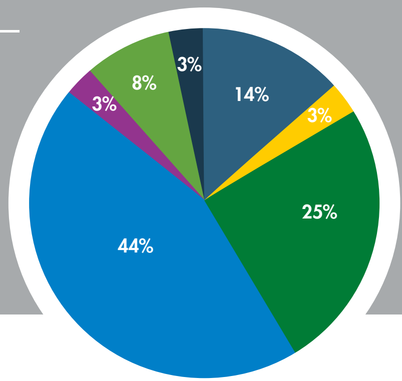
NATURAL DISASTER
K 943.1 million

POTABLE WATER
K 57.8 million

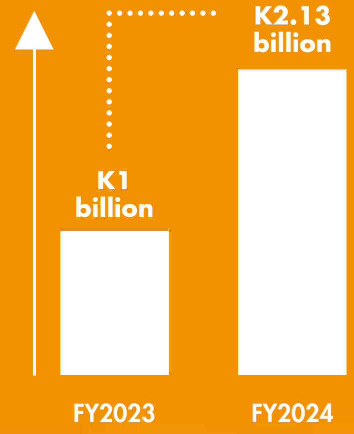
ENTERPRISE DEVELOPMENT
K 179.5 million

OTHER
K 68.8 million

TOTAL SPEND **K 2.13 billion**



113.2%
increase in stakeholder investment



ESG Spotlight

Emergency Relief

Dwangwa 2024 Flood Response

From 28th February to 1st March, 2024, Nkhotakota District experienced severe flash floods due to heavy rains, affecting over 2,430 households, including 1,387 in Senior Chief Kanyenda's community. More than 10,000 people were displaced, losing their homes. In collaboration with the District Commissioner for Nkhotakota, the Department of Disaster and Management Affairs, and Red Cross International, Illovo Dwangwa provided essential relief items and support to the flood victims.

The initiative addressed the immediate humanitarian crisis by offering emergency food, shelter, and medical support, helping stabilize the affected community and prevent further socioeconomic decline. Strong partnerships ensured a coordinated and comprehensive response, resulting in the distribution of 4,000 bags of 50kg maize flour, provision of shelter to over 2,000 people, medical support to over 10,000 individuals, logistics support for transporting food and supplies, transportation of flood victims to designated shelters, medical services at Matiki Clinic, and distribution of oral cholera vaccines and water guards to prevent diarrheal diseases.

These efforts align with the Malawi 2063 agenda by enhancing community resilience to natural disasters, improving quality of life, ensuring food security, and supporting national goals such as disaster preparedness, health improvement, and social cohesion.

Illovo's Commitment to Education

Nourishing Minds

Mary's Meals is currently providing meals to 1,081,959 learners across 1,054 schools in Malawi, achieving an overall attendance rate of 92.9% and an average feeding rate of 91.7%. Illovo Sugar Malawi is funding meal programmes at four primary schools through Mary's Meals in the Chikwawa district. The schools are Chimbiya, Mwanza, Namicheni, and Nambesa.

The initiative addresses food insecurity among school children in Malawi, which impacts their health, education, and overall well-being. By providing daily meals, the initiative helps improve school attendance, concentration, and academic performance, thereby contributing to the long-term socio-economic development of the community. Strong partnerships with Mary's Meals, local schools, and community leaders ensure a coordinated and comprehensive approach to addressing food insecurity in schools.

These efforts align with the Malawi 2063 agenda by promoting food security, improving education outcomes, and enhancing the quality of life for children, supporting national goals such as improving education, reducing hunger, and fostering social cohesion.

Malawi University of Science and Technology (MUST) Endowment fund

Under the Illovo Women in Leadership Initiative (IWIL), Illovo Sugar Malawi Plc presented a K250 million cheque to the Malawi University of Science and Technology (MUST) on April 12, 2024, as part of its ongoing sponsorship of the university's Endowment Fund. This initiative began in 2021 with an initial contribution of K150 million. To date, Illovo has contributed a total of K400 million to the Endowment Fund, which is currently providing financial support towards school fees and upkeep for 400 students in need.

The initiative addresses the issue of limited access to higher education for female students in Malawi, which impacts both community development and business operations by limiting the pool of educated and skilled women in the workforce. By providing financial support to female students, the initiative helps to break the cycle of poverty and promotes gender equality in education and the workforce. Strong grassroots partnerships with MUST and other stakeholders in the education sector ensure a coordinated and comprehensive approach to addressing this issue.

These efforts align with the Malawi 2063 agenda by improving STEM subject participation and enrolment, promoting gender equality, and enhancing the quality of life through education, supporting national goals such as food self-sufficiency and entrepreneur development.

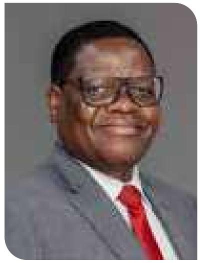
Corporate Information

Secretary	M S Kachingwe
Business address and registered office	Illovo Sugar Malawi, Churchill Road, Limbe, Malawi
Postal address	Private Bag 580, Limbe, Malawi
Telephone	+265 111 843 988
Fax	+265 111 840 13
E-mail address	illovomalawi@illovo.co.za
Website address	www.illovosugar.com
Transfer secretaries	Standard Bank Plc (Malawi) Transfer Secretaries Transaction Banking, Kaomba Centre, Corner Sir Glyn Jones Road and Victoria Avenue, Blantyre, Malawi
Telephone	+265 (0)1 820 144
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

Chairman | *FCCA , CA, Certified PPP Specialist*



Mr Jimmy Lipunga was appointed as a Director of Illovo Sugar Malawi on 19 August 2021.

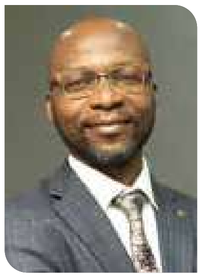
Mr Jimmy Lipunga is a Chartered Accountant with over thirty five years post qualification experience. He presently operates a consulting firm known as La Vita Nuova Limited which focuses on executive leadership, corporate strategies, corporate governance, business restructuring and valuations.

Jimmy is also a Public Private Partnership Specialist with over twenty years of hands on experience in structuring and implementing PPP transactions. He was in fact the first Chief Executive Officer of the Public Private Partnership Commission and served in this role from 2006 to September 2019 when he decided to take early retirement from public service. He 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 (2015-17).

Presently Jimmy is also the Chairman of the National Bank of Malawi, the largest commercial bank in Malawi listed on the Malawi Stock Exchange. He has served on several other high-profile boards including Old Mutual Malawi, Old Mutual Life Assurance Malawi (Chairman), Reserve Bank of Malawi, Malawi Revenue Authority, Competition and Fair Trading Commission, Malawi Airlines Limited, Lafarge Malawi Limited, Sunbird Tourism, MPICO Limited and Power Market Limited.

L L Katandula

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



Lekani joined Illovo Sugar Malawi in August 2015 as Finance 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. He also served as President of the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) until April 2024. 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 and he is member of the Monetary Policy Committee (MPC) of the Reserve Bank of Malawi.

K Msimuko

Finance Director | 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 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).

G Kabango

Non-Executive Director | 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.

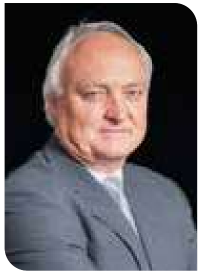
During his career in the Reserve Bank of Malawi, he contributed to the various stages of macroeconomic and development policy formulation and implementation, through research and technical analyses of economic information pertaining to price and financial stability.

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.

The Board (continued)

A Lubbe

Non-Executive Director | B.Com (Marketing) Bus Admin (Hons)

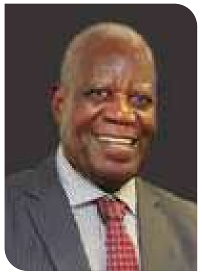


Andre was appointed to the board of Illovo Sugar Malawi in February 2020. He holds an Honours Degree from the University of Stellenbosch (SA) in Business Administration and first joined Illovo Sugar Africa in January 2017 as Group Commercial Director, a position he still holds. Prior to joining Illovo 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: ABF Sugar (Pty) Ltd, Kilombero Sugar Company Limited, Illovo Distillers (Tanzania) Limited, Zambia Sugar Plc, Illovo Sugar Africa Holdings Limited and Czarnikow Limited.

Andre is also a member of the Illovo Sugar Africa Advisory Panel.

A R Mpungwe

Non-Executive Director | BA(Hons), PGD International Law and Diplomacy, SMP, LCP



Ami was appointed to the Illovo Sugar Malawi Board in June 2006. 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. Apart from overseeing his own investments in infrastructure development; real estate, shipping, mining services and DTH media, Ami is also a director of a number of other companies and advisory boards in Tanzania and around the region.

A M Malata

Non-Executive Director | PhD, MSc, BSc, FAAN

Professor Address Mauakowa Malata was appointed to the Illovo Sugar Malawi Board in August 2022. She holds the position of Vice-Chancellor at the Malawi University of Science and Technology, and is the first woman to hold a position of Vice Chancellor of Public University in Malawi; She also had the NYU Rory Meyers College of Nursing Courtesy Appointment, October 2023. Former Vice President of 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 Organization Collaborating Centre for Inter Professional Education and Leadership in 2016. A recipient of the 2024 University of California San Francisco (UCSF) award and appointed as a distinguished visiting professor in the UCSF Department of Epidemiology and Biostatistics

She has spearheaded the Development and implementation of various Undergraduate and Postgraduate programmes 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; 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. Professor Address Malata is the receipient of the Consumer Choice award; most Inspiring Female Corporate Leader of the Year 2024 in Malawi" under the "Corporate and Business category".

The Board (continued)

L Nkunika

Non-Executive Director | MBA Marketing, BSoc

Levie Emmanuel Nkunika was appointed to the Illovo Sugar Malawi Plc board as a non-executive director on 28th August 2024.

Levie is an experienced marketing, sales and business development professional with over 23 years management and leadership experience drawn from Malawi and the United Kingdom. He holds a Master of Business Administration in Strategic Marketing from the East London Business School (University of East London), a Bachelor of Social Science Degree (University of Malawi), post-graduate certificates: Financial Analysis and Management Accounting from London School of Economics and Political Science; Digital Marketing from the University of Cape Town, Artificial Intelligence Driven Marketing from the University of Northwestern(USA), Green Finance Certificate from Frankfurt School of Finance and Management and attended the Executive Leadership Development Program at University of Stellenbosch Business School.

Currently, Levie works as a Group Head of Marketing and Communication for FDH Financial Holdings Limited (FDH Bank Plc, FDH Money Bureau Limited, FDH Properties Limited and the First Discount House Limited) for the past 6 years. His previous roles include Group Sales and Marketing Manager for Sunbird Hotels and Resorts, Group Sales and Services Manager and Senior Brands Marketing Manager for Carlsberg Malawi Limited (Carlsberg Malawi Brewery, Southern Bottlers and Malawi Distilleries Limited), Lecturer for Malvern House International in London and Consultant in strategy development and planning both in private and public sectors including consultancy assignments for United Nations agencies.

Levie has a solid track record in financial services, fast moving consumer goods (FMCGs), airline, hospitality, and media industries; and leading and managing global brands such as Carlsberg and Coca Cola. He brings a wealth of experience in strategic analysis and strategy development, brand development and positioning, new product development, market development, digital transformation, customer experience and customer journey mapping, route-to-market(RTM) and commercial excellence projects, culture journeys, ESGs and sustainability, public relations and stakeholder engagement among others.

K Ntambo-Banda

Human Resources Director | BSoc, BA(Psych), MA(HRM), CTP, FCIPD

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 fellow 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. She is currently pursuing an MBA In Sustainability from the University of Hertfordshire.

A Venters

Non-Executive Director | BComm, H Dip Acc, CA (SA)

Amanda Venters was appointed to the Illovo Sugar Malawi Plc board as a non-executive director on 29th February 2024. She is currently ABF Sugar Group Interim Chief Financial Officer, a role she has held since 20 September 2023.

Mandy was born and educated in Zimbabwe before attending Rhodes University where she gained her Bachelor of Commerce and Post graduate diploma in Accounting and then completed her articles with Arthur Andersen & Co in South Africa where she qualified as a Chartered Accountant.

As a dual British/Zimbabwean national she moved to London and gained extensive experience in senior finance roles across a range of global multinational listed and privately owned companies, starting with 4 years at The Northwest Division of The Coca-Cola Company in both accounting and FP&A roles and subsequently spending 11 years at Pepsico as Finance Director (Europe) before specialising in interim work with an interest in Transformation taking roles such as Interim Group CFO at Pentland Brands, Interim Finance Director at Hearst Magazines and prior to joining ABF Sugar in the United Kingdom, 2 ½ years as interim Group Finance Director for The Co-Operative Group in the UK. During her career Mandy has worked in countries across Europe, Middle East, Far East, USA and Africa as well as managing finance teams operating across large territories within Fast Moving Consumer Goods (FMCG), retail and media sectors. She has experience supporting acquisitions, disposals and organic growth while improving efficiency and financial controls including designing and executing significant transformation programs.

In addition to her paid roles, Mandy is an active member of various voluntary committees including being Chairman and Treasurer of the award-winning charity 'Live Life Give Life' for the last 16 years, being a member (and for 6 years vice-Chairman) of the Imperial College Healthcare Trust Medical Ethics Committee as well as being co-opted onto the Ethics committee of the British Transplant Society for 7 years and has also studied Medical Ethics and the Law at the University of Edinburgh.

Key Management Personnel

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

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

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

M Kachingwe
Company Secretary, Legal Council and Head of Corporate Affairs
LLB(Hons), MBA

N Msowoya
Export Manager Refined and Speciality Sugar
BBA, Post Grad Dip Marketing (CIM), MBA

C Munthali
Business Improvement Head
BSc(Chem)

R Pillay
General Manager Nchalo Estate
BCom, NDIPP, CIMMA

M Njowoka
Supply Chain Head
BBA

M Debwe
General Manager Dwangwa Estate
BSc(Chem), BSc(Hon)(Chem), Dip Mgt

N Musyani Chipeta
Commercial Head
BSc Social Science, Post Grad Dipl Marketing (CIM), MA Marketing & Media

Directorate Attendance

Attendance at board and committee meetings during the year ended 31 August 2024

DIRECTOR	Board Meeting		Audit Committee Meeting		Risk Committee Meeting		Remuneration / Nomination Committee Meeting		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B
K Ntambo – Banda	4	4	N/A	N/A	N/A	N/A	3	3	1	1
G Dalgleish	4	3	2	1	2	2	3	2	1	0
L Katandula	4	4	2	2	2	2	3	3	1	1
A Lubbe	4	4	N/A	N/A	2	2	N/A	N/A	1	1
A Mpungwe	4	3	N/A	N/A	2	1	3	2	1	1
K Msimuko	4	4	2	2	2	2	N/A	N/A	1	1
R Savjani	4	3	N/A	N/A	2	2	N/A	N/A	1	1
J Lipunga	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
G Kabango	4	4	2	1	N/A	N/A	N/A	N/A	1	1
V Chanza – Santhe	4	2	2	2	2	1	N/A	N/A	1	0
A Malata	4	3	N/A	N/A	N/A	N/A	3	3	1	0
M Venters	4	3	2	1	N/A	N/A	N/A	N/A	1	1
L Nkunika	1	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0

Column A indicates the number of meetings held during the year.

Column B indicates the number of meetings attended by the Director.

N/A signifies that the Director was not a member of the Committee.

V Chanza – Santhe left the board in February 2024.

R Savjani left the board in June 2024.

M Venters joined the board in February 2024.

L Nkunika joined the board in August 2024.

Chairman's Report

JIMMY KAJANIKE LIPUNGA
CHAIRMAN

Illovo Sugar Malawi has a robust strategy guided by its Vision to be a sustainable, resilient, consumer and customer centric performance focused business that consistently delivers value for all stakeholders.

Economic Overview

In terms of the global economy the International Monetary Fund (IMF) in its October 2024 edition predicted that global growth was expected to remain stable yet underwhelming. At 3.2 percent in 2024 and 2025, the growth projection was virtually unchanged from those in both the July 2024 *World Economic Outlook Update* and the April 2024 *World Economic Outlook*. Global growth was expected to be stable yet underwhelming. However, the IMF noted that revisions had taken place beneath the surface since April 2024 with upgrades to the forecast for the United States offsetting downgrades to those for other advanced economies, in particular, the largest European countries. Likewise, in emerging market and developing economies, disruptions to production and shipping of commodities especially oil, conflicts, civil unrest, and extreme weather events had led to downward revisions to the outlook for the Middle East and Central Asia and that for sub-Saharan Africa. The report noted that risks to the global outlook are tilted to the downside amid elevated policy uncertainty.

Locally the economy has sailed through both endogenous and exogenous shocks that resulted in slow growth, high inflation, and unsustainable debt levels. These shocks exacerbated fiscal pressures from low revenue and high expenditure demands. Economic performance slowed down in 2023 to 1.5 percent from an earlier estimate of 1.9 percent. The slowdown was due to several factors, including foreign exchange shortages, which disrupted the supply of strategic commodities, including fuel and fertilizer.

Inflation continued to negatively affect the disposable incomes of Malawians, as was evidenced by the continued increase in prices of commodities. In FY 2023, annual average inflation stood at 27.1 percent and increased to 32.4 percent in FY 2024. The high inflation was mainly attributed to an increase in food prices. As of August 2023, food inflation was 39.4 percent compared to 42 percent in the month of August 2024.

The Government of Malawi secured a four (4) year Extended Credit Facility (ECF) arrangement from the International Monetary

Fund (IMF) amounting to US$175 million. The first tranche of US$35 million was disbursed immediately upon approval in November 2023. Unfortunately, the expectation that this would lead to an improvement in the forex situation hardly materialised and the business had to rely on commercial banks for its forex needs invariably at high premiums. Due to production challenges on the back of the two cyclones, Ana and Freddy, further exacerbated by the floods in Dwangwa in February 2024, the business was unable to export adequate volumes of sugar to enable it to earn its own forex.

As part of its Corporate Social Responsibility and commitment to building a Thriving Malawi Community, the group provided shelter and material support to victims of the February 2024 floods in communities near Dwangwa Estate. Additionally, the group donated classrooms, administration blocks, furniture, and desks to Majiga Community Day Secondary School and Kaongozi Primary School in Nkhotakota. Nchalo Estate distributed maize flour to nearby communities to alleviate hunger caused by El Niño. Sanitary supplies were also distributed to various schools under the Rise for Girls program, aimed at mitigating the drop out rate for girls due to period poverty. The Group undertook a housing rehabilitation program for entry-level staff, upgrading over 100 houses, building 30 houses, and rehabilitating 1,255 houses and 145 toilets. These efforts are part of the Thriving Malawi Community initiative, which aims to improve the livelihoods of employees, surrounding communities, and other stakeholders.

Strategy

Illovo Sugar Malawi has a robust strategy guided by its Vision to be a sustainable, resilient, consumer and customer centric performance focused business that consistently delivers value for all stakeholders. The key focus areas are Safety, restoring cane supply to fill our factories, and making sure that we execute our strategic projects. Customers and consumers drive our business choices. We evaluate and align the strategy with a focus on values, people and behaviours, and profit growth and business performance controls.

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 country. Apart from providing food, specifically sugar which in most countries where we operate is an important part of the daily diet, Illovo Sugar Malawi 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's commitment to government's initiative to address micronutrient malnutrition, particularly in children, Illovo fortifies all its domestic consumption sugar with Vitamin A. (See details on page 15)

Stakeholder Engagement & Creating Shared Value

During the year, we maintained good relations with our stakeholders especially our shareholders, employees, the Union, Government agencies, regulators, Communities, Growers, customers and consumers, the media, suppliers and others. We are mindful that our business's sustainability to a large extent depends on our ability to maintain good relations with our stakeholders. Good relationships with our stakeholders are essential for the groups ability to successfully meet its business strategic goals as stakeholders hold the key to the business and social environment in which the business operates. We also invested management time in trade advocacy especially on issues of industry regulation. It was important for management to engage with the Ministry of Trade in order to gain understanding on the sustainability of supply in the domestic market when the business faced supply challenges in March 2024 and also to articulate the challenges the business continues to face in an environment where illegal exports is one of the main challenges to business survival.

Share Price Of Illovo Sugar (Malawi) Plc

The share price for the company at the beginning of the financial year was at K1 121.42 with a market capitalisation of K800.07 billion At the close of the year, the share price had jumped to K1 355.11 while the market capitalisation had appreciated to K966.796 billion representing capital gains of K166.73 billion. This movement in share price is supported by the continuing financial performance improvements. It is our intention to continue creating long term value for our shareholders as we grow together.

Dividends

Given the business performance for the year ending August 31, 2024, the Directors are pleased to declare a dividend of K5.00 per share which will be presented to shareholders for approval at the AGM and will be paid in March 2025. As the board did not declare an interim dividend due to the challenges the business was facing, the total dividend for the year is K5.00 per share, compared to the previous year's total dividend of K29.20 per share.

The Board

During the year Ravi Savjani and Gavin Dalgleish resigned from the board in June and August 2024 respectively and the board will miss both gentlemen for their exceptional contribution to the Illovo business. Ravi has a combination of rare skills that Illovo was privileged to benefit from. Ravi has qualifications and experience in economics, finance and private equity. He has a sharp and inquisitive mind and took his board responsibilities very seriously. He is a strong advocate of Corporate Governance and ethical business practices, always ensuring that transparency and accountability are maintained in the business.

Gavin has been a tremendously important Illovo executive over many years and also an inspirational leader. As Paul Kenward CEO, ABF Sugar wrote, "Gavin's biggest legacy are the people across Illovo as he was instrumental in attracting a galaxy of talent to the business and was dedicated to developing Illovo's people. The business will miss Gavin's breadth of experience in technical, operational, business development, and commercial roles which he filled with such distinction. Gavin ably steered the business through some major strategic and organisational changes and major investments including the Kilombero

Distillery, the Pietermaritzburg warehouse and the Zambia Sugar refinery expansion and most recently the IT Business Enablement Program and migration to SAP across the group as well as the most significant investment to date, the Tanzania expansion project which is set to double production.

Gavin was a champion of social development and community support through creating shared value, and passionately believed in contributing to Thriving African Communities. Gavin also cared for people's welfare as well as their safety. He will be remembered for the way he led the business during COVID-19 in 2020. He led the business with extreme empathy, ensuring people's safety was prioritised. Gavin always said that his mission was to leave the business in a better state than he found it and to ensure stability for the next generation, he undoubtedly achieved his mission, and this is the legacy that Gavin proudly left for the business.

On behalf of the board, I wish to express the board's sincere gratitude for Ravi and Gavin's years of dedicated service leadership and invaluable contributions. They both played a significant role in providing strategic guidance and oversight to the business. We wish them both all the best in their future endeavours and will no doubt build upon the strong foundation they helped to establish.

The Board welcomed Amanda Venters, Levie Nkunika and Craig Jensen who were appointed to the Illovo Sugar Malawi Plc Board during the year to fill casual vacancies as non-executive directors. We look forward to working with Mandy and Levie on the board.

Outlook

The environment continues to be challenging for our consumers and customers with rising inflation up to 33.9% in August 2024, at the close of our financial year and the government facing a debt crisis . Other challenges are the continued scarcity of foreign exchange with manufacturers struggling to secure vital inputs for production and the volatile exchange rate. The government's push to promote railway infrastructure for fuel importation is anticipated to improve efficiency in supply of fuel and reduce operational costs. Despite these challenges the business is confident in the strength and robustness of our strategy, and the group remains committed to advancing key milestones in its Tiwale journey such as agricultural recovery and yield improvement programs, factory optimization, commercial enhancements, Performance Improvement Plans and staff development to build resilience against these external shocks. The group is actively pursuing investment in irrigation infrastructure at Nchalo under the Shire Valley Transformation Project, which is expected to support sustainable agricultural performance. Additionally, investments are being made in climate resilience initiatives to minimize the impact of future adverse weather conditions. The recovery programs are progressing well, and the group anticipates improved plant performance and better agricultural yields in the coming periods. With these interventions, we are positioned to deliver continuous improvement in profitability going forward. However we will not be able to deliver on these initiatives and the desired level of profitability unless we continue to make safety a strategic priority. That is why we have a culture of zero compromise on safety. Our goal is to keep our employees and their families , contractors, and visitors to our sites safe from harm. We prioritise safety leadership in order to drive the right behaviours and the board will continue to play its oversight role to ensure that we fulfil our mandate of making **Illovo A Safe Place To Work And Live.**

On the government side the government has acknowledged that implementing reforms in public expenditure, advancing export strategies, and improving foreign reserves are the key enablers to unlocking the economy. Therefore, the government has undertaken to launch initiatives to boost foreign exchange earnings, including Mega Farms, Labour Export, Carbon Credits Trading, and Cannabis Biomass Projects and focusing on Agriculture, Tourism, and Mining (ATM Strategy) as anchor sectors for economic growth.

Conclusion

I would like to express my sincere gratitude first and foremost to our employees for their unwavering dedication, hard work and passion. Our employees are the driving force behind our achievements and have been the backbone of our business.

The Board also thanks our customers and consumers for putting their trust and confidence in the Illovo 'Trusted Quality Brand'. Our customers are the reason we keep innovating and improving to satisfy their ever- evolving needs. We remain committed to providing them with the quality they have become accustomed to in the pack sizes that meet their needs. We also thank our shareholders for their continued support by investing in the business. Your passion and commitment in the business is demonstrated through your continued interest in our engagements including the Annual General meeting where your active participation propels us to keep innovating. **TOGETHER WE CAN**.

JIMMY KAJANIKE LIPUNGA

CHAIRMAN

Managing Director's Report

Lekani Katandula

Looking at what tools you are using for the job is one of the critical steps to ensure a safe working environment. There is a reason why there is a right tool and an incorrect tool for any particular job. Let's make sure that we use the right tools. *– Safety message from the MD*

Strategy

Illovo Sugar Malawi is a part of the ABF Sugar Division and ultimately ABF plc which is the ultimate holding company. Consequently, our strategy is aligned to the Divisional Strategy although it is localised to market. We collaborate with the Division One Centre Team to set our targets. The One Centre Team also provides governance and value -adding services in the best way possible during the course of delivering the strategy. The ABF Sugar Division strategy has three focus areas; **BE A SAFE PLACE TO WORK**, **GIVE CUSTOMERS WHAT THEY NEED** and **BE AS EFFICIENT AS WE CAN BE**. Drawing inspiration from these focus areas our strategic focus areas are: **BE A SAFE PLACE TO WORK** and **LIVE, EFFICIENCY IMPROVEMENT, MARKET FOCUS** and **DOWNSTREAM VALUE CREATION**.

Over the next five years, our financial focus will be on achieving forex self-sufficiency, project delivery and ensuring financial stability and operational success. In the Commercial space we will continue to offer the right solutions to consumers. For that reason, our strategies will focus on Route to Consumer (RTC) initiatives, trade marketing, and being selective about the markets we serve in light of declining world sugar prices. The Group's Agriculture declining performance has affected sugar output. To improve, we will adopt new farming methods, expand growing areas, upgrade irrigation and drainage systems and revitalize grower schemes while in the factory we will focus on boosting cane supply and optimizing operations to maximize sugar output, aim to fully utilize installed capacity and achieve peak performance. Energy projects have been put on hold until the forex situation improves.

We are mindful of the numerous challenges we face in our efforts to fully deliver our strategy; however, we remain committed to overcoming these obstacles through resilience and adaptability. In addition, the enablers of our strategy – Capability (through People, Process and Plant) and Proactive Advocacy, will support our efforts to execute the plan effectively, helping us overcome any challenges along the way.

Financial Perfomance

For the financial year ending August 31, 2024, the group reported a turnover of K313.7 billion, marking a 15% increase from the previous year's K272.5 billion. This growth reflects the group's resilience and strong market positioning amid challenging economic conditions. However, despite this increase in revenue, the group's Profit Before Tax fell by 46%, from K81.8 billion to K56 billion. This significant decrease was primarily attributed to inflationary pressures and currency devaluation, which drove up costs across the group's operations. A large portion of the group's manufacturing, operational, and agricultural expenses are directly tied to the cost of living and the prices of imported goods, including essential inputs such as chemicals, packaging materials, fertilizers, and spare parts. The escalating costs of these inputs, compounded by inflation and devaluation, placed considerable strain on profitability.

Furthermore, the scarcity of foreign exchange in the market led the group to accumulate substantial foreign currency denominated payables, which, in turn, exposed it to high foreign exchange losses. The currency devaluation affected the settlement rate between the Malawi kwacha and major foreign currencies, significantly increasing the cost of repaying these payables and adversely impacting the profitability of the group. Consequently, the group's Profit After Tax experienced a further decline, dropping by 60% from K56.8 billion to K22.6 billion. This reduction was also influenced by a shift in the tax regime, with the introduction of a 40% tax rate on all taxable profits exceeding K10 billion. This change resulted in a higher effective tax charge for the period, compounding the profit reduction relative to the previous year.

These financial results underscore the considerable macroeconomic challenges faced by the group, including high inflation, currency volatility, and policy changes in the tax landscape. Looking forward, the group remains focused on implementing strategic initiatives to manage costs, mitigate the impact of foreign exchange fluctuations, and adapt to the evolving tax environment, aiming to drive sustainable growth and improve profitability in the years ahead.

Operations

Although Agricultural operations at both estates experienced significantly wet conditions, they demonstrated resilience yielding a reasonably adequate supply of cane to support sugar production. The Dwangwa Estate experienced heavy flooding in February 2024, followed by persistently high lake levels throughout the year. Floodwaters in some of the cane fields resulted in cane lodging, aerial shoots, and muddy cane which impacted cane quality and led to frequent plant downtime and reduced recovery rates. In addition the flooding caused damage to flood protection dykes, roads, drains and irrigation equipment and an accelerated recovery program was put in place in order to mitigate the impact and minimise crop yield losses.

Nchalo Estate's agricultural operations continued with recovery efforts after the

impact of twin cyclones Anna and Gombe, focusing on optimizing fertilizer application, pest control, increasing fallow land, and early replanting initiatives to improve cane growth and age. Both estates were affected by high water levels in Lake Malawi and the Shire River, resulting from above-average rainfall. This raised the water table in some fields leading to compromised cane quality due to high mud content and challenges with milling in the factories. Additionally, theft of cane and irrigation equipment by people from surrounding communities further impacted agricultural performance at Nchalo Estate.

The Group is committed to ongoing efforts to enhance cane quality from both its own operations and grower communities.

Between December 2023 and April 2024, both factories faced challenges in conducting off-crop maintenance due to delays in procuring essential spare parts and contractor services, as the country continued to experience a shortage of foreign currency. Some capital projects had to be put on hold until the forex situation stabilises. Production capacity remained subdued, primarily due to the challenges in processing of muddy cane in Dwangwa, which in turn affected plant reliability and cane supply. Combined sugar output from the mills was 222,190 tons, compared to 264,119 tons in the prior year. Continuous improvement initiatives are underway to optimize operations, maximize sugar output and fully utilize the installed capacity. Energy projects are paused until the forex situation improves.

Despite the various challenges and adverse climatic factors, the group prioritized domestic sugar availability. Although the group briefly ran out of stock in March 2024, sugar sales for the year reached 206,017 tons, compared to 254,881 tons in the previous year. Normal sugar supply resumed in May 2024. Given reduced production and limited forex, the group minimized sugar exports, focusing on the domestic market to ensure the availability of sugar in various formats and sizes. Various initiatives are in place to ensure sustainable supply for both domestic and export markets

and to ensure domestic availability for our customers and in turn increased foreign exchange earnings to support our operational needs and the fiscus as a whole.

During the financial year, the group contributed to the national revenue through tax and other regulatory payments. However, the introduction of the 40% tax band on taxable income above K10 billion was regrettable as it reduced cash availability for operations. The Group also faced cost pressures from the 44% devaluation of the Kwacha in November 2023, which impacted profitability.

Safety and Security

Safety remains the number one priority for the business as well as the whole ABF Sugar Divisions. We have in the past faced safety challenges characterised by the complexity of our environment including a large workforce and limited automation. Encroachment compounds risk management difficulties.

Previously, safety was compliance focused, but we've undergone a significant shift. Our Group CEO, Paul Kenward, has personalized the impact of accidents, emphasizing safety across the business units. We now prioritize self and peer-based safety, involving everyone.

Changing habits and understanding behaviour drivers are key. Our safety strategy includes programs such as Safety Vision & Organization Design, Safe Behaviours & Competence, Governance, KPIs, Audit & Inspection, Integrated Systems, Fatal Risk Management, and improving working and living conditions.

We envision a safer future through community safety fairs, Safety Mentorship Programs, and an Annual Safety Innovations Conference. By fostering a culture of safety, we ensure that it is every employee's responsibility to build a secure environment. The must win goal in the various group strategies is being **A SAFE PLACE TO WORK**. The Illovo Malawi business has expanded on this further by adding **A SAFE PLACE TO WORK AND LIVE** acknowledging that most of our employees and their families not only work for the business but also reside on the estates therefore the responsibility for safety does not end when one leaves the office. The efforts to keep our employees and their families safe have been appreciated by staff with some remarking that safety awareness has significantly improved and is positively impacting their lives.

The business was therefore saddened by the loss of seven female employees from Dwangwa who were involved in a fatal car accident while returning from a Mother's Day event in October 2023 besides other equally distressing fatalities that occurred during the year.

There were increasing levels of theft of sugarcane and irrigation equipment as well as other violent crimes in and around Nchalo Estate during the year. This was generally attributed to below average crop production on account of the combined effects of El Niño-induced drought which occurred before the area had fully recovered from previous flooding caused by cyclone Freddy in 2023. Integrated Food Security Phase Classification (IPC) classified the area as being in a crisis. The IPC highlighted the factors that had led to this situation as being the country's ongoing economic instability, including forex shortages, high commodity prices, and high food inflation leading to high food prices and low purchasing power. To alleviate the food crisis the group intervened by distributing 800 MT of maize flower in Nchalo and Dwangwa targeting the very vulnerable groups.

To safeguard company assets amid a rise in sugarcane theft, Nchalo hired policemen to reinforce its security. This initiative proved effective as gradually cases of theft decreased and the rate of convictions for those arrested increased. The long-term plan is to support the Nchalo Police Station in its efforts to increase the capacity of the police post so that they have capacity to handle the increasing rate of crimes in the area. On the food crisis and until food aid becomes more readily available, the business has committed to allocate some land for growing maize to mitigate the supply gap, continue to support school feeding programs through partnerships such as Mary's Meals, partnering with the Government and other stakeholders to provide ongoing support in the district until the food and security situation is under control and supporting villages with irrigation equipment and technical support so that they can grow their own food throughout the year.

Health & Environment

Malawi continued to experience increased cases of cholera in 2023 since the outbreak in 2022. The World Health Organisation said that the outbreak was the deadliest outbreak of cholera in the country's history. As a business we strongly believe that to realise our purpose of creating a Thriving Malawian Community it is imperative that we also play a part in ensuring the health and wellbeing of the community. This is because for a community to thrive it must be healthy. Secondly, we as Illovo operate our businesses within communities being Limbe, Nchalo and Dwangwa and realise that we are part of the local ecosystem therefore it is in the business's interest to support the communities in their hour of need. Therefore, the business intervened through provision of buckets, chlorine, washing powder, soap tablets, a tent and ablution facilities. This was aligned to the request by the health authorities that the priority was to address hygiene issues.

People

We recognise that our employees are our sweetest assets as they drive our success through their dedication, talent and commitment to the business. Their commitment and passion enable us to achieve our goals and exceed expectations year after year. We therefore prioritise their well – being and their development to show that we care.

During the year we focused on employee learning and development with 31 167 learning participants across the competency areas in Functional Competencies, Leadership Competencies, SHERQ Competencies and Core Business Competencies. To support multi-skilling initiatives, over 2 000 employees participated in technical training through partnerships with technical institutions across the country.

In FY24, Illovo strengthened its talent pipeline through several structured programs in order to attract, retain and nurture talent aligned with our goals. The focus areas were: Career Development , Artisan Development Managers-In-Training (MIT) Program, Mentorship and Coaching, Group Leadership Development Programme (GLDP): and Toyota Wessels Institute for Manufacturing (TWIMS) which provides masterclasses on topics such as Sustainable Finance and Strategic Excellence in Manufacturing.

The business believes that Diversity, Equity, Inclusion and Belonging (DEIB) in the workplace are essential pillars of a thriving environment where all individuals feel valued, respected and empowered. Prioritising DEIB creates a dynamic and collaborative environment which drives growth and success. DEIB also reinforces our commitment to social responsibility and workplace well-being. During the year we rolled out two programmes to reinforce our commitment to DEI.

Illovo Women in Leadership (I WIL): This program inspired young female students through career talks and mentorship. It also launched a three-month menstrual cup pilot project, receiving positive feedback from participants.

Mentorship: Female leaders participated in workshops on mentorship, including 360-degree feedback, with commitments to mentoring peers and securing personal mentors.

In addition, the business fosters a respectful and transparent workplace through employee engagement . During the year we conducted briefings on Sexual Harassment and Speak Up policies to reinforce a safe and supportive environment. The Speak Up initiative encourages open communication, allowing employees to report issues confidentially.

The following leadership changes were implemented throughout the year:

- Steve Cuthbert who was Business Improvement Head retired in January 2024 and was replaced by Chumba Munthali.
- Geoff Trott left his role as General Manager for Nchalo and was replaced by Ricky Pillay
- Maurice Njowoka took over from Ricky Pillay as Supply Chain Head.
- Nita Musyani replaced Maurice Njowoka as the new Commercial Head.
- Lengster Mlenga took over from Jaco Burger as Agriculture Head for Nchalo.
- Simbarashe Mapfumo replaced Lengster Mlenga as Agriculture Head for Dwangwa.
- Dr Albert Mkumbwa replace Stephen de la Harpe as Estate Support Manager for Nchalo.

We are proud to have won the Edward Namboya Financial Management Award - This prestigious recognition was awarded to the finance team for their excellence in financial management and timely reporting during a challenging year of SAP implementation.

New Enterprise Resource Planning System

After a year of dedication, effort, and resilience the bussiness successfully implemented the change of the Enterprise Resource Planning (ERP) system from Tranquility to SAP S4HANA. Though challenging as Malawi was the first country where the system was rolled out however through dedication, teamwork, and commitment to excellence we managed to successfully deliver the project. Now that we have implemented SAP successfully, the next crucial step is embedding it into our everyday work and behaviours to realise its full potential.

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

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.

During the year we spent K2.1 billion in various projects that benefitted the communities in areas such as education, health, infrastructure development, natural disaster interventions, potable water and enterprise development among others. We are extremely proud of our investment in education under the Illovo Women in Leadership Initiative (IWIL) through which the business has donated K400 million to the Malawi University of Science and Technology (MUST) as part of its sponsorship of the university's Endowment Fund. Through our donation the university is providing financial support towards payment of school fees and upkeep for 400 students in need.

Outlook

According to the Reserve Bank of Malawi 2024 and 2025 economic prospects remain optimistic as the economy is expected to grow by 1.9 percent and 4.1 percent, respectively. The projected superior performance is being attributed to large-scale mega-farm output and anticipated high growth in construction, manufacturing, information and communication, and accommodation and food services. That notwithstanding, the group faces some challenges such as increasing inflation (year on year inflation increased to 33.3% in June 2024 and predicted to become hyper-inflationary by the end of 2024), impacting profit and welfare of the population, supply-demand gap in the FX market with demand still outweighing supply, illegal sugar exports as sugar remains more affordable in Malawi relative to Mozambique, Zambia, and Tanzania, impacts and continuing threats of climate change, continued cases of theft and violent crime especially in Nchalo. In addition we have the negative effects of the introduction of the new corporate tax bracket – taxable profits more than MWK 10bn attract 40% tax. This policy shift remains one of our major set backs to growth.

Despite this optimism in the economy we foresee challenging economic conditions and are convinced that the outlook for consumer discretionary spending is likely to remain weak in the short to medium term. Nonetheless, the group is optimistic that our robust financial performance across all metrics will continue, anchored by our solid and agile strategy. We remain committed to providing competitive and high - quality products to our customers and consumers. In addition, the initiatives we have identified in all our operations should sustain the business. The initiatives in agriculture are geared towards improvement in cane harvest to mitigate the impact of yield and sucrose decline. These interventions are for both Grower and own cane and we are confident that Grower supply will improve in the next year through interventions such as working with Growers to rehabilitate redundant schemes. In addition, we are optimistic about the good climatic potential predicted for next year. New Farming Systems and irrigation and drainage upgrades will complement the grower horizontal and vertical expansions.

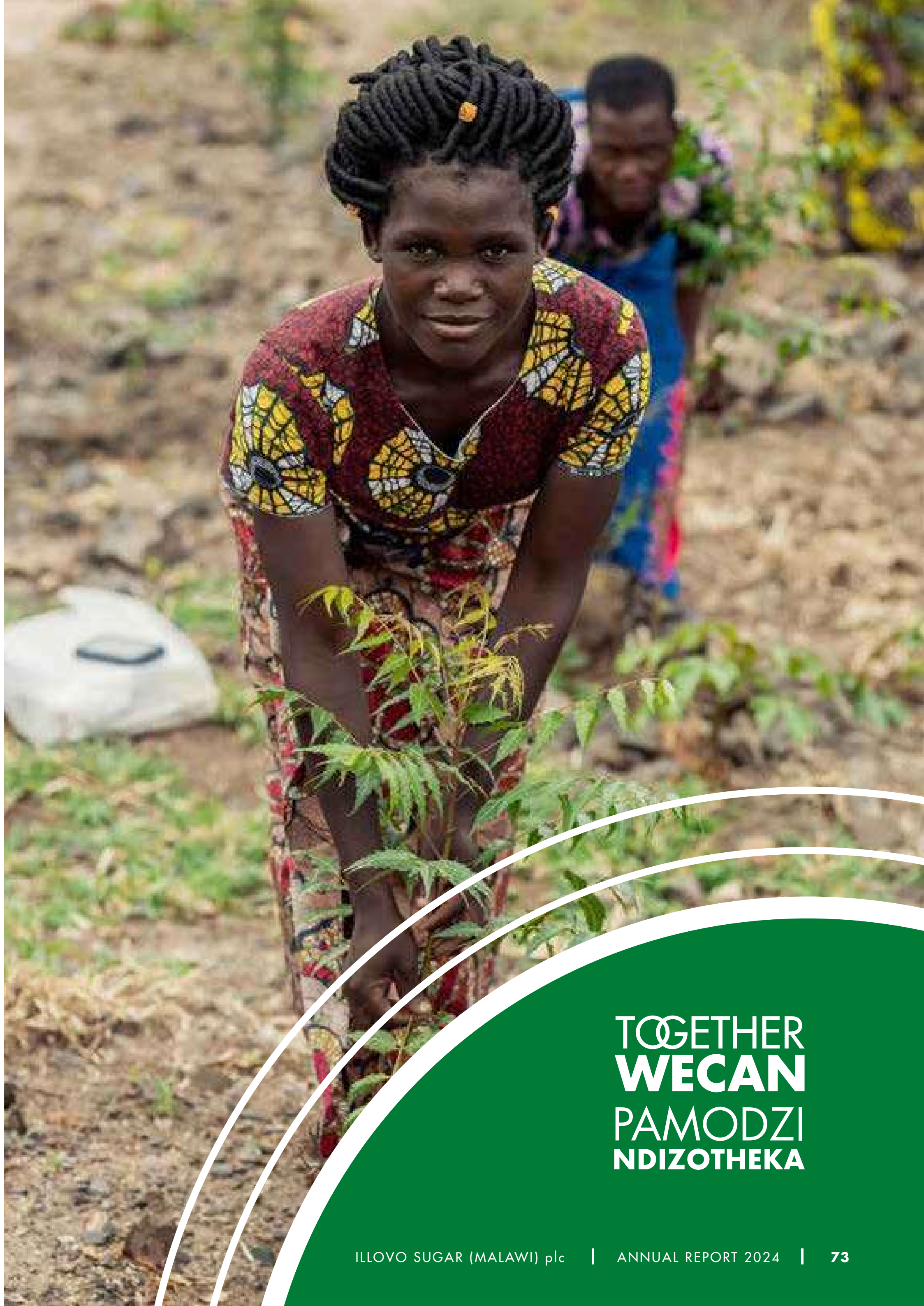
In Factory operations we have lined up interventions for restoring and improving mill performance which will translate to increased throughput due to improved recoveries following implementation of reliability and recoveries projects.

In sugar sales we anticipate a decline in export prices, particularly for bulk sugar sales due to a drop in world sugar market prices. As a result, we will select export markets to prioritise where prices are more favourable. However our primary focus will always be to satisfy the domestic market.

We anticipate a further devaluation of the Kwacha, which is expected to increase costs across several key areas, including fuel, electricity, chemicals, fertilizers, and other essential inputs, all of which are closely tied to the rising cost of living. In response, we remain committed to mitigating these pressures by implementing cost-saving measures through our Tiwale Project. This initiative will focus on enhancing operational efficiencies and identifying sustainable cost-control strategies to help us adapt to economic fluctuations and elevated operating costs, supporting our ongoing efforts to preserve profitability.

LEKANI LESLIE KATANDULA

MANAGING DIRECTOR



Corporate Governance

Compliance / Governance

The Board of Directors is committed to continually ensuring sustainable long-term success and implementation of corporate governance best practices within the company. Through its oversight functions, the board is committed to delivering value to all stakeholders in the company whilst also driving initiatives to realise its potential.

The Company is very intentional at ensuring compliance with applicable laws and regulations in Malawi such as but not limited to the Malawi Stock Exchange Listing Requirements, The Malawi Code II (Code of Best Practice for Corporate Governance in Malawi), The Companies Act of 2013 and any other applicable corporate governance rules promulgated from time to time. As far as it concerns the business of the group the directors have adhered to the 2013 Act, the MSELR and The Code in all material respects for the year ended 31 August 2024.

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 state of affairs 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 supervises the management of the group's business and affairs and is involved in all decisions that are material to the business. In doing so, the board acts at all times in the best interest of the group. The board provides effective leadership and exercises enterprise integrity and judgment in directing the group so as to achieve its Strategic Intent, goals and objectives in a manner based on accountability and responsibility and an ethical foundation. The Board considers the long-term and short-term strategies of the group and monitors the implementation by Management while ensuring the deployment of the relevant personnel for the attainment of these goals.

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 made by written resolutions.

The roles of the Chairman and the Managing Director are separated and the Chairman is a non-executive director. The board has three executive directors and seven non-executive director's four of whom are independent.

No member of the board has unfettered powers of decision making.

Changes to Board Composition

The following changes took place during the year;

V Chanza – Santhe left the board in February 2024 after serving the board since February 2022.

R Savjani left the board in June 2024 after serving the board since May 2018.

M Venters joined the board in February 2024 replacing Doug Ndawambi Kasambala who resigned in July 2023.

L Nkunika joined the board in August 2024 replacing V Chanza - Santhe.

Craig Jensen joined the board in November 2024 replacing G Dalgleish who resigned in August 2024.

The board is the highest governing body in the group with oversight of the strategic goals of the company. The board defines the vision, goals, objectives and strategic priorities of the company, monitors the integrity of financial and internal control policies and management information systems and deploys the relevant personnel for the attainment of these goals. It presents the audited financial statements to the Shareholders and ensures the accuracy and efficiency of the accounting and financial management.

Gender Diversity

The board firmly believes that diversity is essential to the success of the group as it strengthens decision making and enhances the group's ability to respond to the various stakeholders' needs. In this regard three out of the ten members of the board (including the company secretary) are female and the Remuneration and Nominations Committee is chaired by a female. The board will continue to strive to achieve balanced representation of gender, skills, experience and perspectives to contribute to the board's collective strength while being mindful of the challenges and opportunities facing the group.

Appointment to the Board

The Board's Remuneration and Nomination Committee (REMCO) has the primary responsibility for initiating board appointments. New members appointed to the board are selected based on their wealth of experience, relevant leadership skills, and competence amongst others and the minority shareholders are invited to nominate a board member and currently Mr Levie Nkunika has joined the board through this process. Once the board has appointed a board member the process is concluded when the nominees are duly confirmed by Shareholders at the Annual General Meeting.

Induction of New Board Members

The group has in place a robust Induction and Onboarding Programme to familiarize newly appointed directors with their role, duties and responsibilities; the companies business and operations; and the nature of the sugar industry amongst others. The induction program involves all executive members and a tour of the mills.

Board Training

During the year the board attended training in Insider Trading which was facilitated by Dr. Kalekeni Kaphale SC. The purpose of the training was to equip the directors with knowledge and information on Insider Trading so that they know how to prevent it . Insider Trading is the trading of or procuring or counselling others to trade in a public company's shares, stock or other securities based on material non-public information about the group. Being mindful of the responsibilities placed on the board in overseeing the group's ESG strategy in terms of setting the tone from the top as well as well as strategic oversight the board attended a session by Katharine Teague Group ESG Director for ABF Sugar whose objective was to align on ISM's ESG Strategy which is aligned to the ABF approach. The training was informative, interactive, and engaging.

Shareholder Rights

General meetings are important platforms for the board to engage shareholders to facilitate greater understanding of the group's business, governance and performance. This also offers an opportunity to allow shareholders to exercise their rights and responsibilities as members. Shareholders are actively encouraged to participate in general meetings of shareholders and to exercise their voting rights appropriately. The group also provides an appropriate communication channel with its shareholders.

During the year the group held two investor meetings aimed at sharing interim and final results for FY23. The interactions are always cordial and provide a less formal atmosphere for a two way engagement than the Annual General Meeting.

Board Meetings

The Board of Directors held four (4) meetings during the year in November 2023, February 2024, May 2024 and August 2024.

The Committees also held the following meetings:

Remuneration and Nominations Committee (3)

Risk Committee (2)

Audit Committee (2)

Executive management

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 executive team and approved by the board. The executive 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 not less than three (3) members at any time all of whom are non-executive and the chairman of the board is not eligible to be a member of the Committee. The committee meets twice a year, in May and November, 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 Committee consists of at least four non-executive directors, the managing director and the financial director and is chaired by a non-executive director. The committee meets twice a year, in May and November and may from time to time require other persons with the requisite skills and expertise to attend the meetings of the Committee.

A comprehensive risk assessment audit is undertaken twice per annum of factors which could have a material impact on the group results.

As well as financial assessment, other audited areas include agricultural, electrical and mechanical risk, health and safety, quality and food safety, environmental compliance and exposure to changes in the economic environment. The reports are reviewed by the committee to ensure that risk identification, mitigation and management are undertaken. 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.

Nomination/Remuneration committee

The remuneration and nomination committee comprises four non-executive directors. The committee meets three times a year, in November, February and August. 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

The group has an established and well-publicised fraud hotline that enables employees and members of the public to raise evidence of irregular activity directly with an independent entity.

The group has implemented a comprehensive anti-bribery and corruption policy which has been implemented throughout the organisation to all officers and employees as well as contractors 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.

Financial Statements

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.

	2024 K million	2023 K million
Wealth created		
Revenue	313 689	272 457
Income from investments	207	75
Paid to growers for cane purchases	(45 565)	(33 623)
Cane growing and manufacturing costs	(125 726)	(111 374)
	142 605	127 535
Wealth distributed		
To employees as salaries, wages and other benefits	59 246	42 209
To lenders of capital as interest	3 574	221
To shareholders as dividends	13 127	18 721
To the Government as taxation	26 986	15 429
	102 933	76 580
Wealth reinvested		
Retained profits in holding and subsidiary company	9 505	38 037
Depreciation	8 960	6 588
Deferred taxation	21 207	6 330
	39 672	50 955
	142 605	127 535
Analysis of taxes paid to and collected on behalf of the government		
Central and local government		
Current taxation	17 051	8 670
Customs duties, import surcharges and other taxes	9 935	6 759
Total contribution to central and local government	26 986	15 429
The above amount contributed excludes the following:		
- employees taxation deducted from remuneration	8 893	6 368
- net VAT amount collected on behalf of the government	15 658	18 093
- withholding taxes	6 672	6 838
	31 223	31 299
Total contributed to government	58 209	46 728

Review of Five Periods

K million	Year ended 31-Aug -24	Year ended 31-Aug-23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20
Statements of comprehensive income					
Revenue	**313 689**	272 457	186 642	163 259	146 953
Operating profit	**59 326**	81 923	39 505	31 941	8 137
Dividend income	**207**	75	60	71	28
Net finance costs	**(3 574)**	(221)	(1 087)	(2 674)	(3 880)
Profit before taxation	**55 959**	81 777	38 478	29 338	4 285
Net profit for the period	**22 632**	56 758	26 630	20 469	2 739
Headline earnings	**22 632**	56 758	26 630	20 469	2 739
Dividends paid	**(13 127)**	(18 721)	(13 955)	(4 281)	(357)
Statements of financial position					
Shareholders' equity	**148 808**	139 091	100 935	88 171	71 874
Deferred tax	**54 519**	33 144	26 792	21 273	19 059
Malawi government vitamin A grant	**183**	191	198	205	212
Interest-bearing debt	**8 220**	8 151	9 849	13 890	20 313
Total funding	**211 730**	180 577	137 774	123 539	111 458
Property, plant and equipment	**130 068**	87 136	67 989	58 190	55 498
Right of use assets	**7 640**	7 597	8 991	9 458	2 558
Investments	**1 257**	876	739	604	494
Current assets - cash	**49 725**	77 217	15 160	3 922	318
Current assets - other	**208 790**	124 839	104 511	92 351	87 505
Total assets	**397 480**	297 665	197 390	164 525	146 373
Other current liabilities	**(185 750)**	(117 088)	(59 616)	(40 986)	(34 915)
Net assets	**211 730**	180 577	137 774	123 539	111 458

Review of Five Periods (continued)

	Note		Year ended 31-Aug -24	Year ended 31-Aug-23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20
Earnings and dividends							
Basic and diluted earnings per share	1	tambala	**3 172**	7 955	3 733	2 869	384
Headline earnings per share	2	tambala	**3 172**	7 955	3 733	2 869	384
Dividends declared and paid per share		tambala	**1 840**	2624	1 956	600	50
Dividend cover on headline earnings	3	times	**2**	3	2	478	767
Financial statistics							
Return on average shareholders' equity	4	%	**15.7**	47.3	28.2	25.6	3.8
Return on net assets	5	%	**30.2**	51.5	30.2	27.2	7.0
Debt to equity	6	%	**(27.9)**	(49.7)	(5.3)	11.3	25.2
Gearing	7	%	**(38.7)**	(98.6)	(5.6)	10.2	21.8
Interest cover	8	times	**16.6**	370.7	36.3	11.9	2.1
Net asset value per share	9	tambala	**20 858**	19 496	14 148	12 358	10 074

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.

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.

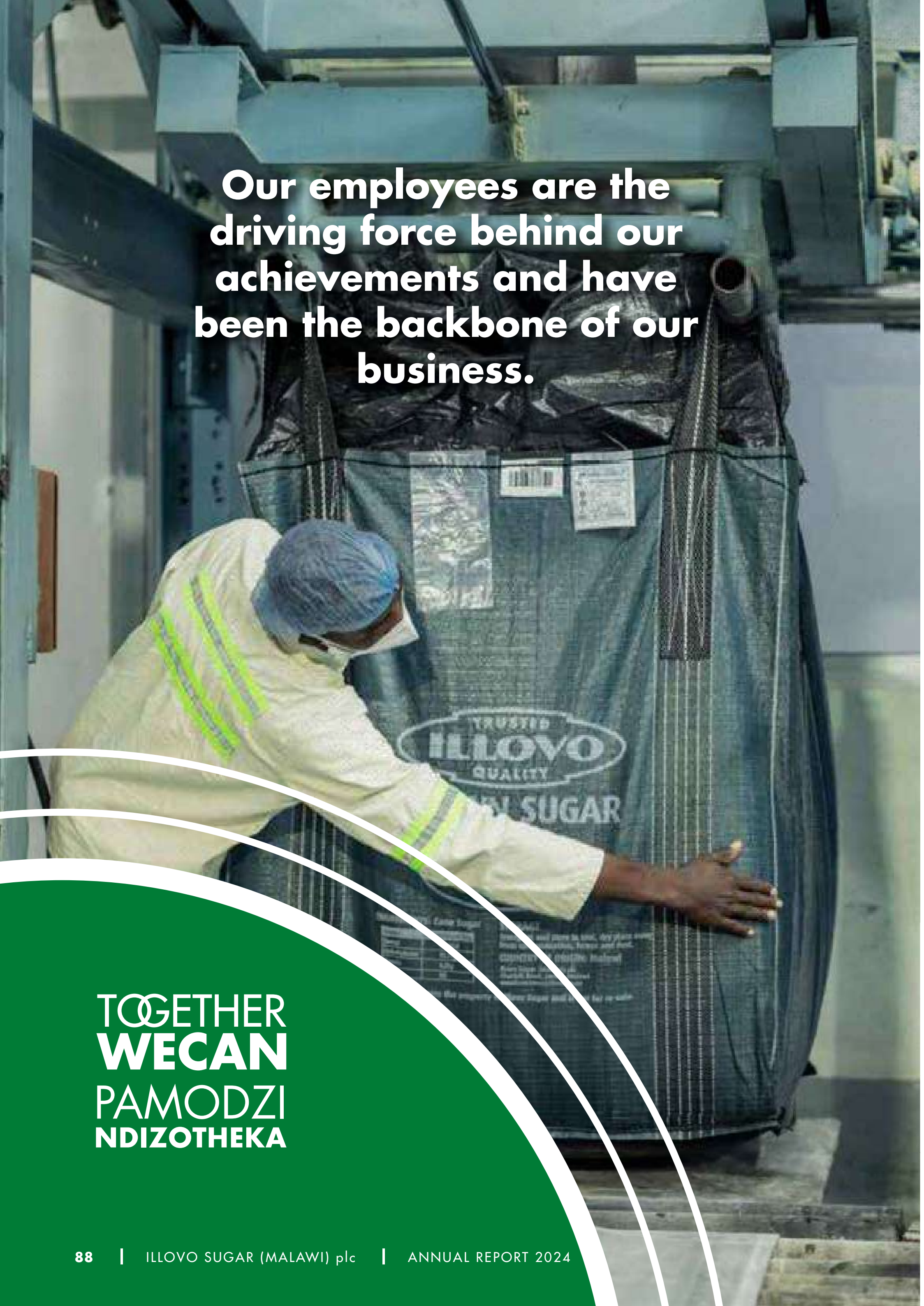
7 **Gearing**
Interest-bearing debt (net of cash) expressed as a percentage of Interest-bearing debt plus shareholders' equity.

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)

	Year ended 31-Aug -24	Year ended 31-Aug-23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20
Operational statistics					
Cane harvested (hectares)	17 484	19 359	15 358	19 089	17 579
Nchalo	11 714	12 475	9 289	13 178	11 087
Dwangwa	5 770	6 884	6 069	5 911	6 492
Tons cane per hectare (weighted average)	84	94	98	98	100
Nchalo	77	88	92	94	93
Dwangwa	98	106	110	107	115
Cane crushed (tons)	1 923 480	2 316 783	1 970 279	2 410 529	2 205 560
Nchalo	898 911	1 095 650	850 273	1 242 324	1 027 073
Dwangwa	562 574	723 319	659 619	624 303	737 370
Growers	461 995	497 814	460 387	543 902	441 117
Sucrose percent (weighted average)	14.12	14.12	14.25	14.10	14.29
Nchalo	13.86	13.54	13.74	13.76	14.01
Dwangwa	14.55	15.04	14.91	14.69	14.71
Growers	14.09	14.09	14.24	14.19	14.25
Sugar produced (tons)	222 190	264 119	229 658	279 278	263 634
Nchalo	128 049	143 868	115 354	167 713	139 914
Dwangwa	94 141	120 251	114 304	111 565	123 720
Analysis of sugar sales by destination (tons)	206 017	254 881	279 282	297 010	272 788
Domestic market	178 821	225 432	213 550	172 578	147 242
Export market	27 196	29 449	65 732	124 432	125 546



Our employees are the driving force behind our achievements and have been the backbone of our business.

TOGETHER WECAN
PAMODZI NDIZOTHEKA

ILLOVO SUGAR (MALAWI) PLC

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2024

Statutory Information

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 to 8.

Review of Operations

Detailed commentary is given in the directors' report on pages 55 to 72.

Acquisitions

There were no acquisitions of investments in the current year.

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 130 to 133 of the financial statements. There have been no changes in the current year.

Shareholders

An analysis of shareholders and their shareholdings is given on page 187.

The register of members reflects five beneficial shareholdings equal to or greater than 1% of the issued ordinary share capital. Details are given on page 187.

Dividends

The Directors are pleased to recommend a dividend of K5.00 per share for the year ending August 31, 2024, which will be presented to shareholders for approval at the AGM and will be paid in March 2025. Given that the directors did not pay any interim dividend during the year due to various challenges the total dividend for the year is K5.00 per share, compared to the previous year's total dividend of K29.20 per share.

The directors of the wholly owned and only subsidiary of the company, Dwangwa Sugar Corporation Limited, paid dividends amounting to K20.8 billion during the year (2023: K30 billion) to the company.

Subsidiary Company

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

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 43 to 49.

At the 59th Annual General Meeting, Violette Chanza – Santhe was not re - elected through rotation and was replaced by Levi Nkunika effective from 28th August 2024. Ravi Savjani and Gavin Dalgleish resigned on 3rd June and 30 August 2024 respectively while Mandy Venters joined the board on from 29th February 2024.

In terms of the company's articles of association, a third of the non-executive directors who have been appointed as directors since the last annual general meeting; or

(b) who were not appointed or reappointed at one of the preceding two annual general meetings, shall retire from office and may offer themselves for reappointment by the members. Accordingly, Jimmy Lipunga, Address Malata and Grant Kabango 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 general 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-three 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:

	2024		2023	
	Direct	Indirect	Direct	Indirect
L L Katandula	400 000	-	400 000	-
K Ntambo - Banda	30 000	15 000	30 000	-
K Msimuko	-	10 000	-	13 000
M Kachingwe	8 745	-	816	-
A Malata	3 650	52 750	7 851	145 503

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

Statutory information

Directors' Fees

At the forthcoming annual general meeting it will be proposed that director's fees payable to independent non -executive directors only be increased from K12 000 000 to K14 400 000 per annum for the Chairman and from K10 500 000 to K12 600 000 per annum for other directors and that sitting allowances be increased from K550 000 to K660 000 per meeting for the Chairman and from K450 000 to K540 000 per meeting for the other directors.

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 United Kingdom) 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).

Auditor

Subject to re-appointment at the AGM, EY will continue in office in accordance with the provisions of the Companies Act, 2013.

Special Resolutions

During the financial year there were no special resolutions adopted.

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 94 to 99.

The annual financial statements of the group and the company which appear on pages 100 to 186 were approved by the board of directors on 27 November 2024 and are signed on its behalf by:

J K Lipunga
Chairman
27 November 2024

L L Katandula
Managing Director
27 November 2024

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

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

Opinion

We have audited the consolidated and separate financial statements of Illovo Sugar (Malawi) plc (the Group) set out on pages 100 to 186 which comprise the consolidated and separate statements of financial position as at 31 August 2024 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 material accounting policy information.

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 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 Statement of Financial Position carries growing cane of K71.7 billion and K44.8 billion respectively.

This represents 18.04% of total assets and 27.74% of current assets for the consolidated statement of financial position and 6.81% of total assets and 7.99% 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, forecasted marketing 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.

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

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

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 relevant 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 features, Group structure and shareholding, corporate information, directors' 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 2024. 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 Group's and the Company'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.

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

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

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)
MacDonald Kamoto - Partner
Registered Practicing Accountant
28th November 2024

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Accounting Policies

1. MATERIAL ACCOUNTING POLICIES

The principal accounting policies of the group conform to IFRS Accounting Standards and have been consistently applied. The financial statements have been prepared in accordance with IFRS Accounting Standards. 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 Accounting Standards 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 Accounting Standards 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 of 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.

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.

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.

Accounting Policies

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.

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

Accounting Policies

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 2024.

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 2024.

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.

Accounting Policies

Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Notes 10 and 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.

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.

Accounting Policies

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.

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.

Accounting Policies

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.

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.

Accounting Policies

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.

(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

Accounting Policies

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 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

The amendments to IAS 1 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, an entity is required to disclose 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.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments in IFRS 16 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 had no impact on the group's financial statements.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures 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 had no impact on the group's financial statements.

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 2025	**Lack of exchangeability – Amendments to IAS 21** In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. 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 2026	**Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7** In May 2024, the board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which: • Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met • Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features • Clarifies the treatment of non-recourse assets and contractually linked instruments • Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments. 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 2027	**IFRS 18 – Presentation and Disclosure in Financial Statements** In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Finan-cial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. IFRS 18 also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting pe-riods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. • The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial state-ments.

Accounting Policies

Effective date Effective for annual period beginning or after	Standard, Amendment or Interpretation
1 January 2027	**IFRS 19 – Subsidiaries without Public Accountability: Disclosures** In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. As the group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

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

for the year ended 31 August 2024

		GROUP		COMPANY	
	Notes	2024 K million	2023 K million	2024 K million	2023 K million
Revenue from contracts with customers	2	313 689	272 457	180 780	148 544
Operating profit	3	59 326	81 923	9 015	28 541
Dividend income		207	75	20 800	30 000
Finance costs	4a	(13 015)	(2 849)	(10 990)	(1 718)
Interest income	4b	9 441	2 628	9 441	2 628
Profit before taxation		55 959	81 777	28 266	59 451
Income tax expense	5	(33 327)	(25 019)	(11 266)	(9 203)
Net profit for the year		22 632	56 758	17 000	50 248
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges	16	-	5	-	5
Tax effect of the cash flow hedges	13	-	(1)	-	(1)
Other comprehensive income/(loss) relating to cash flow hedges	17	-	4	-	4
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	381	136	-	-
Tax effect on valuation of unlisted investment	7	(169)	(21)	-	-
Other comprehensive income relating to valuation of unlisted investments	7	212	115	-	-
Total other comprehensive income	7	212	119	-	4
Total comprehensive income for the year		22 844	56 877	17 000	50 252
Basic and diluted earnings per share (tambala)	22	3 172	7 955		

Consolidated and Separate Statements of Financial Position

as at 31 August 2024

	Notes	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
ASSETS					
Non-current assets					
Property, plant and equipment	6	130 068	87 136	92 509	61 197
Right of use Assets	20	7 640	7 597	4 500	4 377
Investments	7	1 257	876	324	324
		138 965	95 609	97 333	65 898
Current assets					
Inventories	8	113 729	50 254	69 301	29 274
Growing cane	9	71 705	50 942	44 782	33 602
Trade and other receivables	10	21 923	22 227	19 057	20 695
Amount due from related parties	15.7.1	1 421	1 411	377 747	149 464
Derivative financial assets	17	12	5	12	5
Cash and cash equivalents	11	49 725	77 217	49 609	77 216
		258 515	202 056	560 508	310 256
Total assets		397 480	297 665	657 841	376 154
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and premium		782	782	782	782
Fair value reserve		770	558	-	-
Hedging reserve		4	4	4	4
Retained earnings		147 252	137 747	53 613	49 740
		148 808	139 091	54 399	50 526

	Notes	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Non current liabilities					
Malawi Government Vitamin A Grant	12	183	191	157	163
Lease liabilities	20	3 749	4 445	932	1 574
Deferred tax	13	54 519	33 144	33 173	21 906
		58 451	37 780	34 262	23 643
Current liabilities					
Trade and other payables	14	70 357	48 968	45 756	45 114
Contract liabilities	14.1	518	3 903	518	3 903
Lease liabilities	20	4 471	3 706	3 768	2 989
Amount due to related parties	15.7.2	105 086	49 497	519 138	245 355
Income tax liability		9 789	14 720	-	4 624
		190 221	120 794	569 180	301 985
Total equity and liabilities		397 480	297 665	657 841	376 154

The responsibilities of the group's directors with regard to the preparation of the financial statements are set out on page 93. The financial statements on pages 100 to 186 were approved and authorised for issue by the board of directors on 27 November 2024 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 2024

	Share Capital K million	Share Premium K million	Fair Value Reserve K million	Hedging Reserves K million	Retained Earnings K million	Total K million
GROUP						
Balance at 1 September 2022	14	768	443	-	99 710	100 935
Total comprehensive income for the year	-	-	115	4	38 037	38 156
- profit for the year	-	-	-	-	56 758	56 758
- cashflow hedges	-	-	-	4	-	4
- fair value gain on investment	-	-	115	-	-	115
Dividends declared	-	-	-	-	(18 721)	(18 721)
Balance at 31 August 2023	14	768	558	4	137 747	139 091
Balance as at 1 September 2023	**14**	**768**	**558**	**4**	**137 747**	**139 091**
Total comprehensive income for the year	-	-	212	-	22 632	22 844
- profit for the year	-	-	-	-	22 632	22 632
- cash flow hedges	-	-	-	-	-	-
- fair value gain on revaluation of investment	-	-	212	-	-	212
Dividends declared	-	-	-	-	(13 127)	(13 127)
Balance at 31 August 2024	**14**	**768**	**770**	**4**	**147 252**	**148 808**

Consolidated and Separate Statements of Changes In Equity

for the year ended 31 August 2024 (continued)

	Share Capital K million	Share Premium K million	Fair Value Reserve K million	Hedging Reserves K million	Retained Earnings K million	Total K million
COMPANY						
Balance at 1 September 2022	14	768	-	-	18 213	18 995
Total comprehensive loss for the year	-	-	-	4	31 527	31 531
- profit for the year	-	-	-	-	50 248	50 248
- cash flow hedges	-	-	-	4	-	4
Dividends declared and paid	-	-	-	-	(18 721)	(18 721)
Balance at 31 August 2023	14	768	-	4	49 740	50 526
Balance as at 1 September 2023	14	768	-	4	49 740	50 526
Total comprehensive income for the year	-	-	-	-	17 000	17 000
- profit for the year	-	-	-	-	17 000	17 000
- cash flow hedges	-	-	-	-	-	-
Dividends declared	-	-	-	-	(13 127)	(13 127)
Balance at 31 August 2024	**14**	**768**	**-**	**4**	**53 613**	**54 399**

ANALYSIS OF SHARE CAPITAL AND PREMIUM

	GROUP AND COMPANY	
	2024 K million	2023 K million
Authorised share capital		
1 000 000 000 (August 2023: 1 000 000 000) ordinary shares of 2 tambala each	**20**	20
Issued share capital		
713 444 391 (August 2023: 713 444 391) ordinary shares of 2 tambala each	**14**	14
Share premium	**768**	768
	782	782

The fair value reserve relates to fair valuation as at 31 August 2024 in respect of the investment in Ethanol Company Limited.

Consolidated and Separate Statements of Cash Flows

for the year ended 31 August 2024

	Notes	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Cash flows from operating activities					
Cash operating profit	a	55 412	78 491	10 166	27 286
Working capital requirements	b	10 404	43 620	4 360	49 558
Cash generated from operations		65 816	122 111	14 526	76 844
Finance costs	c	(12 681)	(2 817)	(10 656)	(1 686)
Interest income	4	9 441	2 628	9 441	2 628
Income tax paid	d	(17 051)	(8 670)	(4 624)	(2 341)
Net cash inflows from operating activities		45 525	113 252	8 686	75 445
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(51 892)	(25 735)	(37 499)	(19 001)
Proceeds on disposal of plant and equipment		83	305	48	269
Dividend income		207	75	20 800	30 000
Net cash (outflows)/inflows from investing activities		(51 602)	(25 355)	(16 651)	11 268
Net cash (outflows)/inflows before financing activities		(6 077)	87 897	(7 965)	86 713
Cash flows from financing activities					
Dividends paid	23	(13 127)	(21 569)	(13 127)	(21 569)
Lease liabilities paid	20	(8 288)	(4 271)	(6 515)	(3 087)
Net cash outflows from financing activities		(21 415)	(25 840)	(19 642)	(24 656)
Net increase in cash and cash equivalents		(27 492)	62 057	(27 607)	62 057
Cash and cash equivalents at beginning of year		77 217	15 160	77 216	15 159
Cash and cash equivalents at end of year	11	49 725	77 217	49 609	77 216
Comprising of:					
Bank balances and cash	11	49 725	77 217	49 609	77 216
		49 725	77 217	49 609	77 216

Notes to the Consolidated and Separate Statements of Cash Flow

for the year ended 31 August 2024

		Notes	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
a Cash operating profit is calculated as follows:						
Profit before tax			55 959	81 777	28 266	59 451
Add/ (subtract):	Finance costs		13 015	2 849	10 990	1 718
	Finance income		(9 441)	(2 628)	(9 441)	(2 628)
	Dividends received		(207)	(75)	(20 800)	(30 000)
Operating profit			59 326	81 923	9 015	28 541
Add back :	Depreciation of property, plant and equipment	6	8 960	6 588	6 185	4 858
	Depreciation of right of use assets	20	7 980	3 939	6 197	2 646
	Profit on disposal of property, plant and equipment	3	(83)	(173)	(45)	(136)
	Change in fair value of growing cane	9	(20 763)	(13 779)	(11 180)	(8 617)
	Grant amortisation	12	(8)	(7)	(6)	(6)
Cash operating profit			55 412	78 491	10 166	27 286
b Working capital requirements comprise the following:						
Increase in inventories			(63 475)	(11 120)	(40 027)	(3 880)
Decrease in trade and other receivables			304	5 965	1 639	5 622
Net increase in amounts due to related parties			55 579	31 055	45 500	26 881
Increase in trade and other payables			21 381	16 107	634	19 322
(Decrease)/Increase in contract liabilities			(3 385)	1 613	(3 385)	1 613
Working capital requirements			10 404	43 620	4 360	49 558

Notes to the Consolidated and Separate Statements of Cash Flow

for the year ended 31 August 2024

	Notes	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
c Finance costs paid					
Interest paid on:					
Bank short-term facilities	4	(8 464)	(322)	(8 461)	(169)
Other - Illovo Sugar Africa Proprietary Limited : Procurement	15.8.3	(4 867)	(1 509)	(3 264)	(985)
Interest on lease liabilities		(1 225)	(1 142)	(806)	(688)
Foreign exchange gains		1 875	156	1 875	156
Finance costs paid on interest-bearing debt		(12 681)	(2 817)	(10 656)	(1 686)
d Income tax paid is reconciled to the amounts disclosed in the financial statements as follows:					
Amounts payable at beginning of year		(14 720)	(4 701)	(4 624)	(1 182)
Current year charge		(11 670)	(18 411)	-	(5 783)
Amounts payable at end of year		9 789	14 720	-	4 624
Prior year overprovision		(450)	(278)	-	-
Taxation (paid)		(17 051)	(8 670)	(4 624)	(2 341)

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2024

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 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 cost 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	
	2024 K million	2023 K million	**2024 K million**	2023 K million
2. Revenue from contracts with customers				
Revenue represents the proceeds receivable from the sale of:				
Sugar	**304 166**	264 423	**174 978**	143 384
Molasses and other products	**9 523**	8 034	**5 802**	5 160
	313 689	272 457	**180 780**	148 544
Analysed by market segment:				
Domestic market	**283 520**	251 418	**163 394**	137 075
European Union preferential quotas	**5 371**	1 204	**3 096**	656
USA quota	**13 175**	12 096	**7 593**	6 594
Regional market	**11 623**	7 739	**6 698**	4 219
	313 689	272 457	**180 780**	148 544
3. Operating profit				
Revenue	**313 689**	272 457	**180 780**	148 544
Change in fair value of growing cane	**20 763**	13 779	**11 180**	8 617
Cost of sales	**(199 577)**	(145 553)	**(139 894)**	(96 356)
Distribution expenses	**(19 513)**	(16 437)	**(11 246)**	(8 902)
Administrative expenses	**(56 036)**	(42 323)	**(31 805)**	(23 362)
Operating profit after changes in fair value of biological assets	**59 326**	81 923	**9 015**	28 541
Less fair value adjustments:				
- growing cane (see note 9)	**(20 763)**	(13 779)	**(11 180)**	(8 617)
Operating profit/(loss) before changes in fair value of biological assets	**38 563**	68 144	**(2 165)**	19 924

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2024

3. Operating profit (continued)

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Administrative expenses comprise:				
Operating costs	(24 028)	(21 818)	(14 421)	(11 969)
IT Costs	(2 077)	(1 432)	(1 246)	(859)
Human Resources costs	(11 279)	(6 362)	(6 463)	(3 657)
Security costs	(6 060)	(3 943)	(3 683)	(2 242)
Healthcare costs	(2 543)	(1 692)	(1 111)	(839)
Risk and loss control costs	(2 627)	(1 989)	(1 435)	(1 139)
Civils costs	(6 418)	(4 313)	(2 582)	(1 957)
Other overheads	(716)	(621)	(679)	(588)
Depreciation	(288)	(153)	(185)	(112)
	(56 036)	(42 323)	(31 805)	(23 362)
Operating costs comprise:				
Salaries	(8 659)	(5 326)	(5 195)	(3 196)
Operational support service fees analysed as:				
Technical support	(1 268)	(641)	(761)	(384)
Business support	(2 238)	(1 628)	(1 343)	(977)
Procurement services	(1 196)	(782)	(717)	(469)
Other operational costs	(10 667)	(13 441)	(6 405)	(6 943)
	(24 028)	(21 818)	(14 421)	(11 969)

3. Operating profit (continued)

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

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Depreciation of Property, Plant and Equipment (see note 6)	(8 960)	(6 588)	(6 185)	(4 858)
Depreciation of Right of Use assets (see note 20a)	(7 980)	(3 939)	(6 197)	(2 646)
Profit on disposal of plant and equipment	83	173	45	136
Amortisation of factory overhaul costs	(10 521)	(7 288)	(6 445)	(4 328)
Directors' fees	(87)	(54)	(87)	(54)
Auditor's remuneration:				
- statutory audit fees	(266)	(198)	(203)	(129)
- expenses	(31)	(6)	(26)	(4)
Operational support service fees (see note 15.10.1)	(4 702)	(3 051)	(2 821)	(1 830)
Expense relating to short-term leases & leases of low value assets	(151)	(59)	(17)	(8)
Expected credit loss	(798)	(1 573)	(798)	(1 573)
Contribution to retirement benefit funds	(2 401)	(1 397)	(2 401)	(969)
Foreign exchange differences on Cash, Cash Equivalents, Overdrafts and Intercompany Call Accounts	(24 372)	(6 111)	(23 973)	(6 933)

	Note	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
4.a Finance costs					
Interest charged on:					
Bank short-term facilities		(8 464)	(323)	(8 461)	(169)
Other - Illovo Sugar Africa Proprietary Limited:					
Procurement		(4 867)	(1 509)	(3 264)	(985)
Lease liabilities		(1 228)	(1 142)	(808)	(689)
Foreign exchange gains recognised in finance costs		1 544	123	1 544	123
Interest expense on bank borrowings and short-term debt		(13 015)	(2 849)	(10 990)	(1 718)
4.b Interest income					
Interest income - interest income on short-term bank deposits		9 441	2 628	9 441	2 628

	Note	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
5. Income tax expense					
Current tax		11 670	18 411	-	5 782
Prior year under-provision		451	278	-	-
Effect of change in tax rates	13	10 840	-	7 209	-
Current year charge to profit or loss	13	10 366	6 330	4 057	3 421
Total income tax recognised in the year		33 327	25 019	11 266	9 203
		%	%		
Reconciliation of rate of taxation:					
Malawi minimum corporation rate of taxation		30.0	30.0		
Increase in charge for year due to:					
Disallowable expenditure		1.9	0.6		
Increase in tax expense due to increase in tax rates		6.8	-		
Prior year under provision		1.6	-		
Increase in deferred tax movement due to increase in tax rates		19.3	-		
Effective rate of taxation		59.6	30.6		

For income tax purposes the Malawi Revenue Authority treats the group as one tax paying entity.

In 2024, an additional tax of 10% was introduced on taxable profits above K10 billion.

6. Property, plant and equipment

GROUP

	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
Cost						
Opening balance at 1 September 2022	7 379	7 282	47 744	7 751	39 001	109 157
Additions	503	183	6 626	9 285	9 138	25 735
Transfers	729	-	3 584	(4 313)	-	-
Disposals	-	(296)	(10)	-	-	(306)
Closing balance at 31 August 2023	8 611	7 169	57 944	12 723	48 139	134 586
Opening balance at 1 September 2023	8 611	7 169	57 944	12 723	48 139	134 586
Additions	1 902	1 552	13 458	18 079	16 901	51 892
Transfers	1 565	462	6 213	(8 240)	-	-
Disposals	(209)	(80)	(346)	-	-	(635)
Closing balance at 31 August 2024	11 869	9 103	77 269	22 562	65 040	185 843
Depreciation						
Opening balance at 1 September 2022	1 034	5 428	10 771	-	23 935	41 168
Charge for the year	122	185	1 974	-	4 307	6 588
Disposals	-	(296)	(10)	-	-	(306)
Closing balance at 31 August 2023	1 156	5 317	12 735	-	28 242	47 450
Opening balance at 1 September 2023	1 156	5 317	12 735	-	28 242	47 450
Charge for the year	331	263	2 514	-	5 852	8 960
Disposals	(209)	(80)	(346)	-	-	(635)
Closing balance at 31 August 2024	1 278	5 500	14 903	-	34 094	55 775
Net book value						
Closing balance at 31 August 2023	7 455	1 852	45 209	12 723	19 897	87 136
Closing balance at 31 August 2024	10 591	3 603	62 366	22 562	30 946	130 068

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:

	2024 Hectares	2023 Hectares
Commencement:		
1 January 1965	4 763	4 763
1 March 1966	4	4
1 October 1974	12 391	12 391
1 March 1977	13 300	13 300
1 July 1992	3 767	3 767

6. Property, plant and equipment (continued)

COMPANY

	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
Cost						
Opening balance at 1 September 2022	4 277	5 070	34 741	3 721	29 078	76 887
Additions	112	83	4 090	7 953	6 763	19 001
Transfers	-	-	2 916	(2 916)	-	-
Disposals	-	(278)	-	-	-	(278)
Closing balance at 31 August 2023	4 389	4 875	41 747	8 758	35 841	95 610
Opening balance at 1 September 2023	4 389	4 875	41 747	8 758	35 841	95 610
Additions	615	862	8 860	15 049	12 113	37 499
Transfers	1 565	462	5 447	(7 474)	-	-
Disposals	(209)	-	(337)	-	-	(546)
Closing balance at 31 August 2024	6 360	6 199	55 717	16 333	47 954	132 563
Depreciation						
Opening balance at 1 September 2022	651	4 444	6 022	-	18 716	29 833
Charge for the year	53	51	1 365	-	3 389	4 858
Disposals	-	(278)	-	-	-	(278)
Closing balance at 31 August 2023	704	4 217	7 387	-	22 105	34 413
Opening balance at 1 September 2023	704	4 217	7 387	-	22 105	34 413
Charge for the year	127	153	1 785	-	4 120	6 185
Disposals	(209)	-	(335)	-	-	(544)
Closing balance at 31 August 2024	622	4 370	8 837	-	26 225	40 054
Net book value						
Closing balance at 31 August 2023	3 685	658	34 360	8 758	13 736	61 197
Closing balance at 31 August 2024	5 738	1 829	46 882	16 331	21 729	92 509

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:

	2024 Hectares	2023 Hectares
Commencement:		
1 January 1965	4 763	4 763
1 March 1966	4	4
1 October 1974	12 391	12 391
1 March 1977	13 300	13 300
1 July 1992	3 767	3 767

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 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:

	Company 2024	Company 2023
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 2024	Group 2023
Fair valuation at the beginning of the year	876	740
Fair value gain	381	136
Fair valuation at the end of the year	1257	876

The fair value of the other investments is based on net asset values which make use of the net movements in the assets and liabilities of the investee. The net asset value was the best information available in the circumstances and therefore fall 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 K21.6 million for the year ended 31 August 2024 (August 2023: K6.8 million).

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

Unlisted investment at fair value	Group 2024	Group 2023
Fair value gain	381	136
Deferred tax on fair value gain of unlisted investment (see note 13)	(169)	(21)
Fair value gain of unlisted investment net of deferred tax	212	115

8. Inventories

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Consumables	35 400	12 388	20 801	6 773
Sugar	74 854	34 646	46 416	20 679
Factory overhaul costs	3 475	3 220	2 084	1 822
	113 729	50 254	69 301	29 274

The group deducted inventory provisions of K295 million (August 2023: K304 million) to arrive at these numbers.

During 2024, K131 million (August 2023: Nil) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost sales.

The company deducted inventory provisions of K181 million (August 2023: K185 million) to arrive at these numbers.

Movement in inventory provisions	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Opening balance	(304)	(228)	(185)	(139)
Provision	(228)	(200)	(147)	(101)
Provision utilised	237	124	151	55
Closing balance	(295)	(304)	(181)	(185)

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million
9. Growing cane				
The carrying value of growing cane is reconciled as follows:				
Carrying value at beginning of year	50 942	37 163	33 602	24 985
Change in fair value	20 763	13 779	11 180	8 617
Carrying value at end of year	71 705	50 942	44 782	33 602

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	
	2024	2023	2024	2023
The following are the key assumptions in the valuation of growing cane:				
Expected area to harvest the following season (ha)	18 025	18 597	11 480	12 029
Estimated yield (tons cane/ha)	85	97	76	91
Average maturity of cane at 31 March	67%	67%	71.1%	71.1%

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

	GROUP		COMPANY	
	2024 K million	2024 K million	2024 K million	2024 K million
	+ 1%	-1%	+ 1%	-1%
Estimated sucrose content	72 172	71 238	45 098	44 468
Estimated sucrose price	72 783	70 627	45 398	44 168

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million
10. Trade and other receivables				
Trade receivables	14 965	9 945	14 835	9 945
Other receivables	6 958	12 282	4 222	10 750
Balance at end of year	21 923	22 227	19 057	20 695

	GROUP					
	Financial instruments (gross)	Amounts set off in statement of financial position	Expected Credit Loss	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2024						
Derivative financial instruments	12	-	-	12	-	12
Trade receivables	17 336	-	(2 371)	14 965	-	14 965
Other sundry financial assets	6 958	-	-	6 958	-	6 958
Total	24 306	-	(2 371)	21 935	-	21 935
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

10. Trade and other receivables (continued)

	COMPANY					
	Financial instruments (gross)	Amounts set off in statement of financial position	Expected Credit Loss	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2024						
Derivative financial instruments	12	-	-	12	-	12
Trade receivables	17 206	-	(2 371)	14 835	-	14 835
Other sundry financial assets	4 222	-	-	4 222	-	4 222
Total	21 440	-	(2 371)	19 069	-	19 069
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

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 K2,203 million (August 2023: K1,374 million). Set out below is the movement in the allowance for expected credit losses of trade receivables.

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
As at 1 September 2023	(1 573)	(1 005)	(1 573)	(1 005)
Provision for expected credit losses	(798)	(568)	(798)	(568)
As at 31 August 2024	(2 371)	(1 573)	(2 371)	(1 573)
The foreign debtors are denominated in the following currencies:				
European Euro	1 537	383	1 537	383
United States Dollar	666	991	666	991
	2 203	1 374	2 203	1 374

	Current K million	Trade receivables days past due >30 days K million	>60 days K million	>90 days K million	Total K million
31 August 2024					
Expected credit loss rate	3,55%	0,00%	0,00%	100,00%	-
Estimated total gross carrying amount at default	15 511	-	-	1 825	17 336
Expected credit loss	(546)	-	-	(1 825)	(2 371)
Net Carrying amount	14 965	-	-	-	14 965
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	-	-	0	9 945

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.

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million
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 2023: 18% and 25%)

Bank balances and cash are made up of the following currencies:	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
European Euro	1	355	1	355
British Pound	12	-	12	-
Malawi Kwacha	47 004	69 167	46 888	69 166
South African Rand	2 610	2 828	2 610	2 828
United States Dollar	98	4 867	98	4 867
	49 725	77 217	49 609	77 216
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.

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million
12. Malawi government vitamin A grant				
At beginning of year	191	198	163	169
Amortised during the year	(8)	(7)	(6)	(6)
At end of year	183	191	157	163

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 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
13. Deferred tax				
The movement in the year is analysed below:				
Balance as at 1 September	33 144	26 792	21 906	18 484
Current year other comprehensive income charge - cash flow hedges	-	1	-	1
Current year other comprehensive income charge - change in fair value of unlisted investment	169	21	-	-
Effect of change in tax rates	10 840	-	7 209	-
Current year charge to profit or loss	10 366	6 330	4 058	3 421
Balance at end of year	54 519	33 144	33 173	21 906
Analysis of deferred tax liability:				
Excess capital allowances over depreciation	25 219	14 167	9 724	9 724
Growing cane	28 682	15 283	17 913	10 081
Other	279	3 524	5 536	2 101
Fair valuation of unlisted investment	339	170	-	-
Balance at end of year	54 519	33 144	33 173	21 906

14. Trade and other payables

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Trade payables	20 940	15 847	10 570	11 979
Other payables and accruals	49 417	33 121	35 186	33 135
	70 357	48 968	45 756	45 114
Other payables and accruals comprise:				
Accrued expenses	39 766	24 359	26 557	25 415
VAT payable	3 644	5 773	5 027	5 541
Payroll creditors	3 522	1 901	2 269	1 361
Leave pay accruals	1 267	601	851	488
Sundry accruals	1 218	487	482	330
	49 417	33 121	35 186	33 135

Trade and other payables include payables denominated in foreign currencies amounting to K896 million (August 2023: K252 million).

The foreign creditors are denominated in the following currencies:

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
South African Rand	517	136	517	136
United States Dollar	379	108	379	108
British Pound	-	8	-	8
	896	252	896	252

The average credit period for purchases of goods and services included under payables is 30 days.

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 preagreed credit terms.

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

14. Trade and other payables (continued)

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
2024					
Trade payables	20 940	-	20 940	-	20 940
Other sundry financial liabilities	49 417	-	49 417	-	49 417
Contract liabilities	518	-	518	-	518
Total	70 875	-	70 875	-	70 875
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

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
2024					
Trade payables	10 570	-	10 570	-	10 570
Other sundry financial liabilities	35 186	-	35 186	-	35 186
Contract liabilities	518	-	518	-	518
Total	46 274	-	46 274	-	46 274
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

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million
14.1 Contract liabilities				
Advance receipts from customers	518	3 903	518	3 903
Revenue recognised during the period that was included in the contract liability balance as at the beginning of the year	3 903	2 290	3 903	2290

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 2024	Effective ownership interest 2023
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 2023: 100%) of ABF Overseas Limited which itself holds 100% of Illovo Sugar Africa Holdings Limited which holds 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 2023: 75.98%) in the group.

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 South African prime interest rate less 1% 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.

15.4 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.

15.4 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.

15.5 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.

15.6 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).

There is also a distributor agreement in place between IGMS and the group. A 3% rebate is given to IGMS on sales to Rwanda.

15.6 Transactions and balances with fellow subsidiaries (continued)

East African Supply Proprietary Limited

East African Supply Proprietary Limited is a fellow subsidiary company. It 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 transactions in note 15.8.1 below represent amounts outstanding for air services. The trading balances are unsecured 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 Sugar (Kigali) 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.

15.6.1 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	
		2024 K million	2023 K million	**2024 K million**	2023 K million
15.7 Amounts due from/(to) related parties					
15.7.1 Amounts due from related parties:					
Illovo Sugar Africa Proprietary Limited	2	**1 400**	1 402	**1 400**	1 402
Kilombero Sugar Company Limited	2	**21**	8	**-**	-
Ubombo Limited	2	**-**	1	**-**	-
Dwangwa Sugar Corporation Limited	2	**-**	-	**376 347**	148 062
		1 421	1 411	**377 747**	149 464
Amounts due from related parties are denominated in the following currencies:					
United States Dollar		**21**	9	**-**	-
Malawi Kwacha		**-**	-	**376 347**	148 062
South African Rand		**1 400**	1 402	**1 400**	1 402
		1 421	1 411	**377 747**	149 464

15.7.2 Amounts due to related parties:

	Note	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Dwangwa Sugar Corporation Limited	3	-	-	441 059	205 889
Holding company and fellow subsidiaries		105 086	49 497	78 079	39 466
		105 086	49 497	519 138	245 355
Holding company and fellow subsidiaries comprise:					
East African Supply Proprietary Limited	2	361	148	361	148
Illovo Group Marketing Services Limited	2	3 677	5 129	3 677	5 129
The Silver Spoon Company, a trading division of British Sugar Plc	2	-	1	-	1
Illovo Sugar Africa Proprietary Limited - Corporate Division	1	23 951	6 470	20 090	5 481
Illovo Sugar Africa Proprietary Limited - Procurement Division	1	75 517	37 591	52 371	28 549
Maragra Acucar Limited	1	48	-	48	-
Kilombero Sugar Company Limited	2	41	11	41	11
AB Azucarera Iberia S.L.	2	1 372	32	1 372	32
British Sugar Plc	2	98	114	98	114
Ubombo Sugar Limited	2	4	1	4	1
Zambia Sugar Plc	2	17	-	17	-
		105 086	49 497	78 079	39 466

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

15.7.2 Amounts due to related parties: (continued)

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Amounts due to holding company and fellow subsidiaries are denominated in the following currencies:				
Great British Pound	98	114	98	114
European Euro	1 372	32	1 372	32
South African Rand	99 833	44 210	72 826	34 179
United States Dollar	3 783	5 141	3 783	5 141
	105 086	49 497	78 079	39 466

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)

			Note	Transaction	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
15.8	Related party transactions							
15.8.1	The annual payment transactions with related parties are as follows:		Note	Transaction				
	East African Supply Proprietary Limited		2	Flight charges recoveries	132	132	132	132
	Illovo Sugar Africa Proprietary Limited		2	Export agency commission	300	208	172	113
	Illovo Sugar Africa Proprietary Limited (Rwanda rebate)		2	Export agency commission	319	109	319	109
	Illovo Group Marketing Services Limited		2	Logistics cost recoveries	7 440	2 224	7 440	2 224
	Illovo Sugar Africa Proprietary Limited - Corporate Division		1	Operational support service fees	4 702	3 051	2 821	1 830
	Illovo Sugar Africa Proprietary Limited - Corporate Division		1	Cost recoveries	9 214	1 295	920	920
	Illovo Sugar Africa Proprietary Limited - Procurement Division		1	Procurement of goods and services	44 140	37 778	26 484	22 667
	Kilombero Sugar Company Limited		2	Cost recoveries	166	38	166	38
	SUCOMA Holdings Limited		1	Dividend	9 974	14 224	30 774	14 224
					76 387	59 059	69 228	42 257
15.8.2	The annual sugar sales transactions with related parties are as follows:							
	Illovo Sugar (Kigali)		2		4 602	4 791	4 602	4 791
					4 602	4 791	4 602	4 791
15.8.3	The annual interest payable with related parties is as follows:			Effective interest rate (%)				
	Illovo Sugar Africa Proprietary Limited - Procurement Division		1	9% on overdue balances	4 868	1 509	3 264	985
					4 868	1 509	3 264	985

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	
	2024 K million	2023 K million	2024 K million	2023 K million

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

The Group started and closed the year to August 2024 without any new short-term money market facilities.

17. Derivative financial instruments

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Forward exchange contracts	12	5	12	5
Comprising:				
Assets	42	8	42	8
Liabilities	(30)	(3)	(30)	(3)
At end of the year	12	5	12	5

The derivative assets/(liabilities) for the year relate to foreign exchange contracts (FECs) designated as held for trading. These FECs are associated with forecast purchases in Euros, Rands, and Dollars, which are highly probable transactions. Since these contracts are held for trading, they are not booked through the hedge reserve, and hedge effectiveness testing is not required.

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 include yield curves, market interest rates, and foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts. Further disclosures regarding the derivative financial instruments used to manage currency risk are provided in Note 27.4.

Since the FECs are held for trading and not designated as hedging instruments, there is no requirement to establish an economic relationship between hedged items and hedging instruments, nor is hedge effectiveness testing applicable. The focus is solely on the fair value changes in the trading derivatives, which are recognised directly in profit or loss.

The derivatives held for trading as of 31 August 2024 were marked to market, resulting in a net unrealized gain of K12 million (2023: K5 million). These derivatives are measured at fair value, and the unrealized gain has been recognized in the income statement for the period.

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million

17. Derivative financial instruments (continued)

The unrealized gains and losses recognized as of 31 August 2024 are expected to be realized 2025. The breakdown of changes in fair value recognized in profit or loss is provided below.

	GROUP 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Currency forward contracts	12	(3)	12	(3)
Total	12	(3)	12	(3)

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 2024						
Notional amount (€000)	-	825	-	-	-	825
Notional amount ($000)	-	2276	-	-	-	2276
Notional amount (R000)	-	508	-	-	-	508
Average forward rate (MWK/EUR)	-	2138	-	-	-	0
Average forward rate (MWK/USD)	-	1772	-	-	-	0
Average forward rate (MWK/ZAR)	-	107	-	-	-	0
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)	-	1072	-	-	-	0
Average forward rate (MWK/USD)	-	1320	-	-	-	0
Average forward rate (MWK/ZAR)	-	66	-	-	-	0

	GROUP		COMPANY	
	2024 K million	2023 K million	**2024 K million**	2023 K million
18. Capital commitments				
Contracted	**1 950**	4 266	**1 843**	2 390
Approved but not contracted	**117 226**	63 229	**109 115**	60 180
	119 176	67 495	**110 958**	62 570

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 K774 million (August 2023: K502 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 2022	1348	7643	8 991
Additions	673	1 872	2 545
Depreciation charge	(542)	(3 397)	(3 939)
As at 31 August 2023	1479	6 118	7 597
As at 1 September 2023	1 479	6 118	7 597
Additions	157	7 866	8 023
Depreciation charge	(633)	(7 347)	(7 980)
As at 31 August 2024	1 003	6 637	7 640
Company			
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
As at 1 September 2023	1 392	2 985	4 377
Additions	157	6 163	6 320
Depreciation charge	(632)	(5 565)	(6 197)
As at 31 August 2024	917	3 583	4 500

20. Leases (continued)

b Lease liabilities

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

	Group K million	Company K million
Lease Liability		
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
As at 1 September 2023	8 151	4 563
Additions	8 023	6 320
Accretion of interest	1 228	808
Foreign currency exchange loss	331	331
Payment of principal portion	(8 288)	(6 515)
Payment of interest	(1 225)	(806)
As at 31 August 2024	8 220	4 701
Split into:		
Current	4 471	3 768
Non-current	3 749	932
	8 220	4 701

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 2024, the group had short term leases amounting to K57 million (2023: Knil million) and low value leases amounting to K94 million (2023: K59 million). The company had short term leases amounting to Knil million (2023: Knil million). The company had low value leases amounting to K17 million (2023: K8 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.

	GROUP & COMPANY 2024 K million	2023 K million
Kwacha/European Euro	1998	1196
Kwacha/South African Rand	95	60
Kwacha/United States Dollar	1 751	1095
Overall Consumer Price Inflation	33.9%	28.6%

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.

	2024	2023
Kwacha/European Euro	1998	1115
Kwacha/South African Rand	88	60
Kwacha/United States Dollar	1 634	1046
Overall Consumer Price Inflation - average	32.4%	27.14%

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:

	K million	K million
Earnings		
Earnings for the purposes of basic and diluted earnings per share	22 632	56 758
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)	3 172	7 955
Reconciliation of headline earnings:		
Net profit for the year	22 632	56 758
Headline earnings	22 632	56 758
Headline earnings per share (tambala)	3 172	7 955

Headline earnings are defined as profit after tax.

	GROUP & COMPANY	
	2024 K million	2023 K million

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.

	2024 K million	2023 K million
First interim dividend paid (for current year)	-	7 705
Second interim dividend paid (for previous year)	8 989	7 135
Final dividend paid (for previous year)	4 138	3 881
	13 127	18 721
Balance of dividend declared but not paid	-	-
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)	1 840	2 624

The directors recommended a final dividend of K3.57 billion as dividend for the year ended 31 August 2024 (Aug 2023: K4.14 billion).

24. Compensation of key management personnel

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

	2024 K million	2023 K million
Short-term benefits	6 562	4 598
Post-retirement benefits	388	305
Other long-term benefits	2 489	1 933
	9 439	6 836

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 2023: 7.5%) and 12.4% (August 2023: 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 2023: 5.0%) and 12.5% (August 2023: 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 K2,401 million (August 2023: K1,397 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.

26. Segmental analysis (continued)

GROUP year to 31 August 2024	Sugar production K million	Cane growing K million	TOTAL K million
Revenue			
External customers	313 689	-	313 689
Inter-segment	(161 522)	161 522	-
Total Revenue	152 167	161 522	313 689
Operating profit	68 194	(8 868)	59 326
Dividend income	207	-	207
Finance costs	(7 549)	(5 466)	(13 015)
Interest income	5 476	3 965	9 441
Taxation	(19 330)	(13 997)	(33 327)
Statements of financial position			
Non-current assets	54 629	75 439	130 068
Property, plant and equipment	54 629	75 439	130 068
Current assets	147 740	110 775	258 515
Inventories	74 854	38 875	113 729
Growing cane	-	71 705	71 705
Trade and other receivables	21 728	195	21 923
Amount due from related parties	1 421	-	1 421
Financial instrument - assets	12	-	12
Bank balances and cash	49 725	-	49 725
Current liabilities	165 827	19 405	185 232
Trade and other payables	55 063	15 294	70 357
Amount due to related parties	105 086	-	105 086
Taxation payable	5 678	4 111	9 789
Non-current liabilities	31 778	23 081	54 859
Malawi government vitamin A grant	157	183	340
Deferred taxation	31 621	22 898	54 519
Shareholders equity	4 763	143 728	148 492
Property, plant and equipment transactions are categorised as follows:			
Purchases during the year	34 991	16 901	51 892
Depreciation	4 653	4 307	8 960

Revenue from key customers from the sugar production segment amounted to K152.9 billion (August 2023: K133.2 billion).

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

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)	(1 196)	(2 849)
Interest income	1 525	1 103	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
Derivative financial assets	5	-	5
Bank balances and cash	77 217	-	77 217
Current liabilities	98 828	14 356	113 185
Trade and other payables	40 941	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	52 606	89 903	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

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.

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million

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 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Financial assets				
Financial assets carried at armotised cost	73 069	100 855	446 413	247 375
Unlisted equity investment at FVTOCI	1 257	876	-	-
Derivative financial assets at FVTPL	12	5	12	5
	74 338	101 736	446 425	247 380
The details of financial assets at armotised cost are as follows:				
Trade and other receivables	21 923	22 227	19 057	20 695
Cash and cash equivalents	49 725	77 217	49 609	77 216
Amount due from related parties	1 421	1 411	377 747	149 464
	73 069	100 855	446 413	247 375
Financial liabilities				
Financial liabilities measured at amortised cost	183 663	106 616	569 594	295 032
The details of financial liabilities at amortised costs are as follows:				
Trade and other payables	70 357	48 968	45 756	45 114
Amount due to related parties	105 086	49 497	519 138	245 355
Lease liabilities	8 220	8 151	4 701	4 563
	183 663	106 616	569 594	295 032

27.1 Categories of financial instruments (continued)

The following table illustrates the fair value measurement hierarchy for assets and liabilities as at 31 August 2024:

	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)	71 705	-	-	71 705
Foreign exchange forward contracts (note 17)	12	-	12	-
Unlisted investment (note 7)	1 257	-	-	1 257
2023				
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 2024 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.

	GROUP		COMPANY	
	2024 K million	2023 K million	2024 K million	2023 K million

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 2024 K million	GROUP 2023 K million	COMPANY 2024 K million	COMPANY 2023 K million
Assets				
Great Britain Pound	12	-	12	-
European Euro	1 539	738	1 539	738
South African Rand	2 610	2 828	2 610	2 828
United States Dollar	764	5 859	764	5 859
	4 925	9 425	4 925	9 425
Liabilities				
Great Britain Pound	98	114	98	114
European Euro	1 372	32	1 372	32
South African Rand	100 350	44 346	73 343	34 315
United States Dollar	4 162	5 249	4 162	5 249
	105 982	49 741	78 975	39 596

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 an 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	
	2024 K million	2023 K million	2024 K million	2023 K million	2024 K million	2023 K million
Profit or loss	17	71	(9 774)	(4 152)	(340)	61

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 2024 would move by K1 388 million (August 2023: K135 million). The effect on profit or loss and equity is the same.

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 K9,534 million (August 2023: K11,517 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	
	2024 K million	2023 K million	2024 K million	2023 K million
Lease liabilities	8 220	8 151	4 701	4 563
Trade and other payables	70 357	48 968	45 756	45 114
Amount due to related parties	105 086	49 497	78 079	39 466
Cash and cash equivalents	(49 725)	(77 217)	(49 609)	(77 216)
	133 938	29 399	78 926	11 927

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 summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments.

		1 year	1 - 5 years	Total
		K million	K million	K million
31 August 2024				
Trade and other payables	14	70 357	-	70 357
Amount due to related parties	-	105 086	-	105 086
Lease liabilities	14.5	4 471	20 690	25 161
		179 914	20 690	200 604
31 August 2023				
Trade and other payables	14.0	48 968	-	48 968
Amount due to related parties	15.8.2	49 497	-	49 497
Lease liabilities	14.5	3 706	4 445	8 151
		102 171	4 445	106 616

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 2024					
Trade and other receivables	21 923	-	-	-	21 923
Amount due from related parties	1 421	-	-	-	1 421
Derivative financial assets	12	-	-	-	12
Cash and cash equivalents	49 725	-	-	-	49 725
	73 081	-	-	-	73 081
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
Cash and cash equivalents	77 217	-	-	-	77 217
	100 860	-	-	-	100 860

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.

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 K1 257 million (2023: K876 million). Sensitivity analysis of this investment has been provided in Note 7.

28 Events after the reporting period

Subsequent to year end, ILLOVO SUGAR AFRICA (PTY) LTD ("the company") changed its name to ABF SUGAR (PTY) LTD with effect from 1 November 2024. All other details (address, company registration number, VAT number, bank account numbers etc) remained the same and all current documents, agreements and contracts with the company remained unchanged and binding.

Analysis of shareholders

31 August 2024

Category			Shareholders		Ordinary Shares	
			Number	%	Number held	% of shares issued
Individuals						
1	–	5 000	1 583	75.63	2 073 231	0.29
5 001	–	10 000	237	11.32	1 938 413	0.27
10 001	–	50 000	195	9.32	3 769 624	0.53
50 001	–	100 000	12	0.57	952 785	0.13
100 001	–	200 000	18	0.86	2 517 046	0.35
200 001	–	500 000	19	0.91	6 034 456	0.85
500 001	–	and over	29	1.39	696 158 836	97.58
			2 093	100.00	713 444 391	100.00
Banks and nominees			116	5.54	20 431 335	2.86
Holding company and non-residents			56	2.63	542 434 450	76.03
Individuals			1 782	85.25	24 085 182	3.38
Insurance, investment and trust companies			34	1.62	10 390 600	1.46
Other corporate bodies			79	3.72	29 361 905	4.12
Pension and provident funds			26	1.24	86 740 919	12.16
			2 093	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	74 753 151	10.48
Ramesh Haridas Savjani	14 821 735	2.08
First Merchant Bank Limited	12 915 541	1.81
Magetsi Pension Fund	8 838 257	1.24

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 and Agenda of the 60th Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of members of Illovo Sugar (Malawi) plc (the company) will be held physically at Ryalls Hotel, Blantyre on Tuesday, **25th February 2025** at 14:00 hours to transact the following business.

NOTICE TO MEMBERS

1. Members who wish to receive the AGM pack via email should no later than Monday 17th February 2025 notify the office of the company Secretary through the following means:

   By email: infomalawi@illovo.co.za or ariwera@illovo.co.za

   By WhatsApp: +265 885 78 55 00

   Members who wish to receive the AGM pack through email should send their email address to the following:

   email: infomalawi@illovo.co.za or ariwera@illovo.co.za or custodymalawi@standardbank.co.mw

   By WhatsApp: +265 885 78 55 00

2. Alternatively, members can collect the AGM pack from the following:

   Registered Office - Illovo Sugar (Malawi) plc's corporate office at Churchill Road, Limbe

   Transfer Secretaries - Standard Bank Malawi plc, Kaomba Centre, corner Sir Glyn Jones Road and Victoria Avenue.

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 59th Annual General Meeting held on 29th February 2024.

2. Financial Statements

To receive and if deemed appropriate to adopt the annual financial statements for the year ended 31st August 2024 along with the Auditor's report.

3. Dividend

To declare a dividend of K3.6 billion representing K5.00 per share in respect of the financial year ended 31st August 2024 as recommended by the board of directors. Given that the directors did not pay any interim dividend during the year due to various challenges faced by the business the total dividend for the year is K5.00 per share, compared to the previous year's total dividend of K20.9 billion representing K29.20 per share.

4. Re – Appointment of Auditors

To approve the re-appointment of Ernst & Young (EY) as auditors for the year ending August 2025 and to authorize the Directors to determine their remuneration.

5. Appointment and Re–Election Of Directors

5.1 To confirm the appointment of Amanda Jane Venters who was appointed during the year to fill a casual vacancy pursuant to Article 73(b).

Amanda Venters was appointed to the Illovo Sugar Malawi Plc Board as a Non-Executive Director on 29th February 2024. She is currently ABF Sugar Group Interim Chief Financial Officer, a role she has held since 20 September 2023.

Mandy was born and educated in Zimbabwe before attending Rhodes University where she gained her Bachelor of Commerce and Post graduate diploma in Accounting and then completed her articles with Arthur Andersen & Co in South Africa where she qualified as a Chartered Accountant.

As a dual British/Zimbabwean national she moved to London and gained extensive experience in senior finance roles across a range of global multinational listed and privately owned companies, starting with 4 years at The Northwest Division of The Coca-Cola Company in both accounting and FP&A roles and subsequently spending 11 years at Pepsico as Finance Director (Europe) before specialising in interim work with an interest in Transformation taking roles such as Interim Group CFO at Pentland Brands, Interim Finance Director at Hearst Magazines and prior to joining ABF Sugar in the United Kingdom, 2 ½ years as interim Group Finance Director for The Co-Operative Group in the UK. During her career Mandy has worked in countries across Europe, Middle East, Far East, USA and Africa as well as managing finance teams operating across large territories within Fast Moving Consumer Goods (FMCG), retail and media sectors. She has experience supporting acquisitions, disposals and organic growth while improving efficiency and financial controls including designing and executing significant transformation programs.

In addition to her paid roles, Mandy is an active member of various voluntary committees including being Chairman and Treasurer of the award-winning charity 'Live Life Give Life' for the last 16 years, being a member (and for 6 years vice-Chairman) of the Imperial College Healthcare Trust Medical Ethics Committee as well as being co-opted onto the Ethics committee of the British Transplant Society for 7 years and has also studied Medical Ethics and the Law at the University of Edinburgh.

5.2 To confirm the appointment of Levie Emmanuel Nkunika who was appointed during the year to fill a casual vacancy pursuant to Article 73(b).

Levie Emmanuel Nkunika was appointed to the Illovo Sugar Malawi Plc Board as a Non-Executive Director on 28th August 2024. Levie is an experienced marketing, sales and business development professional with over 23 years management and leadership experience drawn from Malawi and the United Kingdom. He holds a Master of Business Administration in Strategic Marketing from the East London Business School (University of East London), a Bachelor of Social Science Degree (University of Malawi), post-graduate certificates: Financial Analysis and Management Accounting from London School of Economics and Political Science; Digital Marketing from the University of Cape Town, Artificial Intelligence Driven Marketing from the University of Northwestern(USA), Green Finance Certificate from Frankfurt School of Finance and Management and attended the Executive Leadership Development Program at University of Stellenbosch Business School.

Currently, Levie works as a Group Head of Marketing and Communication for FDH Financial Holdings Limited (FDH Bank Plc, FDH Money Bureau Limited, FDH Properties Limited and the First Discount House Limited) for the past 6 years. His previous roles include Group Sales and Marketing Manager for Sunbird Hotels and Resorts, Group Sales and Services Manager and Senior Brands Marketing Manager for Carlsberg Malawi Limited (Carlsberg Malawi Brewery, Southern Bottlers and Malawi Distilleries Limited), Lecturer for Malvern House International in London and Consultant in strategy development and planning both in private and public sectors including consultancy assignments for United Nations agencies.

Levie has a solid track record in financial services, fast moving consumer goods (FMCGs), airline, hospitality, and media industries; and leading and managing global brands such as Carlsberg and Coca Cola. He brings a wealth of experience in strategic analysis and strategy development, brand development and positioning, new product development, market development, digital transformation, customer experience and customer journey mapping, route-to-market(RTM) and commercial excellence projects, culture journeys, ESGs and sustainability, public relations and stakeholder engagement among others.

5.3 To confirm the appointment of Craig Robert Carl Jensen, who was appointed during the year to fill a casual vacancy pursuant to Article 73(b).

Craig Jensen was appointed to the Illovo Sugar Malawi Plc board as a non-executive director on 27th November 2024. He is currently the ABF Sugar Group Operations and Agriculture Director.

Craig grew up in Durban, South Africa and completed his BSc at the University of Natal and his Doctorate in Chemical Engineering through the University of Cambridge.

Craig then joined the Tongaat Hulett group where he was the process engineer at the Maidstone and Felixton sugar mills. He held various positions with Tongaat including Technology Development Group Leader, Head of Sugar Technology, Business Turnaround Project Executive, before taking on the role of General Manager at the Tongaat Refinery.

Craig joined ABF Sugar (then Illovo Sugar Africa) as the Group Operations Director in 2022 and assumed his current position in 2024.

5.4 To re-elect Jimmy Lipunga, Address Malata and Grant Kabango 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.

5.5 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.

5.6 To note that during the year Violette Chanza – Santhe, Ravi Savjani and Gavin Dalgleish 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 2025.

6.1 Annual fees

Chairman - K14 400 000 (2024: K12 000 000 per annum).

Directors – K12 600 000 (2024: K10 500 000 per annum).

6.2 Sitting allowances.

Chairman – K660 000 (2024: K550 000) for each committee and / or board meeting attended.

Directors – K540 000 (2024: K450 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 2025.

Notice and Agenda of the 60th Annual General 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.

8. 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.

9. 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 Thursday, 20 February 2025.

Dated 4 February 2025

By order of the Board

Maureen Kachingwe

Company Secretary

Registered Office

Churchill Road, Limbe, Malawi

Illovo Sugar (Malawi) plc

FORM OF PROXY FOR THE 60TH 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 Tuesday 25th February 2025 at 14h00 and at any adjournment thereof as follows:

Agenda Item		Mark with X where applicable		
		In favour	Against	Abstain
1	Approval of minutes			
2	Adoption of 2024 annual financial statements.			
3	Dividend			
4	Re-appointment of Ernst & Young as auditors.			
5	Election of directors			
	5.1 Amanda Jane Venters			
	5.2 Levie Emmanuel Nkunika			
	5.3 Craig Robert Carl Jensen			
	continued overleaf			

FORM OF PROXY FOR THE 60TH ANNUAL GENERAL MEETING (continued)

Agenda Item		Mark with X where applicable		
		In favour	Against	Abstain
5	Re-election of directors			
	5.3 Jimmy Lipunga			
	5.4 Professor Address Malata			
	5.5 Dr. Grant Kabango			
	5.6 Ami Mpungwe			
6	Determination of directors' remuneration			
	6.1 Adjust directors' annual fees.			
	6.2 Adjust directors' sitting allowance.			
	6.3 Executive Directors' remuneration.			

Signed at ________________ on this ______________ day of ________________ 2025

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 20th February 2025.
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.

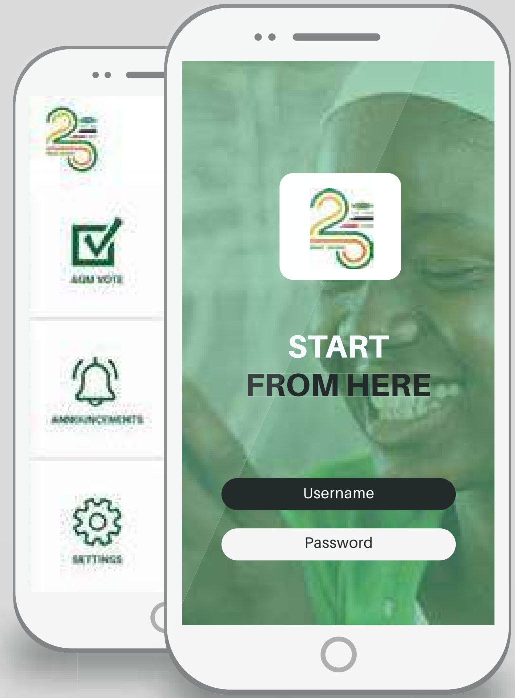
TOGETHER
WECAN
PAMODZI
NDIZOTHEKA

ISM AGM APP

Download on the App Store | GET IT ON Google Play

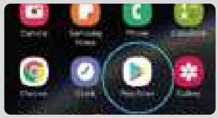
HERE IS AN EASY STEP BY STEP GUIDE ON THE VOTING PROCESS TO THE 2023 ISM AGM.

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**.



DOWNLOAD

HOW TO INSTALL THE APP

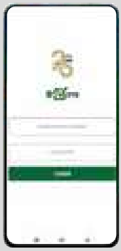


1. Open **Google Play Store** or **Apple Store** on your phone and search for " ISM AGM App"

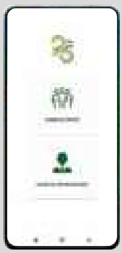
2.

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

Creating a thriving Malawian community through the provision of affordable food and energy