

ANNUAL REPORT

2003

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Company Registration No. 1906/000622/06

STRATEGIC INTENT

To:

- be the leading sugar and downstream products operation in Africa, an increasing global player and a world-class organisation.
- be the lowest-cost producer in every country in which it operates and among the lowest-cost producers in the world.
- optimise the return on every stick of cane and every beet by adding value to its core commodity products - fibre, pulp, sugar and molasses. It will focus on its core business and develop material niche operations which add value.
- be the market leader, meeting and proactively anticipating customer needs.
- increase profits in real terms on an ongoing basis and maximise the return on capital employed through cost leadership, the use of innovative technology and the participation of all of its employees.
- be a moral performance focused organisation that people are proud to work for, where they are challenged to 'go the extra mile', feel they can make a difference and know that good performance is recognised.
- be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities. This involves aligning strategies to meet changing circumstances in the various countries in which the group operates.

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	Year ended 31 March		% Change
	2003	2002	
Results (Rm)			
Revenue	7 025.0	6 001.0	17
Profit from operations	1 086.4	763.5	42
Profit after taxation	573.5	433.6	32
Headline earnings	454.6	340.3	34
Share performance (cents per share)			
Headline earnings	136.8	102.8	33
Dividend (interim - paid; final - declared)	68.0	51.0	33
Year end market price	687	825	
Balance sheet and cash flow (Rm)			
Total assets	5 665.0	5 540.6	
Shareholders' funds	1 469.4	1 786.3	
Net borrowings	1 777.2	1 459.5	
Cash generated from operations	1 172.9	743.4	
Financial ratios			
Net worth per share (cents)	441.4	538.5	
Return on net assets (%)	26.4	19.0	
Gearing (%)	94.4	68.0	
Dividend cover (times)	2.0	2.0	
Interest cover (times)	4.4	3.3	
Price : headline earnings ratio	5.0	8.0	

Record
production
levels

Strong
cash
generation

Operating profit
exceeds
R1 billion

33% increase in
headline earnings
per share

Illovo Sugar is listed on the JSE Securities Exchange South Africa and is a leading, global, low-cost sugar producer and a significant manufacturer of high-value downstream products. The group has extensive agricultural and manufacturing operations in six African countries and also operates a beet sugar manufacturing plant in the United States. Downstream products include furfural, furfuryl alcohol, Crop Guard, diacetyl, acetoin, 2,3-Pentanedione, ethyl alcohol, lactulose and syrup.

Approximately 5.8 million tons of sugar cane is produced on agricultural estates in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. Sugar cane cultivation in Africa benefits from good growing conditions and is further enhanced by full-scale irrigation applied to the majority of the crop, resulting in above-average cane yields and high sucrose content. Group sugar production of approximately 2.3 million tons derives from South Africa at 1.3 million tons, Malawi 260 000 tons, Zambia 230 000 tons, Swaziland 215 000 tons, Tanzania 95 000 tons, Mozambique 50 000 tons and the United States 170 000 tons.

Independent international surveys consistently indicate that cane sugar production costs in Malawi, Zambia, South Africa and Swaziland are amongst the lowest in the world, whilst the production costs of Monitor Sugar, which produces sugar from beet, are also amongst the lowest in the United States.

The group is a major supplier of sugar to Southern African consumer and industrial markets particularly in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. In Malawi, Illovo is the country's sole sugar producer whilst in Zambia and South Africa, the group manufactures 99% and 47% respectively of all locally produced sugar. Illovo has significant access to preferential markets in Europe and the United States while Southern African operations outside South Africa also have access to the South African Customs Union market in terms of the Southern African Development Community (SADC) Sugar Protocol on Trade. Sugar in consumer packs is also supplied into other regional markets within Africa. The group, through the South African, Swaziland and Mozambique industries, also exports sugar into the world free market. Sugar produced at Monitor in the United States is sold in the local US market.

The majority of downstream products are sold internationally into high-value, niche markets. Furfural and its derivatives, including Crop Guard, are made at the Sezela mill complex on the south coast of KwaZulu-Natal whilst high quality ethyl alcohol, from which various grades of alcohol are made, is produced at the Merebank plant near Durban and at the Glendale distillery on the north coast. Lactulose is manufactured at Merebank whilst syrup and speciality sugars are produced in South Africa and Zambia. In Malawi, speciality sugars are produced primarily for preferential markets in Europe. Betaine is produced at the Monitor Sugar plant in the United States.

The Illovo group, throughout its African operations, provides considerable support for Black small-scale farmers in order to promote agricultural and economic development. The group also continues to focus attention on medium-scale farmers, the majority of whom are Black, and there are various programmes to assist local entrepreneurs to purchase their own farms and to build up their cane growing operations. Total cane supplies

from both small and medium-scale growers amounts to more than two million tons annually. In addition, the group has a procurement policy which promotes and supports the development of small to medium-sized businesses to supply goods and services to these growers and to the group. Social investment programmes are undertaken in every country of operation, having been adapted to local conditions and requirements.



The Merebank distillery performed very well both in terms of quantity, with a new ethyl alcohol production record established, and quality.

Primary objective

- To enhance the wealth of stakeholders by optimising the long-term returns and growth of the business.
- To be a world-class organisation and amongst the most efficient and lowest-cost producers in the world.

Growth

- To expand the group's sugar and cane production.
- To consolidate and improve the profitability of downstream products and further develop new applications where appropriate.
- To seek new opportunities for sugar and downstream products nationally and internationally.

Profitability

- To achieve a competitive rate of return on shareholders' funds and increase profits on an ongoing basis in real terms.
- To maintain a dividend cover of between two and three times.

Asset management

- To manage investments in fixed assets and working capital so as to achieve the most efficient usage of funds employed with the objective of achieving gearing of not more than 40% and an interest cover of not less than five times.

Product development

- To be proactive in identifying the needs of our customers.
- To consistently deliver quality products and services to our customers.

Human resources

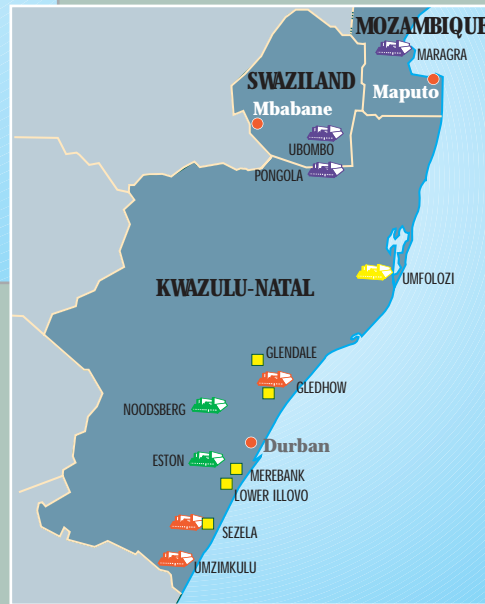
- To promote the ongoing development of all our employees in order that they reach their maximum level of competence and participate fully in achieving the group's primary objective.
- To offer equal opportunity to all employees.

Corporate governance

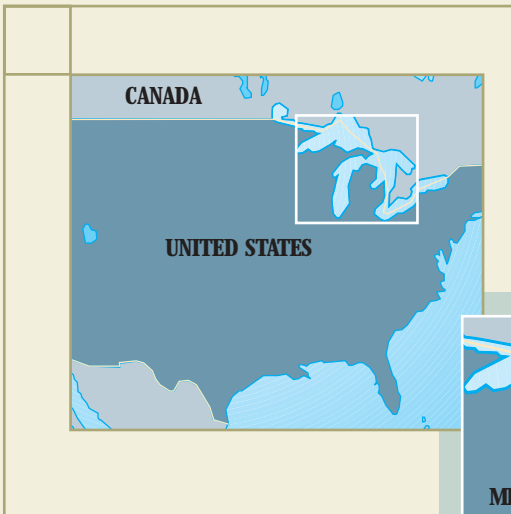
- To ensure that the company is managed in an efficient, accountable, responsible and moral manner.
- To be socially responsible, and maintain and develop appropriate ethical, environmental and risk management standards as an integral part of the business.

GROUP LOCATIONS

GROUP LOCATIONS



4



SUGAR MILLS AND CANE SUPPLY REGIONS

- Irrigated
- Irrigated / rainfed
- Rainfed / coastal
- Rainfed / inland
- Beet factory
- Downstream plants



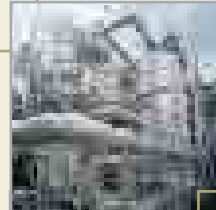
SOUTH AFRICA
Operations 100%



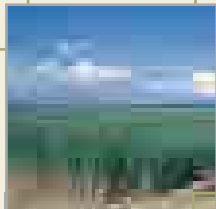
MALAWI
Sucoma 76%



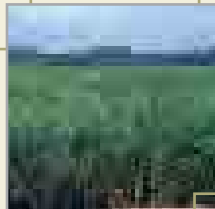
ZAMBIA
Zambia Sugar 90%



SWAZILAND
Ubombo Sugar 60%



TANZANIA
Kilombero Sugar 55%



MOZAMBIQUE
Maragra Açúcar 76%



UNITED STATES
Monitor Sugar 100%

OPERATIONS

	Operation	Cane growing	Sugar manufacturing	Sugar refining	Sugar packaging	Downstream production
South Africa	Pongola		■	■	■	
	Umfolozi		■	■	■	
	Gledhow	■	■	■	■	■
	Noodsberg	■	■	■	■	
	Eston	■	■			■
	Sezela	■	■			■
	Umzimkulu	■	■		■	
	Merebank					■
	Glendale					■
Malawi	Nchalo	■	■	■	■	■
	Dwangwa	■	■	■	■	
Zambia	Nakambala	■	■	■	■	
Swaziland	Ubombo	■	■	■	■	
Tanzania	Kilombero	■	■		■	
Mozambique	Maragra	■	■		■	
United States	Monitor		■	■	■	■

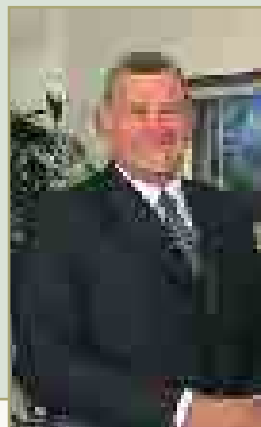
EXECUTIVE DIRECTORS



Don MacLeod
Managing Director



Mike Buchanan



Graham Clark



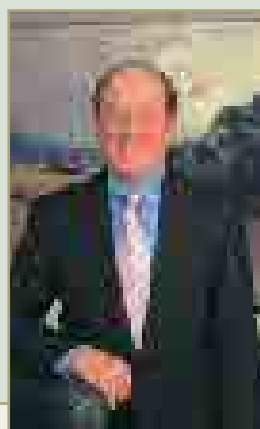
Nigel Hawley



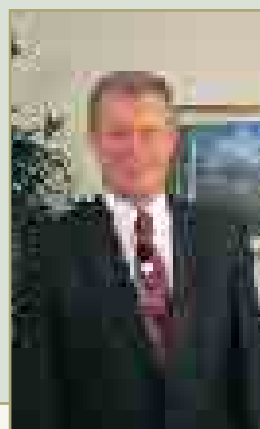
Bob Hetzler



Mandla Hlatshwayo



Gordon Knox



John Russell



Barry Stuart

Name	Qualifications	Joined the Sugar industry	Appointed to the Board	Position
D G MacLeod * ◊ (56)	<i>B.Com., A.M.P.(Oxon)</i>	1971	1983	Managing Director
W M A Buchanan (53)	<i>B.Tech.(Mkt.), S.E.P.(Stanford), C.M.(S.A.)</i>	1981	1996	Marketing Director
G J Clark , ◊ (Australian) (47)	<i>B.Acct.(Hons.), A.C.A.</i>	1980	1997	Operations Director - Africa
N M Hawley (46)	<i>B.Com.(Hons.)</i>	1978	1998	Human Resources Director
R L Hetzler (USA) (58)	<i>B.A.(Indiana), J.D.(Michigan)</i>	1984	1992	President - Monitor Sugar
M I Hlatshwayo (Swazi) (45)	<i>B.A.(Law)</i>	1987	2003	Corporate Affairs Director
G D Knox ◊ (British) (54)	<i>B.Com.</i>	1973	1996	Administration Director
J T Russell ◊ (54)	<i>A.C.M.A.</i>	1978	1993	Financial Director
B M Stuart ◊ (55)	<i>B.Com., Dip. Sugar Tech., S.E.P.(Stanford)</i>	1968	1994	Operations Director - South Africa

* Member of Audit Committee # Member of Remuneration / Nomination Committee ◊ Member of Risk Management Committee

NON-EXECUTIVE AND INDEPENDENT DIRECTORS



Robbie Williams
Chairman



Brian Connellan



Robin Hamilton



Len Konar



Phinda Madi



Ami Mpungwe



Tony Norton



Martin Shaw

Name	Qualifications	Appointed to the Board	Position
R A Williams * # (62) <i>Non-executive Chairman</i>	B.A., LL.B.	1985	Chairman of Tiger Brands Limited. Director of companies
B P Connellan (62)	C.A.(S.A.)	1993	Director of companies
R D Hamilton (65)	B.Sc., B.Com.	1989	Director of companies
D Konar (Dr) * (49) <i>Chairman of Audit Committee</i>	C.A.(S.A.), M.A.S.(Illinois), D.Com.	1995	Director of companies
P M Madi (39)	B.Proc., E.D.P.	2002	Director of companies
A R Mpungwe (Tanzanian) (52)	B.A.(Hons.)	2001	Director of companies
R A Norton * # (64) <i>Chairman of Remuneration / Nomination Committee</i>	M.A. (Oxon)	1997	Director of companies
M J Shaw # ◦ (64) <i>Chairman of Risk Management Committee</i>	C.A.(S.A.), S.E.P.(Stanford)	2001	Director of companies

Name	Qualifications	Joined the group	Operational responsibility
GROUP			
P Canter (Dr) (56)	M.B.Ch.B, D.T.M. & H.	1990	Medical services
D G Coates (52)	H.N.Dip. Mech. Eng., G.C.O.C.	1983	Technical services
D E Howells (39)	C.A.(S.A.)	1995	Finance
D A Rowbotham (58)	C.A.(S.A.)	1987	Internal audit
D A Schaller (39)	B.Com., A.C.M.A.	1999	Information technology
SOUTH AFRICA OPERATIONS			
Corporate Services			
H R Hackmann (44)	B.Com.	2000	Industry affairs
G E Hoppe (52)	H.E.D., Dip. Mkt. Mgt. (I.M.M.)	1987	Sugar marketing
A Koen (58)	Cert.Eng., E.M.P. (Berkeley)	1982	Operations
C H Kyle (53)	B.Com., H.D.P.M.	1998	Human resources
A D Nourse (62)	C.A.(S.A.), A.M.P. (Harvard)	1998	Finance
M A Walsh (55)	B.Com., C.A.(S.A.)	1988	Administration / projects
Sugar and downstream production			
B R Cornish (49)	B.Com., H.N.Dip.Mech.Eng.	1983	Eston
M T Crossman (57)	B.Sc.Eng., M.B.L.	1992	Pongola
St J T Field (57)	Dip. Sugar Tech., B.Sc. Mech. Eng.	1986	Umfolozi
S D Langton (42)	Pr.Eng., B.Sc.Eng.	1996	Sezela
G F Mann (48)	Dip.Sugar Tech.	1979	Noodsberg
S S Munsamy (47)	B.Tech.(Mgt), P.M.D.	1982	Umzimkulu
S Rau (51)	B.Sc.Agric.	1981	Gledhow
L W Riddle (43)	B.Com., C.A.(S.A.)	1986	Merebank
AFRICA OPERATIONS			
Corporate Services			
P G Braithwaite (60)	Pr.Eng., B.Sc.Agric.Eng.	1980	Agriculture
J P M De Robillard (56)	Dip.Sugar Tech.	1974	Factories
I G Parrott (36)	B.Com., C.I.A.	1997	Finance
C J Van Den Berg (53)	B.A.(Law)	1974	Human resources
Malawi			
B M Stewardson (54)	B.Sc., P.C.M.A.	1986	Managing director
D H Carter-Brown (53)	B.Sc.Agric.Eng.	1978	Dwangwa
R J de Allende (44)	B.A.	1999	Marketing
A J Fuggle (59)	B.A.(Unisa), M.D.P.	2002	Human resources
J E Horn (40)	C.A.(S.A.), A.C.M.A.	1999	Finance
T C Wormald (57)	Dip.Sugar Tech.	1968	Nchalo
Zambia			
J M Moulton (54)	B.Sc.Eng., Nat.Dip.Tech.	1995	Managing director
C M Bennie (53)	B.Com., C.A.(S.A.)	1987	Commercial
J A Blumberg (43)	B.Compt, M.B.L.	1996	Finance
G Geldard (56)		2001	Agriculture
D Kabunda (40)	B.A.Pub.Admin., M.B.A.	1986	Human resources
R M L Katowa (42)	B.A., M.B.A.	1997	Marketing
P J Van Greunen (38)	H.N.D.Mech.Eng., G.C.O.C.	1983	Factory

Name	Qualifications	Joined the group	Operational responsibility
Swaziland			
E I Williams (56)	Cert.Eng., S.M.S.A.I.E.E.	1984	Managing director
S Cloete (48)	G.C.O.C.	1980	Factory
D W H Cousens (54)	M.Sc.Eng., M.B.L.	1988	Agriculture
J Mashwame (40)	B.Sc.Agric.	1993	Human resources
K Rowney (55)	B.Com.	1992	Finance
Tanzania			
D Haworth (54)	B.Sc.(Hons)	1999	Managing director
S Coster (56)	B.Sc.Agric.	1996	Agriculture
J F K Nkandala (52)	B.Sc.Eng., M.B.A.	1999	Factories
V R Suchak (27)	C.I.M.A., A.C.C.A.	2000	Finance
J H Verster (58)	B.A.(Hons), L.R.Dip.(Advanced)	1978	Human resources
Mozambique			
A F Currie (50)	B.Com., Dip.Sugar Tech.	1998	General manager
M Cotter (47)	R.C.E., G.C.O.C.	1989	Factory
L A Elkington (53)	B.Compt.	1984	Finance
R Giblot-Ducray (46)	Cert.Labour, Cert.Sugar Cane Agric.	2002	Agriculture
P Streng (53)	B.A.(Law), F.I.P.M.	2001	Human resources
UNITED STATES			
J T Coleman (55)	M.B.A.Mkt., B.A.History	1995	Marketing
D A Keyser (46)	M.B.A., C.P.A.	1983	Finance
K K Martin (41)	B.A.Acc., C.P.A.	1988	Treasury
P D Pfenninger (48)	B.S.Bio.	1981	Agriculture
C D Rhoten (55)	B.S.Biochem.	1996	Factory

CORPORATE INFORMATION

Secretary: G D Knox
 Business address and registered office: Illovo Sugar Park,
 1 Montgomery Drive,
 Mount Edgecombe, KwaZulu-Natal
 Postal address: P O Box 194,
 Durban, 4000
 Telephone: +27 31 508-4300
 Telefax: +27 31 508-4525
 Website: www.illovosugar.com

Transfer Secretaries: Computershare Investor
 Services Limited
 Business address: 70 Marshall Street,
 Johannesburg, 2001
 Postal address: P O Box 1053,
 Johannesburg, 2000
 Telephone: +27 11 370-5000
 Telefax: +27 11 370-5271/2

Auditors:
 Deloitte & Touche

Attorneys:
 Garlicke & Bousfield Incorporated

Principal Bankers:
 The Standard Bank Group Limited and
 First Rand Bank Limited

Sponsor:
 Cazenove South Africa (Pty) Limited



Robbie Williams

The past year has seen the group achieve very good results. Headline earnings increased by 34% to R454.6 million with headline earnings per share rising by 33% to 136.8 cents. Record production of cane, sugar, ethyl alcohol, diacetyl, lactulose and acetoin was attained.

Overall, the season was characterised by favourable weather conditions which assisted in the achievement of improved cane and sucrose yields. Factory performance continued to improve with high levels of mechanical and operational efficiency. Downstream operations also had an extremely successful year.

The contributions to operating profit were sugar manufacture 59%, cane growing 27% and downstream 14%. The contributions to profit by country were South Africa 39%, Malawi 24%, Zambia 22%, Swaziland 13% and the United States 2%. Following the completion of the rehabilitation and redevelopment programmes at Kilombero in Tanzania and Maragra in Mozambique, both operations have been consolidated into the group with effect from 31 March 2003. At the end of March 2003, the group increased its shareholding in Sucoma (Malawi) to 76% whilst it raised its stake in Zambia Sugar to 90% during the year. Both these investments should contribute towards future headline earnings. Gearing increased from 68.0% to 94.4% as a result of the consolidation of Maragra and Kilombero. However, group borrowings of R1 777.2 million, taking into account the borrowings of these entities at both the beginning and end of the financial year under review, reflected a decrease of R594.8 million.

In the past season the group consolidated its position as a leading, global, low-cost sugar and downstream products producer. Progress towards the achievement of the ISO 9001:2000 quality accreditation by all field and factory operations continued with the Malawi entities achieving such certification during the current year. Benchmarking and the application of best practice together with in-house technical expertise are used to optimise returns from existing installed capacity. Training and employee development programmes are a key priority in building competitiveness. The National Occupational Safety Association's systems are also used to ensure that the group's safety, health and environmental standards are developed and maintained. There is, however, a need in some of the countries in which the group



In the past season the group consolidated its position as a leading, global, low-cost sugar and downstream products producer.



Approximately 16 000 small and medium scale growers deliver more than two million tons of cane to the group's mills, generating about R400 million for the benefit of local communities. As sugar is a good development crop, the requirement for grower finance to promote and expand these enterprises needs to be addressed by the various development agencies.

operates for the government to provide the necessary infrastructure if the business is to achieve its goal of being world class and expand its export markets.

Sugar is a good development crop with local growers having a ready market and participating in the proceeds earned from sugar sales through various proceeds-sharing arrangements. The group has a number of potential expansion prospects in its existing areas of operation, most of which will result in new and existing local growers expanding their cane production whilst the company will provide the milling capacity. Currently, approximately 16 000 small and medium-scale farmers deliver more than two million tons of cane to the group's mills, generating R400 million for the benefit of local communities. The requirement for grower finance needs to be addressed by the various development agencies.

World trade negotiations continue and the group is monitoring the impact of these on its markets, as access tonnages and prices earned in the European Union and the United States are valuable to the group and the many developing countries which receive this access. A strength of the group is that 53% of its sugar production is sold into the stable domestic markets whilst a further 8% has access to the high-priced preferential markets in the European Union and the United States. An additional 13% is sold into regional markets where premiums above the world price are earned, with the balance sold on the world free market, which is one of the most volatile of all major international commodity markets. The group is supportive of international sugar trade reform which is largely aimed at increasing market access and the dissolution of domestic support structures and export subsidies. However, it also recognises that any new trade arrangements arising out of transformation could come at the expense of the developing members of the World Trade Organisation. Many of these countries, situated in the African, Caribbean & Pacific (ACP) region, or those classified as "Least Developed Countries", are highly dependent on agriculture as a means of developing their economies and tackling poverty eradication, and thus rely on the preferential sugar arrangements with Europe and the United States. Whilst greater market access to the developed world as the direct result of trade reform could be the catalyst for potential production expansion, it is important that sugar producers from developing countries continue to have preferential access into the European Union and United States at reasonable prices. Thus it is imperative that any new trade agreements take cognisance of the special differential needs of these developing countries.

Illegal sugar imports into some of the countries in Africa where the group has operations has again been of concern during the past year, but it is pleasing that the government in each of the affected countries has responded positively to stem the flow of these illegal imports. It is vitally important to both the economies of the region and the group that the long-term viability of the local sugar industries, many of which have been recently re-established, are not negatively affected by illegal imports of dumped sugar.

The group continues to focus on various pillars of black economic empowerment and localisation in its areas of operation. The development of small-scale and larger commercial local growers across the group is actively pursued. The new season will see further company cane farms in South Africa being sold to Black farmers which will result in 27.5% of company-owned cane land having been transferred under its medium-scale farm development programme. The company has a procurement programme which is a catalyst for the establishment and development of a range of small to medium-sized businesses. The company's employment equity and localisation programmes are closely monitored and good progress has been made. Direct and indirect local investment in the operational companies across the group continues to be significant. The sale of company housing to employees in South Africa and Swaziland is progressing well.

Much attention continues to be focused on the prevention of HIV/AIDS, malaria and tuberculosis in the Southern African countries of operation. Increasingly, private sector companies operating in these countries have to play a greater role in the prevention and treatment of these diseases. I am pleased to report that Illovo is escalating its intervention programmes and as part of the group's existing HIV/AIDS wellness programme, a heightened Voluntary Counselling and Testing campaign has been launched. Its primary thrust is to encourage employees throughout the group to know their HIV/AIDS status. The programme is entirely voluntary and confidential, offering to those who test positive the option of joining the group's wellness programme which is administered at all the company's clinics and hospitals. In addition to involving high profile education and awareness campaigns, it offers treatment to affected people including the use of prophylactic antibiotics and counselling by medical and other trained personnel. In respect of malaria, the group subscribes to the African continent's recognised "roll back" malaria programme, and mosquito control programmes continue to be carried out in areas most affected. This and other proactive measures have had a positive impact with a reduction in the number of cases reported to the group's health care facilities.

Prospects

The results in the forthcoming year will be impacted by disappointing rainfall in South Africa this past summer. The first official cane estimate released in early April was approximately 12.5% below last year's final production figure. In addition to reduced sugar production, the lower cane estimate will also impact on furfural production at the Sezela downstream plant. In the irrigated areas in the rest of the group's African operations the cane is looking excellent, however sugar production remains dependent on the weather conditions experienced during the rest of the season. Illovo is a major exporter of sugar and downstream products and earnings are affected by both world prices and exchange rates. In addition, profits from foreign operations are impacted by the currency translation effect. The rand is considerably stronger at present compared with the same period last year and there will be a significant negative effect on earnings should the rand continue to trade at current levels for the remainder of the 2003/04 financial year.

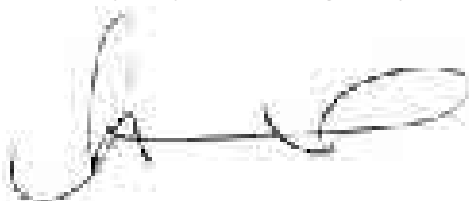
Directors

At Board level, I would like to welcome Mr Phinda Madi who was appointed a non-executive director in November 2002. Mr Madi is currently Group Managing Director of the Thebe Risks and Benefits Group, Chairman of Madi HerdBuoys and a founder member and commissioner of the Black Economic Empowerment Commission.

In addition, I am pleased to advise that Mr Mandla Hlatshwayo was appointed executive director responsible for corporate affairs in March 2003. Mr Hlatshwayo has been in the sugar industry since 1987 and was previously assistant general manager of the group's operations in Swaziland.

Appreciation

On behalf of the Board, I would like to thank all the people of Illovo for their efforts and contributions during the past year. The group has clear strategies for future growth and the achievement of targets set for its people will deliver the company's objectives although the year ahead will be a difficult one.



R A Williams
Chairman

Durban
20 May 2003



Don MacLeod
Managing Director

FINANCIAL RESULTS

The group achieved very good growth in the financial year ended 31 March 2003, with headline earnings increasing to R454.6 million from R340.3 million last year. Headline earnings per share rose by 33% to 136.8 cents. The growth was achieved through a material increase in group cane and sugar production with another strong performance from downstream operations. The weaker average exchange rate achieved by the group also impacted favourably on the financial results.

Group turnover increased to R7 billion and operating profit rose by 42% to R1 086.4 million. The operating margin increased to 15.5%. Financing costs, mainly due to a rise in interest rates, increased by R19.1 million to R247.1 million while taxation rose by R141.5 million to R263.5 million. The effective tax rate, excluding abnormal items, was 31.4% which was 9.1% above last year. Profit after taxation increased to R573.5 million.

Cash generated from operations of R1 172.9 million was strong. As a result of the consolidation of Kilombero Sugar Company in Tanzania and Maragra Açúcar SARL in

Mozambique on 31 March 2003, group borrowings increased to R1 777.2 million. Gearing consequently increased from 68.0% to 94.4%. However, net borrowings, taking to account the borrowings of the recently consolidated operations at both the beginning and end of the financial year under review, declined by R594.8 million.

The contributions to operating profit were sugar manufacture 59%, cane growing 27% and downstream 14%. The contributions to profit by country were South Africa 39%, Malawi 24%, Zambia 22%, Swaziland 13% and the United States 2%.

Accounting Standard AC133 dealing with financial instruments is only required to be implemented in the financial year ending 31 March 2004. However, had such requirements been implemented during the year under review, the effect on the company's results would have been immaterial.

OVERVIEW

The group had an extremely successful year with record production of cane, sugar, ethyl alcohol, lactulose, diacetyl and acetoin, and excellent performances in both the agricultural and factory operations.

Agriculturally, the season was characterised by favourable weather conditions which assisted in the achievement of improved cane yields and good cane quality. In addition, the drier conditions experienced towards the end of the season throughout the Southern African operations enhanced the harvesting activities and delivery of the cane to the factories. Cane production increased by almost one million tons to a new record of 5.781 million tons.

New sugar production records were achieved in each country of operation, except for the United States, with group sugar output increasing to 2.308 million tons, which exceeded last season's record production by 355 000 tons. In addition to the increased tonnages of good quality cane, factory performance continued to improve with high levels of mechanical and operational efficiency attained by most of the operations.

The group's downstream operations also experienced a very successful year. New weekly production records were established at the furfural plant, whilst there was a significant increase in the production of acetoin and small increases in diacetyl and 2,3-pentanedione output. Sufficient furfural was converted to furfuryl alcohol to meet market demand. Increased production of the agricultural nematicide, Crop Guard, was achieved during the year. The registration of Crop Guard for its use in respect of maize has recently been obtained from the South African Department of Agriculture whilst the registration in respect of potatoes and turf is still awaited. Progress was also made towards securing international registrations in a variety of applications.

Record volumes of ethyl alcohol were produced at the Merebank and Glendale plants. The two factories performed well in terms of both product quantity and quality. Lactulose production also achieved record levels.



A record 5.871 million tons of cane were produced by the group's agricultural operations.



Factory performance continued to improve with high levels of mechanical and operational efficiency attained by most of the operations. Combined with the increased tonnages of good quality cane, a record 2.3 million tons of sugar was produced.



Amongst the group's downstream production successes during the past season, was the good performance of Merebank's lactulose plant, also resulting in record production.



In Malawi, both Nchalo and Dwangwa received ISO 9001:2000 accreditation for field and factory operations.

Following the completion of the rehabilitation and redevelopment programmes undertaken at Kilombero and Maragra, both operations were consolidated into the Illovo group on 31 March 2003. During the season, Kilombero performed extremely well with record sugar production of 98 000 tons. Although final sugar output at Maragra was below expectation, further good progress was made in both the fields and factory in the attainment of targeted sugar cane and sugar production levels.

World raw sugar prices experienced a welcome return to higher levels during the year, with futures prices rising from below US\$5.0 cents per pound (cents/lb) in June 2002 to a high of US\$9.0 cents/lb in February 2003. Since the end of the year, prices have declined to around US\$7.0 cents/lb. The white sugar premium fell from its high levels of over US\$80 per ton in January 2002, but the average premium achieved for the season of around US\$60 per ton was favourable for refined exports. Illovo benefited from the higher prices received from raw sugar sales on the world market as well as from the premiums achieved for regional sugar sales and refined exports.

During the year, R42.7 million was invested in expansion projects in the flavourants side of the business in South Africa and in the sugar operations in Swaziland, and on product registrations. The ongoing capital expenditure programme ensures that the group's factories are kept in a good condition and that production quality meets world standards.

Illovo featured prominently in the recent National Occupational Safety Association annual awards for the KwaZulu-Natal region, which includes south-east Swaziland, with Ubombo winning the Safety, Health and Environment Integrated Platinum System award and Pongola placed third, and Sezela winning the Occupational Health System award.

In Malawi, both Nchalo and Dwangwa received ISO 9001:2000 accreditation for field and factory operations.

The company also achieved another merit award in the Industrial and Manufacturing section of the South African Annual Report Awards hosted by The Southern African Institute of Chartered Secretaries and Administrators.

MARKETS

The group supplies sugar and downstream products to an array of domestic, regional and export markets. Sales to domestic markets in Southern Africa and the United States contributed 50% to total revenue whilst exports to 94 countries contributed the balance. 61% of sugar production by volume and 77% by value was sold into stable domestic or premium-priced export markets.



The group is a major supplier of sugar to Southern African consumer and industrial markets, particularly in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique.

DOMESTIC MARKETS

Sugar

The South African Customs Union (SACU) market is of major significance for both the group's South African and Swaziland industries. During the season, total sales into SACU amounted to 1.808 million tons, 83% being refined sugar and the balance brown. The South African sugar industry supplied 1.413 million tons, Swaziland 280 000 tons with the balance of 115 000 from Zimbabwe and other SADC sugar producing countries.

In Malawi, approximately 49% of sugar production was sold into the domestic market by The Sugar Corporation of Malawi Limited (Sucoma) which is the country's sole sugar producer. Zambia Sugar produces 99% of all sugar made in the country with annual domestic sales of about 110 000 tons. Tanzania is a net importer of sugar. Aside from relatively small export tonnages sold to preferential markets in Europe, all production from Kilombero was sold domestically, whilst at Maragra, sugar produced over and above domestic and preferential export market requirements was sold on to the world sugar market. In the United States, Monitor's entire sugar output was sold in the domestic market.

Downstream

Whilst the group's range of downstream products is primarily aimed at export markets, the Merebank and Glendale distilleries remain material suppliers of ethyl alcohol to the South African liquor, pharmaceutical and industrial chemical industries. Currently, all production of the agricultural chemical Crop Guard is sold locally. Relatively small volumes of furfural and its derivatives, as well as lactulose were sold domestically. In South Africa, Malawi and Zambia, a range of syrups and speciality sugars are produced mainly for the domestic markets, whilst at Monitor, beet pulp, betaine and concentrated molasses solids, were sold domestically.

EXPORT MARKETS

Sugar

Preferential markets

The group has significant access to preferential markets in Europe and the United States which are supplied by producers with export quotas to these regions at a marked premium to the world free market price. The group's African-based operations exported 163 000 tons to these markets during the 2002/03 season.

World markets

More than 100 countries produce sugar, 75% of which is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere and the balance from sugar beet which is grown in the temperate zones



Illovo exports furfural, furfuryl alcohol, diacetyl, acetoin, 2,3-pentanedione, ethyl alcohol, lactulose and certain speciality sugars to 72 countries.

As a major exporter to the world market, in 2002/03, the SA Sugar Association exported approximately 925 000 tons of sugar on behalf of producers, realising revenue of more than R2.4 billion.

of the northern hemisphere. Prior to 1990, about 40% of sugar was made from beet but this has decreased to current levels as cane sugar producers have made considerable gains in expanding their markets due to the lower costs of cane sugar production. Currently 71% of the world's sugar is consumed in the country of origin whilst the balance is traded on world markets. Because of the residual nature of the world market, the free market price is one of the most volatile of all commodity prices.

The five largest exporters, being Brazil, the EU, Thailand, Australia and Cuba supply approximately 71% of all world free market exports. South Africa is the 7th largest exporter.

Whilst the world raw sugar futures price increased from US5.0 cents/lb in June 2002 to US9.0 cents/lb in February 2003, it has stabilised at approximately US7.0 cents/lb since the commencement of the new 2003/04 season. The price increase was supported by a number of factors including a deficit in world sugar production for the first half of 2003, reduced crop outputs in a number of countries, particularly Cuba where annual production is expected to fall to an all time low of less than three million tons in 2002/03 and Brazil's decision to increase domestic output of alcohol, effectively reducing exports by more than one million tons. Although the production deficit is forecast to be corrected in the third quarter of 2003 when Brazil's export programme gets into full swing, the world price is expected to remain at around present levels.

As a major exporter to the world market, in 2002/03, the SA Sugar Association (SASA) exported 925 000 tons of raw sugar on behalf of producers. Exports realised around R2.4 billion. As a result of above-average premiums, increased refined sugar exports amounting to about 432 000 tons were undertaken by the producers themselves.

Bulk sugar exports to the world market from Illovo's South African operations amounted to 33% of production, whilst world exports were also undertaken in Swaziland and Mozambique. South Africa, Malawi, Swaziland and Zambia exported sugar to a number of regional markets where selling prices are based on the world market price. In all instances, however, premiums above this price are achieved as the result of various competitive advantages.

Downstream

The group is a material player in each of the world markets in which it participates. Annually, Illovo exports furfural, furfuryl alcohol, diacetyl, acetoin, 2,3-pentanedione, ethyl alcohol, lactulose and certain speciality sugars to 72 countries. In the financial year, downstream product sales contributed R680.4 million to group revenue.



Illovo's South African operations are strategically located across the length of the eastern section of KwaZulu-Natal, maximising the benefit of wide geographic spread and incorporating coastal, midlands and northern-irrigated cane growing regions.

OPERATIONS

SOUTH AFRICA

Illovo is South Africa's largest sugar and downstream products company with five sugar cane estates, seven sugar factories, four sugar refineries and five downstream plants. These operations are strategically located across the length of the eastern section of KwaZulu-Natal, maximising the benefit of wide geographic spread and incorporating the coastal, midlands and northern-irrigated cane growing regions.

Agriculture

The agricultural operations performed well and benefited from weather conditions conducive to the production of good quality cane and for efficient in-field and harvesting operations. A total of 1.057 million tons of cane with improved sucrose yields were delivered to the mills for processing.

Cane deliveries from small-scale growers amounted to 1.083 million tons whilst about 307 000 tons were delivered by the 68 medium-scale growers who have purchased company-owned land at Gledhow, Eston and Sezela in terms of the medium-scale farm development programme. Structures exist within the company to assist both small and medium-scale growers with their farming operations through the provision of a range of services designed around improving the efficiencies of their operations and enhancing their returns.

Sugar production

Very good harvesting conditions, excellent cane quality and improved overall recovery of sugar from cane across all operations resulted in record production of 1.3 million tons of sugar, almost 40 000 tons more than the previous record set in 1998/99. Mechanical and operational efficiency levels during the season continued to build on the high standard achieved in 2001/02. As a result, several production and performance-related records were established during the season. These included 1.4 million tons of cane crushed at Pongola, sugar production records at Pongola, Noodsberg and Eston, and Sezela achieving the best overall time efficiency by a South African sugar factory. The aggregate overall recovery of sugar from cane of 86.77% was also an all time record.

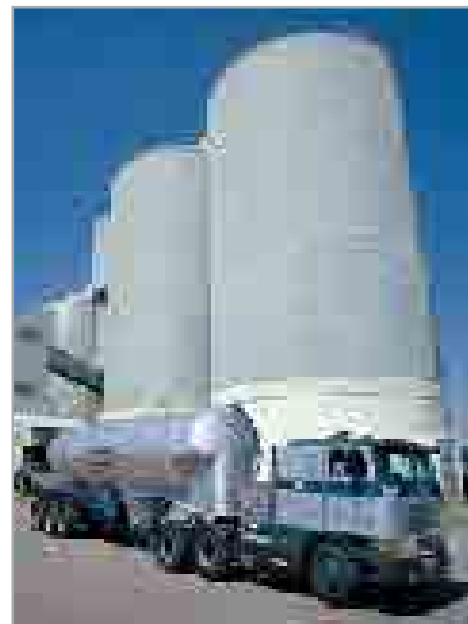
Downstream

The furfural plant at Sezela again enjoyed a successful season, the highlight of which was the setting of a new weekly production record of almost 600 tons of furfural. Diacetyl operations were steady whilst acetoin production more than doubled. The output of Crop Guard was in line with expectations. The Merebank distillery performed very well both in terms of quantity, with a new ethyl alcohol production record established, and quality. Good performance from the Glendale distillery resulted in a new production record with the plant benefiting from an upgrading programme.

The lactulose plant at Merebank operated well and a new production record was established whilst the syrup plant performed satisfactorily.



In a year which saw record production of 1.3 million tons of sugar, numerous production and performance related records were established during the season.



Illovo has established itself as the major supplier of sugar to the industrial market, well served by its Germiston bulk depot, supplying customers throughout the Gauteng region.

Marketing

Illovo sells raw, various grades of brown and refined sugar, furfural and its derivatives, potable and denatured alcohols, lactulose and syrup into local and international markets. In South Africa, revenue earned from domestic sales constituted 64% of total revenue from sugar sales. Illovo has established itself as the major supplier to the industrial market. The outsourced sugar trade market sales representation and merchandising functions performed well.

Exports of refined sugar and direct consumption raws undertaken by Southern Cross Sugar Exports (Pty) Limited on behalf of South African producers increased by more than 23% above the previous season. The business functioned effectively and continued to benefit from good white sugar premiums.

Illovo's raw sugar exports to the world market, undertaken by the South African sugar industry, amounted to about 430 000 tons. The average price realised by the industry for world market exports, which included hedging activities undertaken by SASA, was US6.2 cents/lb. Revenue received from exports was assisted by forward-cover taken by SASA. Proceeds from Illovo's refined sugar exports were covered forward at favourable exchange rates. In the 2003/04 season, around 550 000 tons of world market sugar has been priced by SASA at US7.0 cents/lb.

Domestic sales of molasses experienced a significant increase, growing 25% over the previous season as the result of high maize prices which had a marked positive impact on the demand for molasses in the animal feeds sector. Consequently, there were fewer molasses export shipments. International prices decreased marginally over the past year.

Prices received for furfural and furfuryl alcohol were stable but global offtake was stagnant due to depressed world economic conditions. Demand for natural diacetyl was lower than the previous year, however, acetoin which is produced from diacetyl showed good growth. In its first year of commercial production, sales of the agricultural chemical, Crop Guard, were less than anticipated due to a reduction in area planted to groundnuts in favour of maize in response to the increased prices for the latter crop. The registration of additional crops is important for growth in sales and the company has recently secured the registration of Crop Guard for use in respect of maize whilst registration for potatoes and turf is awaited.

Good growth in local market syrup sales was experienced whilst a growing number of export orders were secured.

Export and domestic ethyl alcohol sales were strong whilst demand for lactulose continued to show steady growth. The downstream operations benefited from the weaker rand experienced during a large part of the year.



Favourable weather conditions and excellent cane yields enabled both Nchalo and Dwangwa to achieve a record combined crop of 1.920 million tons.



Sucoma produced 260 000 tons of sugar, 36 000 tons higher than the previous record, as the result of increased cane deliveries and better all-round factory performance.

MALAWI

The Sugar Corporation of Malawi Limited (Sucoma) is Malawi's only sugar producer and it is listed on the Malawi Stock Exchange. Illovo's shareholding in Sucoma was increased from 61% to 76% during the season. The balance of the share capital is mainly held by Malawian institutional and private investors.

Agriculture

Favourable weather conditions and excellent cane yields enabled both Nchalo and Dwangwa to achieve a record combined crop of 1.920 million tons of cane. Agricultural performance on both estates was good and sucrose content showed a major improvement over the previous season.

Sugar production

As the result of increased cane deliveries and better all-round factory performance, particularly at Nchalo, final sugar production of 260 000 tons ended 36 000 tons higher than the previous record. An additional highlight of the year was the achievement of ISO 9001(2000) accreditation for field and factory at both operations. This further strengthens Sucoma's position in growing its export markets.

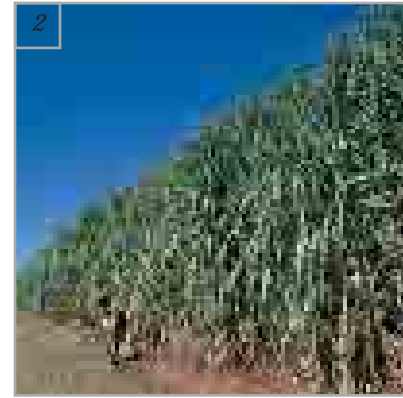
Downstream

Sucoma is a minority shareholder in the Ethco Distillery that is situated adjacent to the Dwangwa factory. Molasses is supplied by both Dwangwa and Nchalo for the plant's ethyl alcohol production operations.

Marketing

Domestic sales increased by 24% despite the weak economy and the damage caused to roads and bridges in some areas during heavy rains at the end of 2002. Initiatives to improve local market distribution, together with effective government interventions to control illegal imports, were contributing factors.

Sucoma enjoys significant access to preferential markets in the United States and Europe and during the season exported approximately 50 000 tons of sugar, including speciality sugars, to these markets. Sugar was also sold into several regional markets particularly those countries which are part of the Common Market for Eastern and Southern Africa (COMESA) trade agreement and SACU.



1. Zambia Sugar processed its biggest ever cane crop to produce a record 233 000 tons of sugar.
2. The excellent field performance from Zambia Sugar's agricultural operations complemented the good weather conditions to produce a record 1.265 million tons of high quality cane.
3. Sugar sold by the company in the domestic market is fortified with Vitamin A in terms of government regulation.

ZAMBIA

Zambia Sugar Plc is listed on the Lusaka Stock Exchange. The group holds 90% of the issued share capital with the remaining shares held by private and institutional investors. Zambia Sugar is the country's principal sugar producer with a 99% share of production. Sugar sold in the domestic market is fortified with Vitamin A in terms of government regulation.

Agriculture

Cane growing operations were characterised by good weather conditions which resulted in high cane yields and good sucrose percentage cane. The excellent field performance saw record production of 1.265 million tons of sugar cane.

Sugar production

Factory performance continued to improve compared to previous seasons, facilitating the processing of the Zambia Sugar's biggest ever cane crop. Final production amounted to a record 233 000 tons of sugar, which was 24 000 tons more than the previous record set in the 2000/01 season.

Downstream

Zambia Sugar produces a range of speciality sugars and syrup for the domestic market.

Marketing

General trading conditions were difficult, but satisfactory local market sales were achieved during the year with about 110 000 tons of sugar sold in the domestic market, 91% of which was brown sugar and the remainder refined. Illegal imports of unfortified sugar from Zimbabwe have continued, however, government support has been forthcoming and all occurrences have been dealt with effectively. Zambia Sugar fully utilised its access to preferential markets in Europe with the balance of production sold into regional markets.

SWAZILAND

Illovo has a 60% shareholding in Ubombo Sugar Limited with the remainder of the issued share capital held by Tibiyo Taka Ngwane on behalf of the Swazi nation.

Agriculture

The season was marked by a significant improvement in agricultural performance. Weather conditions were favourable and approximately 770 000 tons of cane were produced which was almost 100 000 tons more than that achieved in the previous year.

Sugar production

The crushing capacity of the factory was expanded by approximately 15% during the season. Mechanical efficiency of the factory was generally good and a record 215 000 tons of sugar was produced, of which 96 000 tons was refined. The refining operations performed well.

Marketing

All sugar produced in Swaziland is marketed by the Swaziland Sugar Association. About 48% of Ubombo's output was sold into the SACU market whilst the balance was sold to preferential markets in Europe and the United States, into regional markets and on to the world market. Molasses is sold primarily to domestic distilleries.



Ubombo's operations were marked by a significant improvement in agricultural performance. Approximately 777 000 tons of cane were produced, almost 100 000 tons more than that achieved in the previous year.



22

The crushing capacity of the Ubombo factory was expanded by approximately 15% during the season.

TANZANIA

Following the successful completion of the rehabilitation and redevelopment programme which commenced in 1998, the operation was consolidated into the Illovo group on 31 March 2003. Illovo's shareholding in the Kilombero Sugar Company Limited now stands at 55% whilst ED & F Man, the London-based commodities group, holds 20% of the share capital with the balance held by the Government of Tanzania.

Agriculture

Approximately 600 000 tons of sugar cane were produced by Kilombero's agricultural operations in a season marked by good weather conditions which were complemented by improved agricultural practices, enhancing both cane yields and sucrose percent cane. Agricultural and logistical support for Kilombero's outgrowers continues with their cane production showing a sizeable increase from 193 000 tons in the previous season to 259 000 tons in 2002/03.



Approximately 600 000 tons of cane were produced by Kilombero's agricultural operations in a season marked by good weather conditions. A record 98 000 tons of sugar were produced.

Sugar production

A record 98 000 tons of sugar were produced. Good levels of operational and mechanical efficiency were achieved throughout the year. New weekly crush records were set at various times during the season. The operation has made significant progress over the past three seasons.

Marketing

Domestic sugar sales increased during the season to a level of around 84 000 tons of sugar with the balance of production sold to preferential markets in Europe. Limited imports were still required to satisfy local demand, but excess supplies imported by traders impacted on prices. However, government support in controlling illegal imports reduced the impact on local producers.

MOZAMBIQUE

Following the completion of the rehabilitation and redevelopment programme, Maragra Açúcar SARL was consolidated into the Illovo group on 31 March 2003. The group owns 76% of the company with the balance held by a private investor.

Agriculture

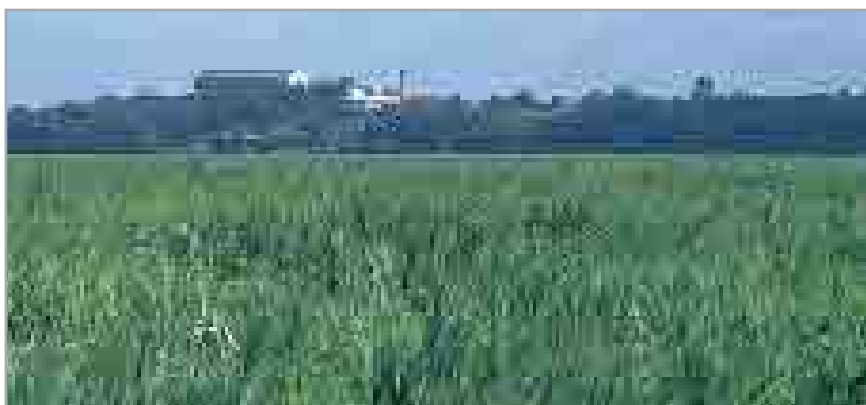
Agricultural performance at Maragra was disappointing with sugar cane yields significantly lower than anticipated. A total of 180 000 tons of cane was harvested by the company operations.

Sugar production

Factory mechanical performance was disappointing but a good overall recovery performance exceeded expectations. Cane quality was good and 51 000 tons of sugar was produced. The mechanical problems encountered during the season have been addressed in the offcrop maintenance programme.

Sugar marketing

Local market sales in Mozambique continue to respond positively to national distribution initiatives, however, illegal imports continue to hamper domestic offtake and ongoing interventions by government to address instances of illegal activity remain a necessary requirement. Maragra sold approximately 27 000 tons of sugar in the domestic market. Mozambique sold about 22 000 tons into preferential markets in Europe and the United States and 13 000 tons into the SACU market. However, the 24% exposure by sugar producers to the world market remains a concern for a newly developing sugar industry.



Maragra Açúcar SARL was consolidated into the Illovo group on 31 March 2003.

UNITED STATES

Monitor Company is located in Bay City, Michigan, and produces refined sugar from sugar beets supplied by independent farmers and from purchased beet molasses, as well as several co-products and downstream products. Illovo has a 100% holding in Monitor.

Sugar production

The 2002/03 beet slicing campaign ended in February 2003 and total production, including that produced by the molasses desugarisation plant, amounted to 151 000 tons of sugar. The total number of beets sliced and sugar produced from beets was below last year although adequate own molasses and imports were available to fully utilise the molasses desugarisation plant. The continued high price of natural gas, used by the company for steam generation and pulp drying, was a significant obstacle to achieving reasonable profitability.

Downstream

The co-products of the sugar beet manufacturing process are beet pulp and molasses, whilst concentrated molasses solids, extract molasses and betaine are produced downstream of the molasses desugarisation plant.

Marketing

Monitor produces refined sugar mainly for industrial users whilst the balance of about 25% is sold to consumer markets under the "Big Chief" brand name and various house brands. Sugar market conditions in the United States have continued to improve following the implementation of a new Farm Security and Investment Act (Farm Bill) covering crops through to 2006. The situation has been further assisted by the disposal by the US Government of all sugar in its possession as a result of loan defaults in past years. Sales of beet pulp and concentrated molasses solids were satisfactory whilst the development of betaine markets continued to show progress, albeit slower than anticipated.



Including the production of the molasses desugarisation plant, Monitor produced a total of 151 000 tons of sugar.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The group has well-established in-house resources to provide technical expertise in both agricultural production and sugar and downstream product manufacture to all operations, in order to optimise the return from existing installed capacity. Good progress was achieved during the year with notable improvements in mechanical and operational efficiencies at many of the group's plants, together with enhanced product quality. In respect of sugar, the group also benefits on an ongoing basis from research and development undertaken by the South African Sugar Milling Research Institute, of which Swaziland, Malawi and Zambia are also members, and the South African Sugar Association Experiment Station. These organisations are funded by the member sugar industries. Contract development work specifically for the group is undertaken by special agreement with the South African Sugar Milling Research Institute.

Illovo also has a dedicated team which pursues opportunities for the development and commercialisation of downstream products and new applications, such as the use of furfural as an agricultural chemical. In addition to its own resources, there is ongoing collaboration with both local and international research organisations and contract work is outsourced when appropriate.



Training and employee development activities remain an important pillar for harnessing the group's human resource talent and potential. The group invested approximately R13 million in this area during the year under review

HUMAN RESOURCES

Human resource management and operational strategy are determined by the business needs of the group's operating entities across seven different countries, with direction from the corporate office. These strategies appropriately embrace the macro-environment prevailing in each country and alignment is achieved through the group's strategic intent.

A work ethic of continuous improvement that embodies focused, well-trained employees who are able to realise their full potential, 'make a difference' in their areas of operation and be challenged to go the 'extra mile', is a pre-requisite to being a world-class organisation.

The ongoing need to staff all operations with competent personnel both from an operational and managerial perspective, along with the development and retention of technical and leadership talent, has placed a high focus on manpower succession and career path planning, especially within the group's identified key disciplines and positions.

Training and employee development activities remain an important pillar for harnessing the group's human resource talent and potential. These activities are aimed at satisfying both the current and future business needs in terms of skills supply, whilst also supporting employment equity and localisation initiatives. The group invested approximately R13 million in this area over the reporting period. Employee development initiatives include -

- the building of employees' understanding of the prevailing business context within Illovo;
- the continued development, refinement and implementation of performance management systems, along with ongoing technical competency training, that are linked to individual career pathing and operational excellence respectively;
- a total of 110 management trainees in the disciplines of engineering, accounting, agriculture and human resources, the programmes of which are centrally co-ordinated;
- the Illovo Group Leadership Development Programme run in conjunction with the Leadership Centre of the University of Natal for senior managers across the group. Introduced in 2001, the programme is academically accredited with the University and offers a general business school-type curriculum, balanced with strong company-based functional content. Forty senior managers have attended this programme over the past two years;
- a recent development whereby the company has been formally accredited by the South African Institute of Chartered Accountants as an institution for the Training Outside Public Practice programme whereby graduate accountants may now carry out their traineeship within the company in order to obtain the academic qualification of Chartered Accountant (South Africa).



As part of the group's existing HIV/AIDS wellness programme, a heightened Voluntary Counselling and Testing campaign has been launched.

The group strives to become the employer of choice in a skills market that is continually under pressure. To complement this, remuneration packages are merit-based and market competitive in all countries of operation, whilst performance-related bonus, share purchase and share options schemes are utilised as incentives .

The maintenance and enhancement of employee relations continues to be an imperative towards the company achieving sustained growth into future. Trade union representation extends to some 80% of the group's permanent employees. Collective bargaining forums are convened in all countries of operation where wage rates and other substantive conditions are negotiated and established.

EMPLOYMENT EQUITY

The company promotes equal opportunity and fair treatment in employment through the elimination of unfair discrimination. It encourages inclusiveness with regard to human resource practices, irrespective of race, gender, nationality and religious affiliation.

In South Africa, the company continues to embrace a transformation process that entails the implementation of measures aimed at redressing disadvantages in employment experienced by designated groups. To this end, the company's Employment Equity Plan incorporates affirmative action policies that have been in place and formally monitored since 1994. Implementation is being monitored by management through constituted local forums and a Central Co-ordinating Forum at group level. During the year, a report was submitted to the Department of Labour outlining progress with respect to the group's Employment Equity Plan.

The report reflected the following statistics for 'designated' groups as defined in legislation -

- 39% at the management level;
- 78% at the skilled level;
- 94% of all promotions and 83% of all external recruitments that took place during the year under review (84% and 61% being achieved respectively at the management / skilled level);
- 90% of all management trainees.



The installation of a new water purification plant at Nchalo was one of the many actions undertaken by the company to ensure the health of employees and their dependants by addressing public health issues such as the provision of potable water and sanitation, where these are deficient.

Focus continues to be given to designated appointments in the more senior levels of management where there is shown to be an under-representation.

Monitoring of progress is undertaken at both group and local entity level. The University of Cape Town's Breakwater Monitor Survey continued to be utilised to measure the company's advancement relative to other large employers in South Africa. The survey shows that when compared with the secondary agriculture sector for training and education authority (SETASA), under which demarcation the company falls, the designated representation is ahead of comparable industries in that sector at most levels.

COMPLEMENT

The group's overall permanent manpower complement as at 31 March 2003 stood at 17 211, a decrease of 3% compared to the previous year, employed in the following categories:

Sugar manufacture	8 710
Agriculture	8 158
Downstream	343

In addition, at peak periods during the year, approximately 27 000 seasonal employees were engaged in agricultural operations.

MANAGED HEALTH CARE

Access to health care is provided to all employees and their dependants either through the network of group-run primary health care clinics and hospitals or through the provision of medical insurance schemes.

The group continues to take a pro-active stance against life-threatening epidemics such as HIV/AIDS and malaria. The diseases are being managed, largely on a preventative basis, to negate their impact on the business and employees themselves.

Illovo strategies towards controlling the spread of HIV/AIDS include preventative awareness programmes along with an established 'Wellness Programme' for those afflicted. These programmes continue to be implemented in accordance with appropriate 'best practice' aligned to international standards. They involve high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted infections, use of peer counsellors in the process of



The sale of company-owned houses to employees continued during the year under review with a total of 810 houses in South Africa having now been transferred to employees, whilst township proclamation is imminent at Ubombo Sugar which will result in 380 houses being initially made available for sale to employees.

preventative activities and education, voluntary counselling and testing, use of prophylactic antibiotics, effective screening for tuberculosis and the promotion of a healthy lifestyle.

Determining the impact of any HIV/AIDS intervention is difficult, largely due to the confidentiality restrictions with respect to the testing and recording of the disease. However the company's commitment towards managing the effects of HIV/AIDS recognises the importance of voluntary counselling and testing, because it enables individuals to become aware of their HIV status, and empowers people to act safely and responsibly, and is therefore key in controlling the spread of the disease. To this end the company last year launched a heightened campaign in this area. People diagnosed as being HIV positive are encouraged to join the voluntary wellness programme.

In respect of malaria, the group subscribes to the African continent's recognised 'Roll Back' malaria programme, and mosquito control spray programmes continue to be carried out in areas most affected. This, together with established laboratory testing facilities to enable early detection, are having an encouraging impact with a further reduction in the number of positive cases being reported to the group's health care facilities.

In support of the group's overall medical activities, the company ensures the health of employees and their dependants by addressing public health issues such as the provision of potable water and sanitation, where these are deficient.

EMPLOYEE BENEFITS AND WELFARE

The group offers a diverse range of benefits and is actively involved in the upliftment of its immediate communities -

- Employee share purchase schemes in countries where the operating company is listed, enabling employees to acquire a stake in the business;
- Retirement funding schemes, where elected employee trustees representing the interests of members assist with the prudent management of various funds;
- Educational assistance that is extended to the children of employees in various forms, ranging from the provision of schools to the allocation of bursaries, grants and loan funding;

Where appropriate, the facilitation of employee home ownership has continued thereby allowing employees to have a stake in the community within which they are living and working. This involves the sale of company owned houses as well as other efforts to assist home ownership including the provision of home loan subsidies. In South Africa, following township proclamation of five of the housing villages at the company's sugar mills, 810 houses have been transferred to employees, whilst purchase commitments for a further 102 have been received. This represents 82% of the houses made available for sale. In Swaziland, township proclamation is imminent at Ubombo Sugar, resulting in 380 houses being initially made available for sale to employees.

During the year under review, the board of directors (the board) gave consideration to the recommendations contained in the King Report on Corporate Governance for South Africa 2002 (the King II Report), and concluded that in all material respects the company complies with the principles contained in the Code of Corporate Practices and Conduct contained in the King II Report.

THE BOARD AND BOARD COMMITTEES

The company has a unitary board of directors that is balanced between executive and non-executive, independent directors. During the year under review, a formal Board Charter was adopted. Non-executive directors are chosen for their business acumen and skills pertinent to the business of the group and meet the criteria of the King II Report. The board is ultimately responsible for ensuring that the business is a going concern, and to this end effectively controls the group and its management and is involved in all decisions that are material for this purpose. The board has defined and monitors levels of materiality, and has formally documented matters which it has delegated to the board committees and management.

The roles of the chairman and the chief executive are separated and the chairman is a non-executive, independent director.

The board has five regular meetings a year. In addition, there is provision in the company's Articles of Association for decisions taken between meetings to be confirmed by way of directors' resolutions.

In respect of the five meetings held during the year ended 31 March 2003, there was full attendance by all the directors currently in office, save, as a result of other prior commitments, Messrs R D Hamilton, R L Hetzler and M J Shaw each excused themselves from one of such meetings, whilst Mr A R Mpungwe excused himself from two of the meetings.

AUDIT COMMITTEE

The company has an Audit Committee which comprises a majority of non-executive directors, one of whom is the chairman of the Committee. Both the independent and internal auditors have unrestricted access to this Committee, whose main task is to ensure the maintenance of and, where necessary, review of the effectiveness of internal control in the group in the light of findings by the independent or internal auditors.

Other areas covered include the review of important accounting issues, pending litigation, specific disclosures in the financial statements and a review of the major audit recommendations.

The Committee has adopted formal terms of reference and for the year ended 31 March 2003 satisfied its responsibilities in compliance with such terms of reference.

The Committee has three regular meetings a year, and in the past year there was full attendance by its members at all three meetings.

REMUNERATION / NOMINATION COMMITTEE

The company's Remuneration / Nomination Committee comprises exclusively non-executive, independent directors, and is responsible for the assessment and approval of a broad remuneration strategy for the group. Formal terms of reference have been approved by the board and for the year ended 31 March 2003 the Committee satisfied its responsibilities in compliance with such terms of reference. The remuneration philosophy of the group is to ensure that employees are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks.

The Committee is responsible for the development and determination of the company's general policy on executive and senior management remuneration; the positioning of senior executive pay levels relative to local and international industry benchmarks; the determination of the remuneration packages of the company's executive directors; and making recommendations to the board on the fees and remuneration payable to the company's non-executive directors. The Committee plays an integral part in succession planning relative to senior executives. The Committee is apprised of any movements in the beneficial shareholdings of all directors of the company.

The Committee also gives consideration to the composition of the board and makes appropriate recommendations in this regard to the board.

The Committee meets at least twice a year. During the year under review six meetings were held at which there was full attendance by all members.



The NOSA Integrated Five Star system covering safety, health and environmental management is implemented at all operations in South Africa and at the mills in Swaziland and Malawi.

RISK MANAGEMENT COMMITTEE

During the year under review, a Risk Management Committee was established under terms of reference approved by the board. The Committee is chaired by a non-executive director and otherwise comprises five of the executive directors and four members of senior management.

The Committee is responsible for reviewing the Company's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the Company's risk management function; ensuring the implementation of an ongoing process for risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the company; reviewing any significant legal matters; and reviewing the adequacy of insurance coverage.

The Committee is required to meet at least twice a year. The inaugural meeting of the Committee was held during the year under review at which there was full attendance by all members.

EXECUTIVE COMMITTEE

The executive directors meet on a weekly basis to review operational performance, capital programmes and other relevant issues. In addition, consideration is given to major investment and capital expenditure proposals as well as issues of strategic importance to the group, for recommendation to the board. Furthermore, the daily involvement of the executive directors with operational executives ensures the interactive nature of the overall management reporting structure.

MANAGEMENT REPORTING

The group has established comprehensive management reporting disciplines which include the preparation of annual strategic plans and budgets by all operating entities. Results and the financial status of operating entities are reported monthly against approved budgets and compared to the prior year. Profit and cash flow projections are reviewed regularly whilst working capital and borrowing levels are monitored on an ongoing basis.

FINANCIAL STATEMENTS

The company's directors are responsible for overseeing the preparation of the financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the group's business operations. The independent auditors are responsible for carrying out an independent examination of the financial statements in accordance with Statements of South African Auditing Standards and reporting their findings.



In terms of the group's environmental policy, agricultural operations are guided by the adoption of conservation farming practices to ensure agricultural production on a sustainable basis with minimum impact on the environment and the community.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated in which case full disclosure is made, and are supported by reasonable and prudent judgements and estimates.

The directors believe that the business will be a going concern in the year ahead. The auditors concur with the opinion of the directors.

Where the closure or discontinuation of an operation is anticipated, provision is made to reduce the carrying cost of the relevant assets to net realisable value if this is below cost. Provision is also made for any future operating losses incurred from the date of discontinuance to the anticipated disposal date of such assets.

INTERNAL CONTROL

The group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls and systems are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored in a number of ways, as set out below, dependent upon the particular circumstances -

- the aid of internal control checklists;
- the establishment of defalcation reporting procedures;
- the functions of internal audit departments; and
- adherence to performance standards.

The independent auditors, through the audit work they perform, confirm that the abovementioned monitoring procedures are being effectively applied.

Nothing has come to the attention of the directors or the independent auditors to indicate that any material breakdown in the functioning of the abovementioned internal controls and systems has occurred during the year under review.

ETHICS

It is a fundamental policy of the company, embracing all group operations, to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. During the year under review the company's Code of Conduct and Business Practices, determining the minimum standards required of all staff, was revised and up-dated, and disseminated throughout the group. In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive. A "Crimeline" facility, inviting people from within and outside the company to report any wrongdoings is operated by independent forensic accountants.

INSIDER TRADING

Directors and officers of the group who have access to unpublished, price-sensitive information in respect of any of the group's listed companies are prohibited from dealing in the shares of such companies during defined restricted periods, including those periods immediately prior to the announcement of interim and final financial results. This prohibition does not apply to the exercising of options in terms of the company's share option scheme.

RISK MANAGEMENT

The focus of risk management in Illovo is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management. The risks to the business encompass such areas as the weather, world product prices, exchange rates, political and economic factors, legislation and national regulations, interest rates, people skills, and general operational and financial risks.

The major risks are the subject of the ongoing attention of the board of directors and are given particular consideration in the annual strategic plan which is approved by the board.

The management of financial risk is covered under note 30 to the financial statements on page 80.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the group promotes on-going commitment to risk management and control by participating in externally organised risk management and safety systems. The NOSA Integrated Five Star System covering safety, health and environmental management is implemented at all of South Africa's operations and at the mills in Swaziland and Malawi, and the process of implementation in the remaining Africa operations is progressing well. Six factories in South Africa and the one in Swaziland have achieved platinum gradings. The conversion from the ISO 9002:1994 to the latest ISO 9001:2000 quality system is also well advanced, with such accreditation having been awarded during the year to the Noodsberg, Eston and Merebank factories in South Africa and the field and factory operations in Malawi.

Ubombo in Swaziland was previously accredited. The integration of the NOSA system with ISO 9001:2000, with the aim of achieving a single safety, health, environmental and quality system (SHEQ), is also progressing.

Insurance cover on assets is based upon current replacement values. Consistent with the high standard of risk management, a substantial portion of risk is self-insured at costs well below market premiums. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss.

ENVIRONMENT

The underlying philosophy of the group's environmental policy is the adoption of protective strategies to manage and control the impact of Illovo's agricultural and manufacturing operations upon the environment, at the same time as safeguarding its extensive assets and human resources. Agricultural operations are guided by the adoption of conservation farming practices to ensure agricultural production on a sustainable basis with minimum impact on the environment and the community. Practices include the implementation of land use plans and adherence to industry environmental guidelines, including those pertaining to cane burning. At the manufacturing level, factory emissions are monitored in accordance with prevailing legal limits and company standards.

SOCIAL INVESTMENT

The group operates in diverse environments where, particularly in the African countries of operation, the development needs of the communities from which it draws its employment are significant.



The group participates widely in the upgrading and extension of schools in order to assist in improving education delivery. Examples of this are Illovo's participation in a three-year project with the Sugar Industry Trust Fund for Education for the implementation of the Education Quality Improvement Partnership (EQUIP) at 14 rural schools on the South Coast of KwaZulu-Natal.

Recognising Illovo's interdependence with these communities, the group has active social investment programmes in each country of operation which are structured to address the specific needs of such communities.

Prospective community projects are considered on the basis that they are motivated by members of the local communities and employee-appointed company representatives. To gain company support, projects must be shown to be meaningful and sustainable, to reach and benefit as many people as possible, and to have on-going community participation.

Given the significant education requirements of the African countries in which the group operates, the majority of projects undertaken are education-related. The group participates widely in the upgrading and extension of schools in order to assist in improving education delivery. The company is presently participating in a three-year project with the Sugar Industry Trust Fund for Education for the implementation of the Education Quality Improvement Partnership (EQUIP) programme at 14 rural schools on the south coast of KwaZulu-Natal.

The group also provides ongoing financial support for tertiary educational institutions, and financial and other support for community-based welfare and fund-raising organisations. In addition, it provides primary health care facilities to immediate communities where alternative medical services are not available.

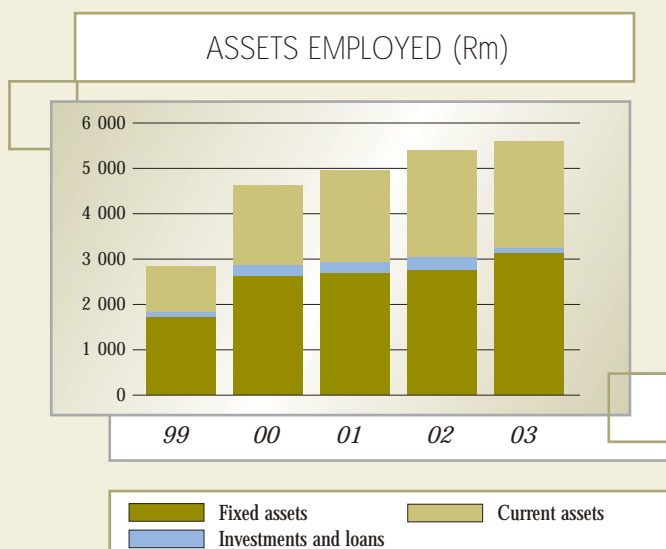
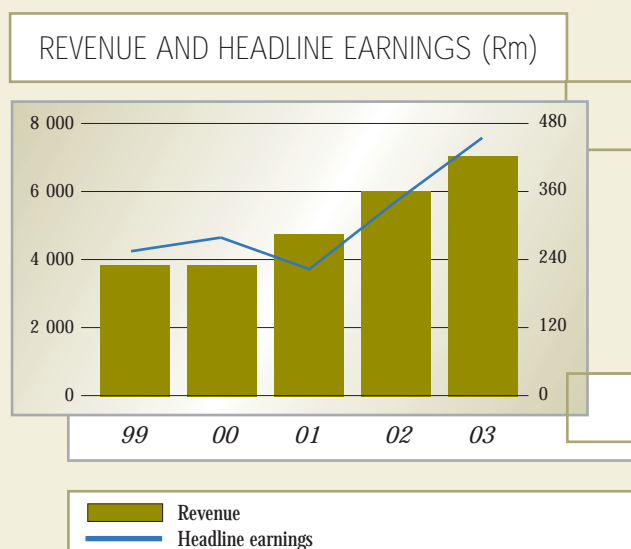
In South Africa, Illovo also contributes to the SA Sugar Association's community development programme which operates in the northern region of the Eastern Cape, KwaZulu-Natal and Mpumalanga, and is a contributor to the Business Trust, which is managed by the National Business Initiative (NBI).

The group promotes job creation for members of designated groups in the agri-business sector through its successful small and medium-scale farm development programmes and related operations, and supports other initiatives aimed at job creation and human capacity development.

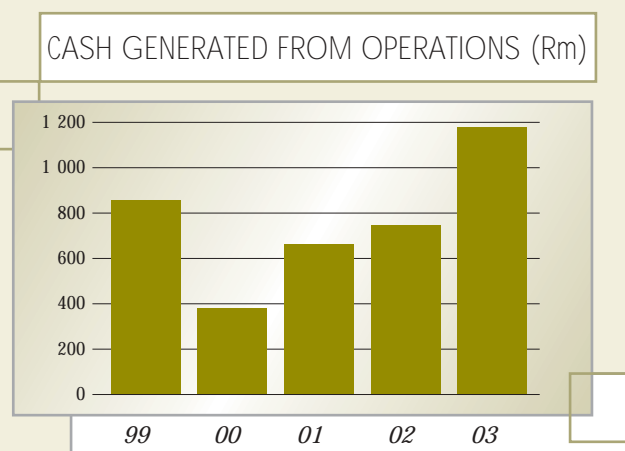
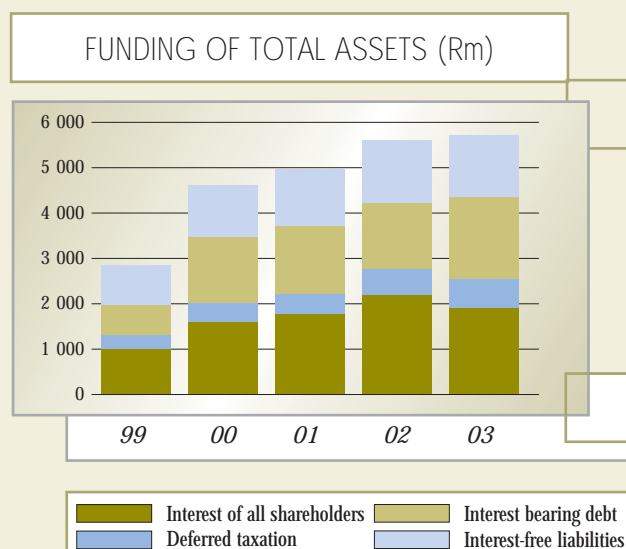
EMPLOYMENT EQUITY

The company's strategies, policies, actions and achievements in respect of employment equity are covered in the Review of Operations on pages 26 to 27.

Rm	Ten year compound annual growth % 1993-2003	March 2003	March 2002	March 2001	Proforma Unaudited March 2000	Proforma Unaudited March 1999
Consolidated income statement						
Revenue	21	7 025.0	6 001.0	4 735.1	3 842.3	3 833.6
Profit from operations	28	1 086.4	763.5	580.5	618.5	745.6
Net financing costs		247.1	228.0	184.1	157.9	185.9
Profit before taxation and abnormal items		839.3	535.5	396.4	460.6	559.7
Net profit from ordinary activities		453.7	361.4	246.5	418.0	274.0
Headline earnings	25	454.6	340.3	222.9	277.3	252.4
Reconciliation of headline earnings						
Net profit from ordinary activities		453.7	361.4	246.5	418.0	274.0
Adjusted for:						
(Profit)/loss on sale of property, plant and equipment		(0.8)	2.8	(23.6)	(135.6)	(21.6)
Profit on disposal of subsidiaries/joint venture		-	(23.3)	-	(5.1)	-
Amortisation of goodwill		1.7	(0.6)	-	-	-
Headline earnings		454.6	340.3	222.9	277.3	252.4
Consolidated balance sheet						
Property, plant and equipment		3 093.6	2 730.3	2 653.3	2 596.1	1 700.0
Goodwill		(23.9)	(11.5)	-	-	-
Investments and loans		118.0	263.8	253.7	221.3	91.0
Current assets		2 477.3	2 558.0	1 996.4	1 767.0	1 022.7
Total assets		5 665.0	5 540.6	4 903.4	4 584.4	2 813.7
Interests of shareholders in Illovo Sugar		1 469.4	1 786.3	1 333.6	1 184.7	559.6
Interest of outside shareholders		412.3	359.3	397.3	371.5	424.5
		1 881.7	2 145.6	1 730.9	1 556.2	984.1
Deferred taxation		634.6	575.1	456.1	463.6	285.1
Net borrowings		1 777.2	1 459.5	1 482.9	1 437.7	676.3
Interest-free liabilities		1 371.5	1 360.4	1 233.5	1 126.9	868.2
Total equity and liabilities		5 665.0	5 540.6	4 903.4	4 584.4	2 813.7



Rm	Notes	March 2003	March 2002	March 2001	Proforma Unaudited March 2000	Proforma Unaudited March 1999
Consolidated cash flow						
Profit from operations before working capital requirements		1 317.9	993.6	860.6	869.8	934.4
Working capital requirements		(145.0)	(250.2)	(203.0)	(492.7)	(83.1)
Cash generated from operations		1 172.9	743.4	657.6	377.1	851.3
Net financing costs		(249.0)	(230.1)	(194.4)	(165.5)	(191.5)
Taxation paid		(194.6)	(54.2)	(49.6)	(30.2)	(191.5)
Dividends paid		(227.8)	(165.3)	(125.1)	(170.6)	(136.5)
Dividends received		1.7	1.7	8.5	3.4	2.2
Net cash inflow from operating activities		503.2	295.5	297.0	14.2	334.0
Investment in future operations		(254.2)	(249.9)	(69.3)	(660.5)	(271.6)
Paid for by the issue of shares		–	–	–	228.0	–
Replacement of property, plant and equipment		(173.8)	(140.2)	(251.2)	(242.5)	(125.2)
Proceeds on disposal of subsidiaries		–	389.7	–	–	–
Other movements		18.2	81.5	44.6	58.8	71.3
Net cash (outflow) inflow from investing activities		(409.8)	81.1	(275.9)	(616.2)	(325.5)
Net cash inflow/(outflow) before financing activities		93.4	376.6	21.1	(602.0)	8.5
Long term borrowings (repaid)/raised		(282.6)	(176.9)	(140.8)	440.9	(21.2)
Short term borrowings raised/(repaid)		109.0	(54.0)	119.1	391.5	(82.7)
Capitalised finance leases (repaid)/raised		(0.3)	(2.7)	0.9	–	–
Proceeds from issue of share capital		5.3	6.8	0.7	1.5	2.0
Net cash (outflow)/inflow from financing activities		(168.6)	(226.8)	(20.1)	833.9	(101.9)
Net (decrease)/increase in cash and cash equivalents		(75.2)	149.8	1.0	231.9	(93.4)
Earnings and dividends per share						
Net profit from ordinary activities	1 cents	136.5	109.2	74.7	131.5	94.1
Headline earnings	2 cents	136.8	102.8	67.5	87.2	86.7
Dividends (interim - paid, final - declared)	cents	68.0	51.0	34.0	48.0	40.0
Dividend cover on headline earnings	3 times	2.0	2.0	2.0	1.8	2.2



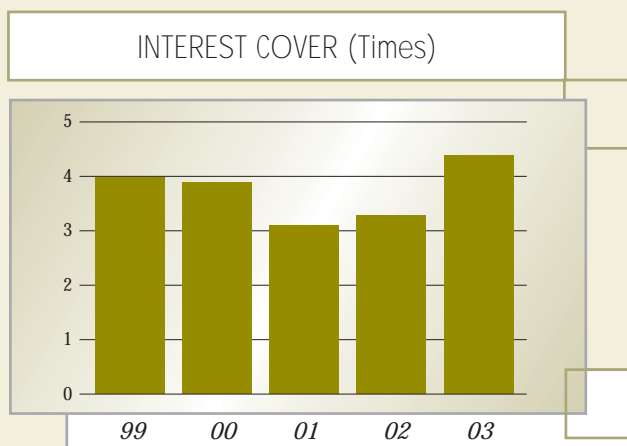
	Notes	March 2003	March 2002	March 2001	Proforma Unaudited March 2000	Proforma Unaudited March 1999
Profitability and asset management						
Operating margin	%	15.5	12.7	12.2	16.0	19.4
Return on average shareholders' equity	4 %	26.4	22.1	19.9	37.1	48.5
Return on net assets	5 %	26.4	19.0	14.7	19.3	26.4
Return on total assets	6 %	18.6	13.3	11.1	14.1	21.5
Working capital per rand of revenue	7 cents	14.5	19.0	16.8	17.6	10.4
Liquidity and borrowings						
Gearing	8 %	94.4	68.0	85.7	92.4	60.1
Total liabilities to total shareholders' funds	9 %	218.5	179.4	199.2	211.9	150.6
Current ratio	10 times	0.9	1.1	1.0	0.9	0.8
Interest cover	11 times	4.4	3.3	3.2	3.9	4.0
Employee statistics						
Total number of employees at year end	12	17 211	17 782	19 024	22 113	22 773
Average number of employees		17 496	18 403	20 296	22 970	20 296
Revenue per average no. of industrial employees	R000	401.5	326.1	233.3	167.3	188.9
Net assets per employee	R000	107.6	116.6	85.3	67.7	48.5

Note: Agricultural employees are excluded from the calculation of revenue per average number of employees

The JSE Securities Exchange South Africa statistics

Ordinary shares in issue	000	332 912	331 711	330 183	329 953	291 284
Weighted average number of shares	000	332 282	330 890	330 023	317 966	291 119
Net worth per share	13 cents	*441.4	538.5	403.9	359.1	192.1
Total volume of shares traded	000	98 349	135 640	145 854	163 953	77 344
Total value of shares traded	Rm	770.2	990.1	744.8	1 016.0	525.4
Ratio of shares traded to issued shares	%	29.5	40.9	44.2	49.7	26.6
Headline earnings yield at year end	14 %	19.9	12.5	22.3	15.9	14.0
Dividend yield at year end	15 %	9.9	6.2	7.4	8.7	6.9
Price : headline earnings ratio at year end	16 %	5.0	8.0	6.8	6.3	7.2
Market price per share						
– year end	cents	687	825	460	550	620
– highest	cents	900	865	610	780	940
– lowest	cents	670	465	410	477	400

* Net worth per share based on depreciated replacement value is 1 493.0 cents.



Notes:**1 Net profit from ordinary activities per share**

Profit from ordinary activities 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

Headline earnings per share divided by dividends per share (interim - paid, final - declared).

4 Return on average shareholders' equity

Profit attributable to shareholders expressed as a percentage of average shareholders' equity.

5 Return on net assets

Profit before financing costs and taxation expressed as a percentage of average net operating assets.

6 Return on total assets

Profit before financing costs, including income from investments, expressed as a percentage of total average assets.

7 Working capital per rand of revenue

Average of inventories and accounts receivable less accounts payable, divided by revenue.

8 Gearing

Interest-bearing liabilities including preference shares (net of cash) expressed as a percentage of total shareholders' funds including minorities interests.

9 Total liabilities to shareholders' funds

Interest-bearing liabilities and other liabilities expressed as a percentage of total shareholders' funds.

10 Current ratio

Current assets divided by current liabilities.

11 Interest cover

Operating profit before financing costs divided by net financing costs.

12 Total number of employees

The number of employees excludes those employed by associate companies.

13 Net worth per share

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

14 Headline earnings yield

Headline earnings per share as a percentage of market price.

15 Dividend yield at year end

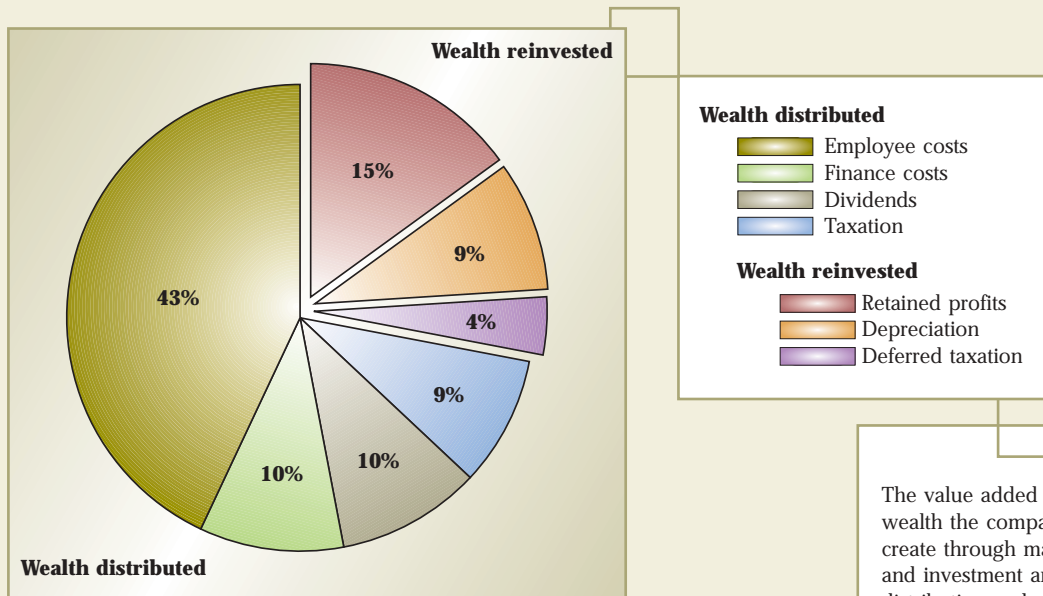
Dividend per share (interim - paid, final - declared) as a percentage of market price.

16 Price : headline earnings ratio

Market price divided by headline earnings per share.

17 Change in accounting policy

Where a change of accounting policy is implemented with retrospective application, the previous year is restated and all other years are not restated in the five year review.



The value added statement shows the wealth the company has been able to create through manufacturing, trading and investment and its subsequent distribution and reinvestment in the business.

During the current financial period R2 362 million was created which was 19% more than during 2002. Of this amount, R1 712 million was distributed to employees, providers of capital and to the government which is 12% more than in 2002.

Of the wealth created, 43% was paid to employees.

The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the development of operations.

Rm	March 2003	March 2002
Wealth created		
Revenue	7 025	6 001
Income from investments	2	2
Paid to growers for cane and beet purchases	(2 701)	(2 309)
Manufacturing costs	(1 964)	(1 708)
	2 362	1 986
Wealth distributed		
To employees as salaries, wages and other benefits	1 022	977
To lenders of capital as interest	249	230
To shareholders as dividends	228	165
To governments as taxation	213	150
	1 712	1 522
Wealth reinvested		
Retained profits in holding and subsidiary companies	347	240
Depreciation	215	216
Deferred taxation	88	8
	2 362	1 986

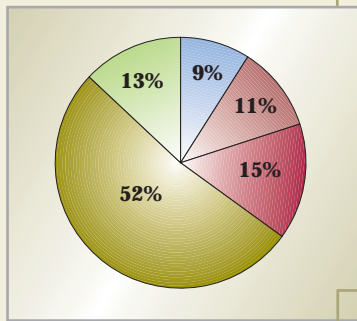
Analysis of taxes paid to and collected on behalf of government

Central and local governments

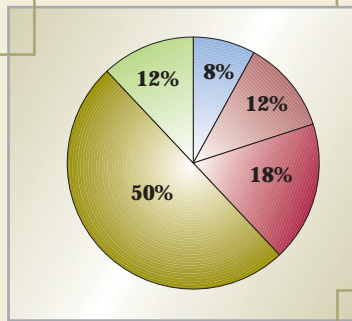
Current taxation (including secondary tax on companies)	175
Regional Service Council levies	5
Rates and taxes paid to local authorities	14
Customs duties, import surcharges and excise taxes	19
Net contribution to central and local governments	213

The above amount contributed excludes the following:

- employees taxation deducted from remuneration paid	126
- net vat amount collected on behalf of government	73
- withholding tax	9
	208

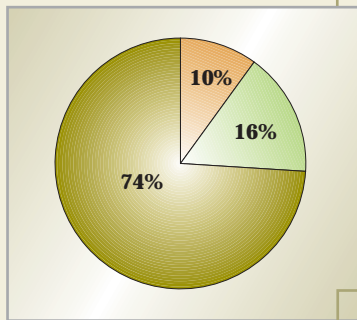
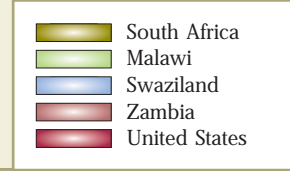


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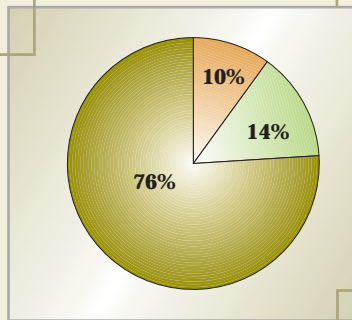


2002

REVENUE BY COUNTRY

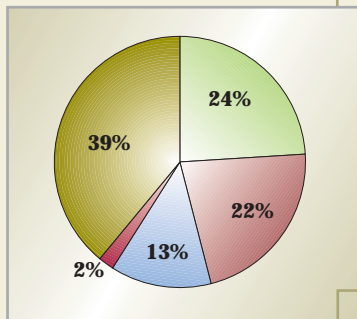
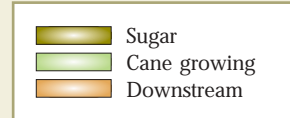


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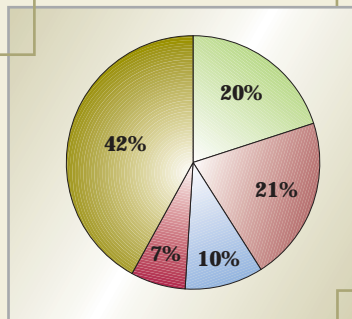


2002

REVENUE BY ACTIVITY

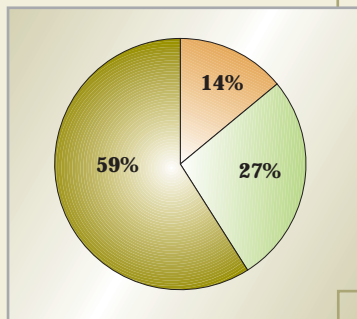
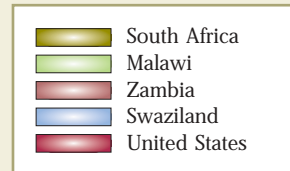


2003

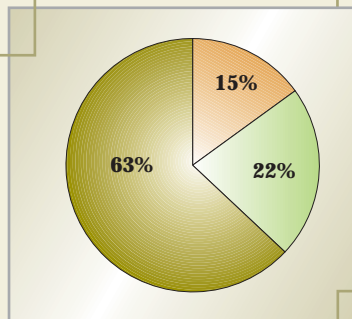


2002

OPERATING PROFIT BY COUNTRY

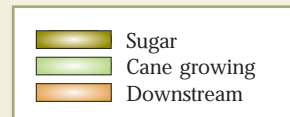


2003



2002

OPERATING PROFIT BY ACTIVITY



More than 100 countries around the world produce sugar, approximately 75% of which is produced from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere with the balance produced from sugar beet which is grown in the temperate zones of the northern hemisphere. Prior to 1990, about 40% of sugar was made from beet but this has decreased to current levels as cane sugar producers have made considerable gains in expanding their sugar markets due to the lower costs of cane sugar production. About 71% of production is consumed in the country of origin whilst the balance is traded on world markets.

- Beet growing areas
- Cane growing areas



In the accompanying tables exports and production are measured in millions of tons (raw value), population in millions and per capita consumption in kilograms.

USA	
Production	7.425
Exports	0.113
Population	280
Per capita consumption	31

MEXICO	
Production	5.062
Exports	0.272
Population	104
Per capita consumption	46

CUBA	
Production	2.400
Exports	1.804
Population	11
Per capita consumption	51

EU

Production	18.341
Exports	5.786
Population	380
Per capita consumption	37

INDIA

Production	19.457
Exports	1.630
Population	1 043
Per capita consumption	18

THAILAND

Production	6.895
Exports	4.616
Population	64
Per capita consumption	36

CHINA

Production	9.783
Exports	0.109
Population	1 294
Per capita consumption	7



BRAZIL

Production	22.703
Exports	12.445
Population	170
Per capita consumption	55

SADC

Production	5.467
Exports	1.682
Population	155
Per capita consumption	21

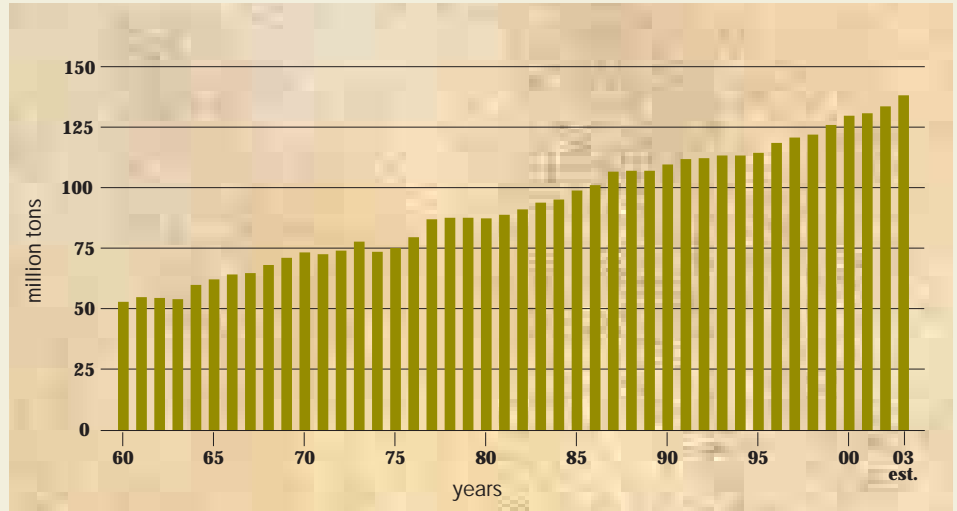
AUSTRALIA

Production	5.569
Exports	4.537
Population	20
Per capita consumption	46

INTERNATIONAL STATISTICS

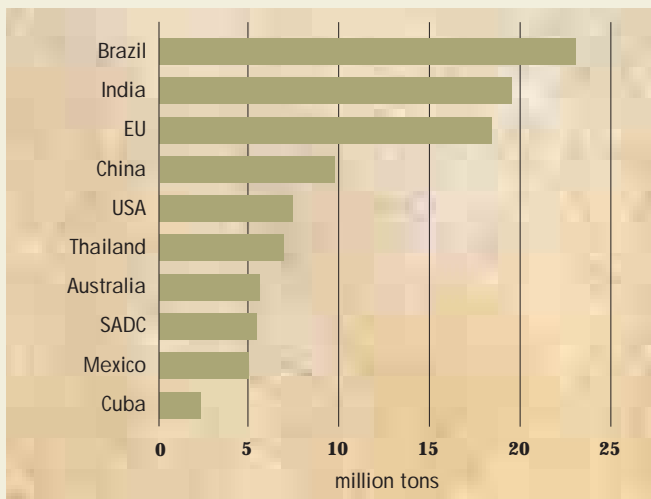
The world sugar year runs from September to August

WORLD SUGAR CONSUMPTION



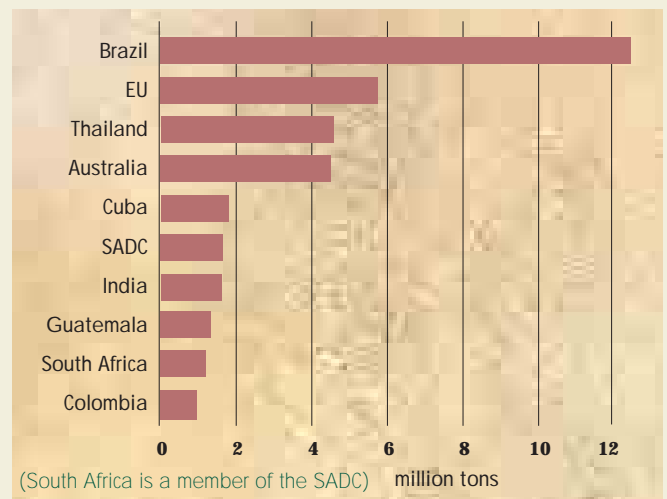
Global sugar consumption continues to increase at more than 2% per annum and in the 2002/03 season is estimated to be 137 million tons.

TOP SUGAR PRODUCERS 2002/03 estimate



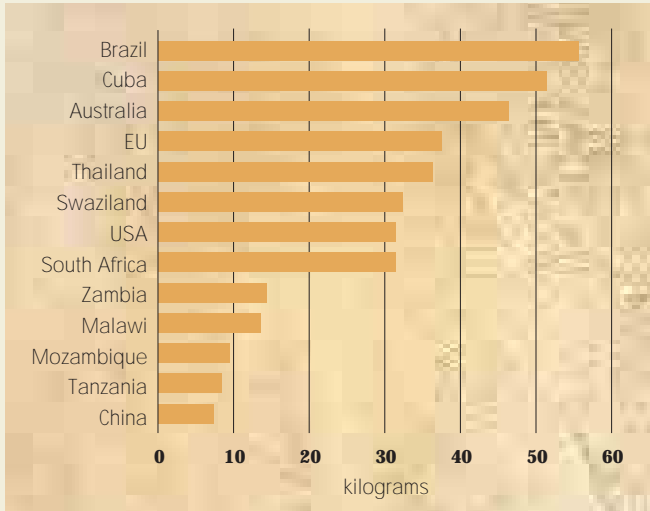
The top ten sugar producers account for approximately 75% of the world's total sugar production.

TOP SUGAR EXPORTERS 2002/03 estimate



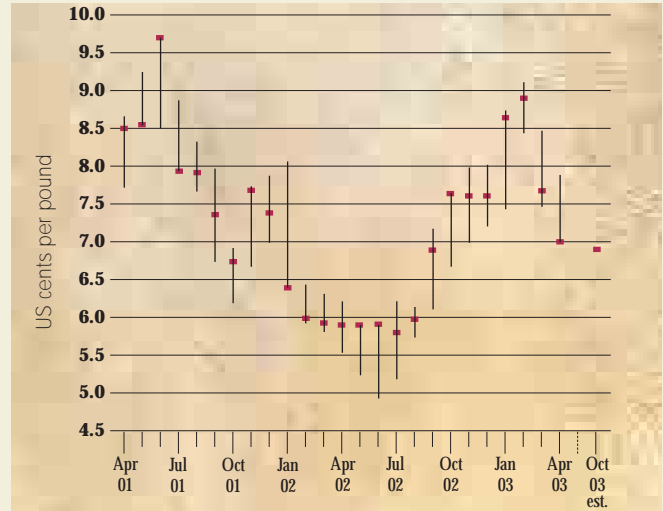
Approximately 29% of the world's sugar is traded on world markets whilst the balance is consumed in the country of origin. The world's top five exporters supply more than 71% of all world free market exports.

PER CAPITA CONSUMPTION 2002/03 estimate



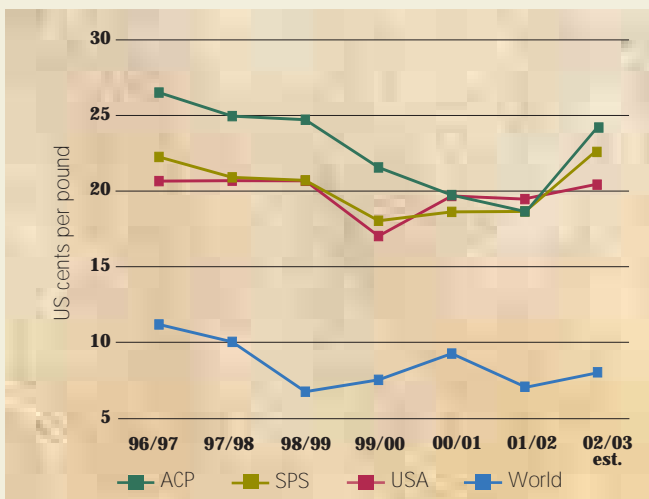
Long-term potential for consumption growth, particularly in African countries, remains positive.

WORLD RAW SUGAR PRICE



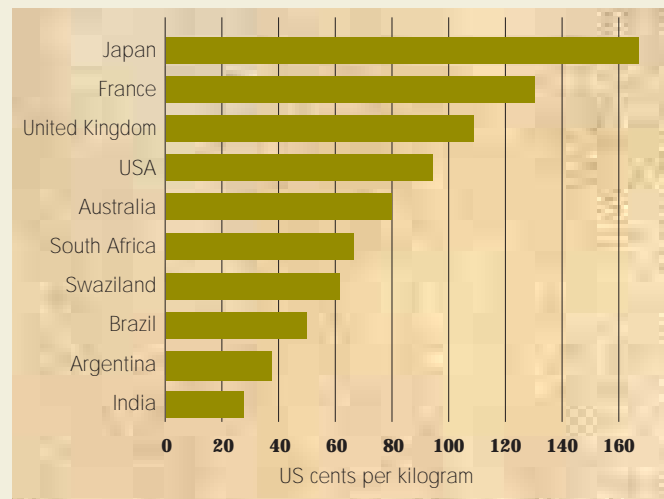
The free market sugar price is one of the most volatile of all world commodity prices. During the 2002/03 season, it experienced a welcome return to higher levels with futures prices rising from below US5.0 cents/lb in June 2002 to a high of US9.0 cents/lb in February 2003. Since the commencement of the new season, the futures price has stabilised at approximately US7.0 cents/lb and is expected to remain around present levels in the medium term.

PREFERENTIAL PRICES (FREE ON BOARD)



Preferential prices offer a considerable premium to that of the world free market. ACP (African, Caribbean & Pacific) and SPS (Special Protocol Sugar) prices have increased in US\$ terms as a consequence of the strengthening of the Euro.

DOMESTIC RETAIL SUGAR PRICES 2002/03 est.

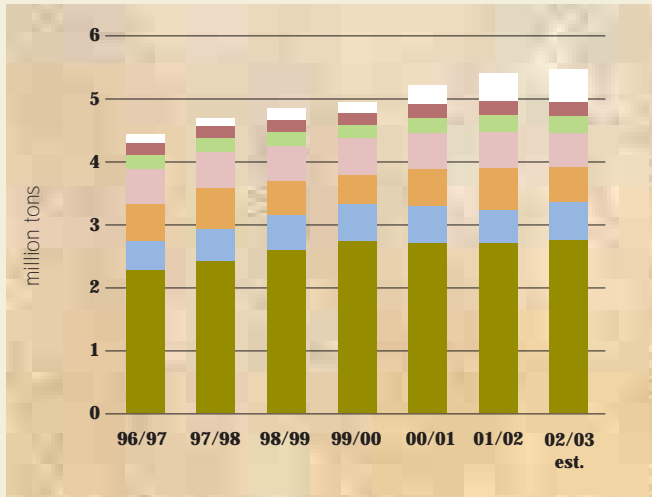


Domestic sugar prices in the South African Customs Union remain substantially below those of developed nations.

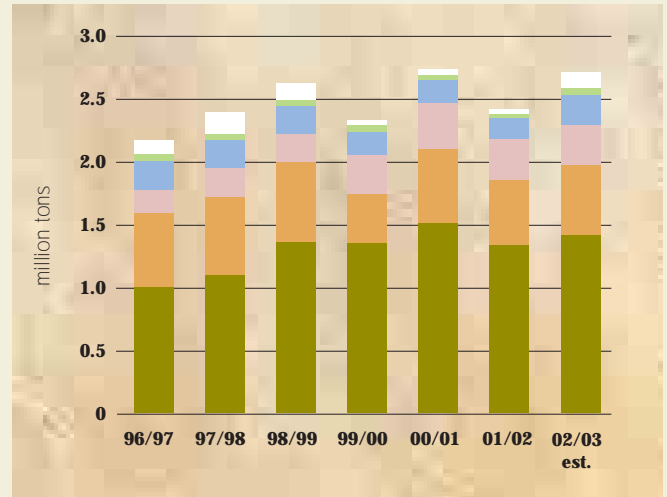
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY STATISTICS

The SADC season runs from April to March

SUGAR PRODUCTION BY COUNTRY



EXPORTS BY COUNTRY



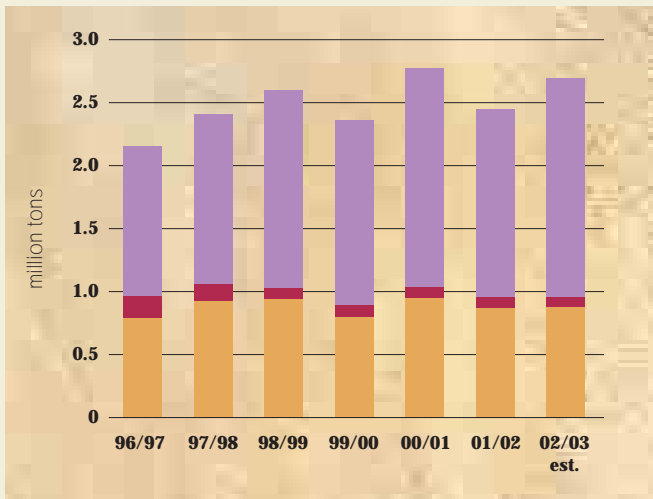
South Africa Swaziland Mauritius Zimbabwe
Malawi Zambia Others

South Africa Mauritius Zimbabwe
Swaziland Malawi Others

Sugar production amongst the SADC producers continues to show steady growth. Marked increases over the past two years have been recorded in Tanzania and Mozambique where the sugar industries have been undergoing rehabilitation programmes.

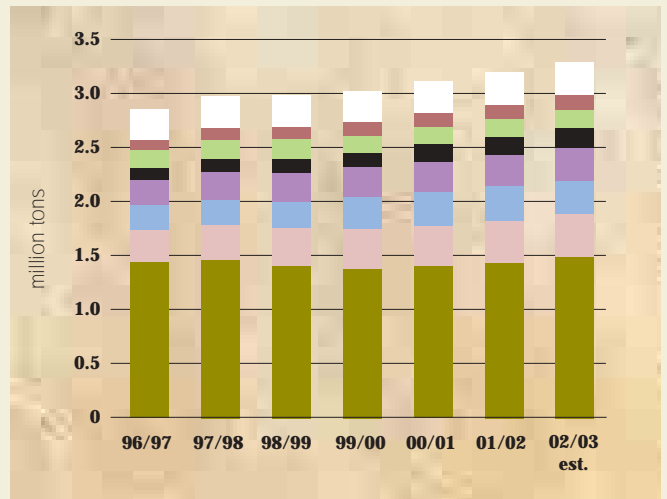
The SADC region remains a significant net exporter of sugar in global terms.

EXPORT MARKETS



Europe USA World

LOCAL CONSUMPTION



South Africa Zimbabwe Swaziland
Tanzania Mozambique Malawi
Zambia Others

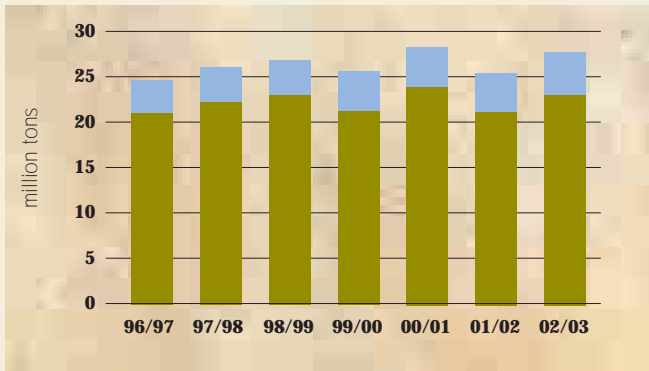
In the 2002/03 season, 36% of SADC exports were destined for the higher-priced preferential markets. The tonnage into these preferential markets remains reasonably constant, with the world free market and regional exports fluctuating relative to production levels.

Sugar consumption in the region has continued to grow at around 2.5% per annum.

SOUTH AFRICAN CUSTOMS UNION STATISTICS

The Southern Africa sugar season runs from April to March

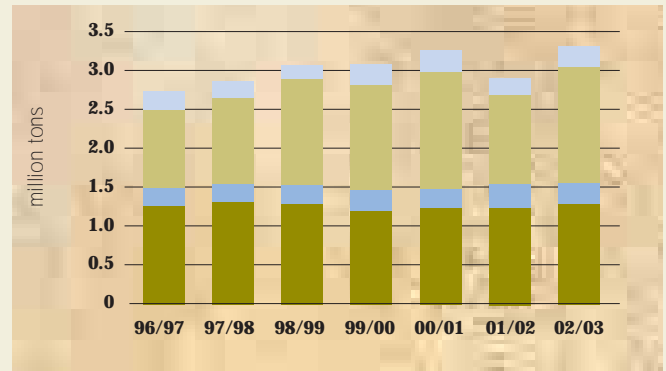
CANE PRODUCTION



■ South Africa ■ Swaziland

Prevailing weather conditions in the rain-fed cane growing areas of the region generally account for annual production variations. The 2002/03 season benefited from excellent cane growing conditions.

SUGAR PRODUCTION AND MARKETS

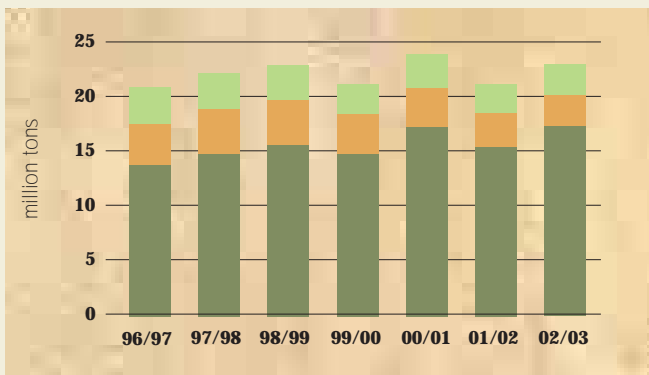


■ Local - South Africa ■ Local - Swaziland
■ Export - South Africa ■ Export - Swaziland

Domestic market sales remain relatively stable from year to year, whilst exports fluctuate in relation to annual production levels.

SOUTH AFRICAN STATISTICS

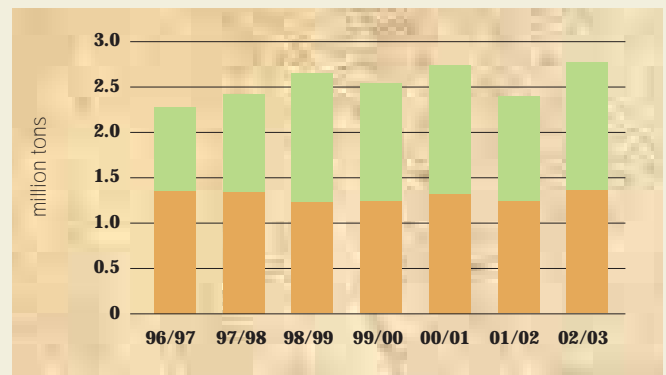
CANE PRODUCTION



■ Private growers ■ Small-scale growers ■ Milling companies

The South African sugar industry experienced a significantly improved crop in the 2002/03 season.

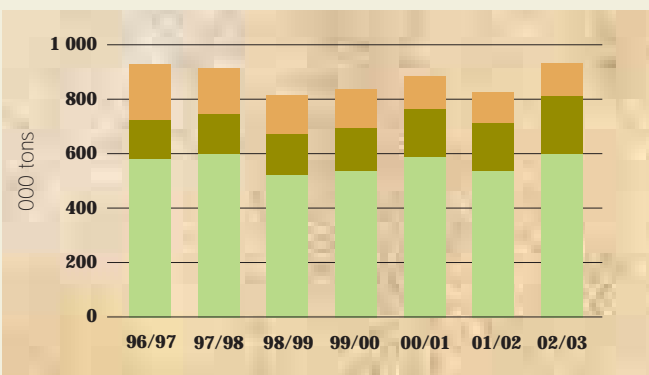
SUGAR PRODUCTION AND MARKETS



■ Local ■ Export

Whilst growth of sales into the local market has previously been inhibited by access afforded to other regional producers, 2002/03 was characterised by significant growth across the market sectors.

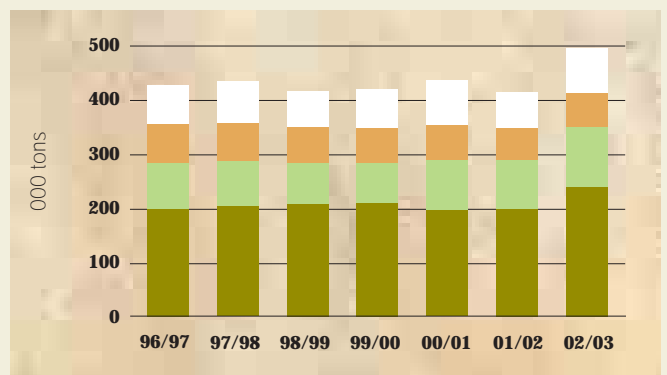
CONSUMER MARKET SALES



■ Wholesale ■ Chain stores ■ Other

Sales to the consumer market, which remains the largest domestic market segment, improved notably in 2002/03.

INDUSTRIAL MARKET SALES

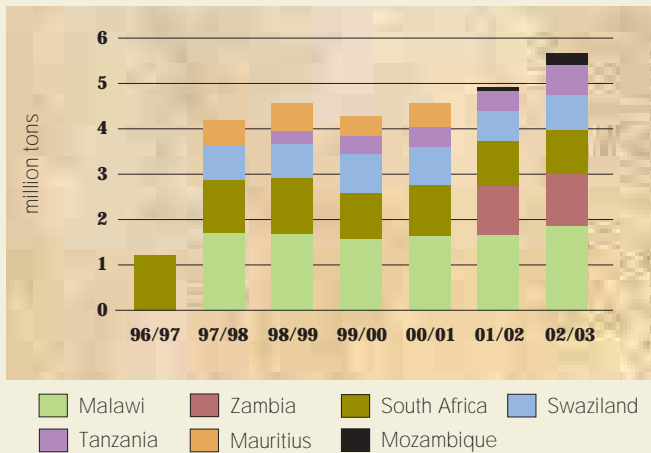


■ Minerals/squashes ■ Bakers/food processors ■ Sweets ■ Other

Sales to the industrial market in South Africa showed marked growth in 2002/03.

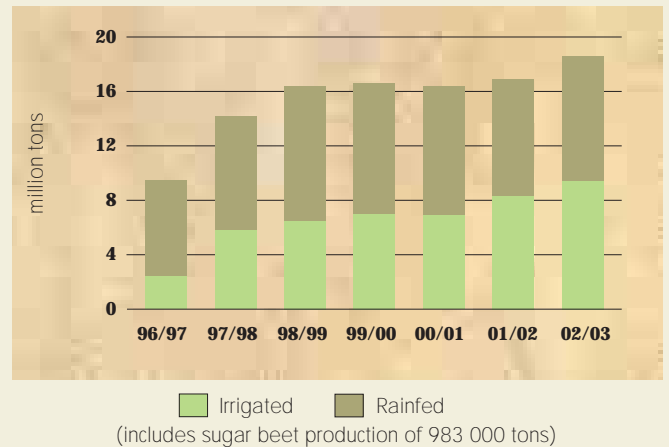
ILLOVO GROUP STATISTICS

CANE PRODUCTION



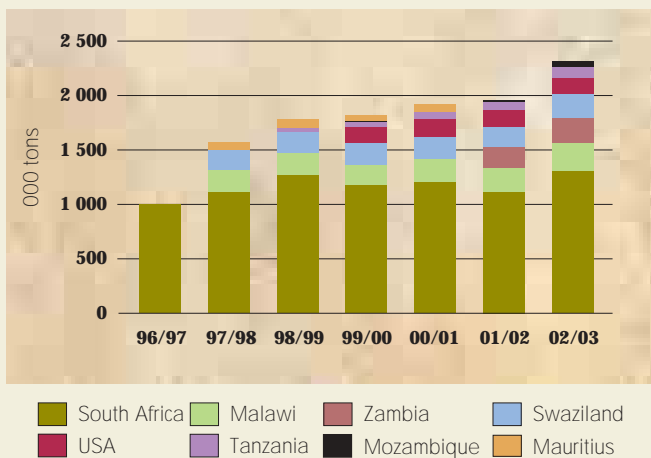
In 2002/03, cane production from the company's own estates, about 80% of which is irrigated, increased by almost one million tons to a new record of 5.781 million tons.

RAW MATERIAL THROUGHPUT
(including private growers)



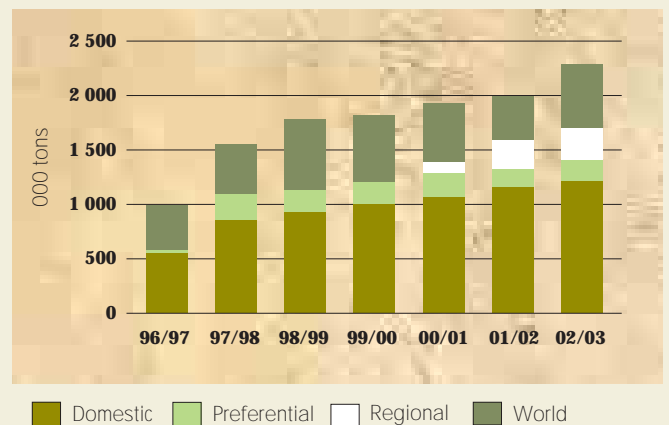
More than half of the group's raw material is cultivated under irrigation. (includes sugar beet production of 983 000 tons)

SUGAR PRODUCTION



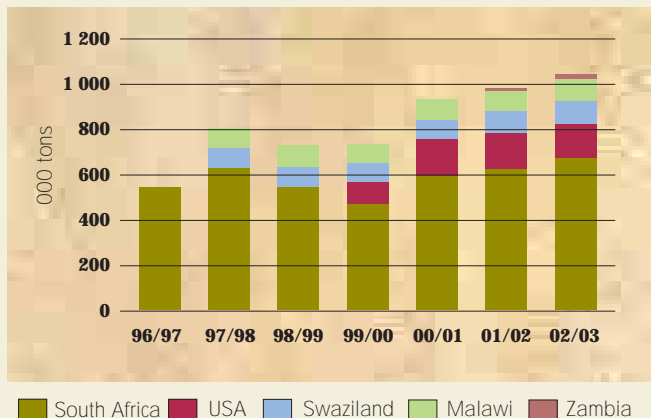
Group sugar production increased to 2.308 million tons, 355 000 tons above last year's record of 1.953 million tons.

GROUP MARKETS



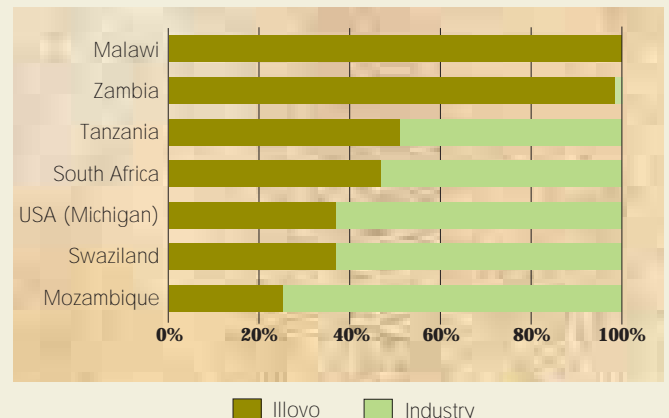
In 2002/03, 53% of sugar production was sold into the stable domestic markets whilst a further 8% had access to high-priced preferential markets in the European Union and the United States. In addition, 13% was sold into regional markets where premiums above the world price are earned.

REFINED SUGAR PRODUCTION



The production of refined sugar is an important part of the strategy to add value to the group's core commodity products.

ILLOVO SHARE OF INDUSTRY PRODUCTION



Illovo commands a significant share of production in each of the countries in which it operates.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Illovo Sugar Limited are responsible for overseeing the preparation and the integrity of the annual financial statements of the group and the company and the objectivity of other information presented in this report.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.


The annual financial statements, prepared in terms of South African Statements of Generally Accepted Accounting Practice, are examined by independent auditors in conformity with Statements of South African Auditing Standards.

An audit committee of the board of directors, chaired by a non-executive director, meets periodically with the auditors and management to discuss internal accounting controls and auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

The annual financial statements of the group and the company which were prepared on the going concern basis and which appear on pages 49 to 81, were approved by the board of directors on 20 May 2003 and are signed on its behalf by -



R A Williams
Chairman



D G MacLeod
Managing Director

CONTENTS

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Statement of changes in equity	62
Notes to the financial statements	63

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ILLOVO SUGAR LIMITED

We have audited the group and company annual financial statements of Illovo Sugar Limited for the year ended 31 March 2003 set out on pages 49 to 81. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

SCOPE

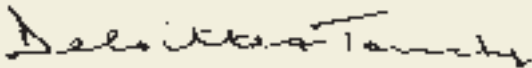
We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes -

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the group and the company at 31 March 2003, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act.



Deloitte & Touche Durban
Chartered Accountants (SA) 20 May 2003

LODGEMENT OF RETURNS WITH THE REGISTRAR OF COMPANIES

I hereby certify that for the year ended 31 March 2003, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.



G D Knox Durban
Secretary 20 May 2003

NATURE OF BUSINESS

The nature of business of the company and its subsidiaries is fully described under the Group profile appearing on page 2.

REVIEW OF OPERATIONS

Detailed commentary is given on pages 13 to 28.

Acquisitions and disposals

During the year under review, Illovo Sugar increased its shareholdings in certain of its subsidiary companies as follows –

- in Zambia Sugar Plc, from 89.13% to 89.71%;
- in The Sugar Corporation of Malawi Limited, from 60.98% to 75.98%;
- in Kilombero Sugar Company Limited, from 7.28% to 55%;
- in Maragra Açúcar SARL, from 50% to 75.61%.

SHARE CAPITAL

Full details of the current authorised and issued share capital are set out in note 16 to the financial statements on page 71.

During the year under review the issued ordinary share capital of the company increased by 1 200 899 shares to 332 911 900 shares as a result of –

- options being exercised in respect of 1 280 300 shares in terms of the Illovo Sugar 1992 Share Option Scheme; and
- the company purchasing 79 401 shares from odd-lot shareholders in terms of an offer made to such shareholders on 18 June 2002.

At the forthcoming annual general meeting, as included in the notice of such meeting on pages 83 to 84, members will be requested to –

- 1 place the unissued ordinary shares of the company, excluding those reserved for the share option scheme referred to below, under the control of the directors;
- 2 grant the directors, by ordinary resolution requiring approval by a 75% majority vote of members, a general authority, valid until the following annual general meeting of members, to issue ordinary shares in the capital of the company for cash, subject to the requirements of the JSE Securities Exchange South Africa;
- 3 grant the directors by special resolution, a general authority, valid until the following annual general meeting of members, to purchase up to 10% of the company's issued share capital, subject to the requirements of the Companies Act, 1973, and the JSE Securities Exchange South Africa;

SHAREHOLDERS

An analysis of shareholders and their shareholdings is given on page 82.

The register of members, including the sub-registers maintained by the Central Securities Depository Participants, reflect five registered shareholdings equal to or more than 5% of the issued ordinary share capital of the company. Pursuant to the provisions of Section 140A of the Companies Act, 1973, an analysis of the relevant disclosures by nominee shareholders as at 31 March 2003 revealed four beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 82.

ILLOVO SUGAR 1992 SHARE OPTION SCHEME

As approved at the annual general meeting of members held on 17 July 2002, a total of 33 000 000 ordinary shares are reserved and placed under the control of the directors for the purpose of the Illovo Sugar 1992 Share Option Scheme for employees.

Options granted to directors and senior managers as at 31 March 2003 comprise -

	No. of shares
Options granted and unexpired at 1 April 2002	20 608 800
New options granted during the year under review	2 500 500
Less : Options forfeited during the year under review	(198 600)
Total options granted and unexpired	22 910 700
Less: Options exercised by retired and former employees	(1 825 800)
	<u>21 084 900</u>

This leaves a balance available for the granting of further options of 11 915 100 shares.

During the year under review, options were exercised in respect of 1 280 300 shares which were allotted and issued by the directors, bringing the aggregate number of shares allotted and issued since the inception of the option scheme to 7 269 000.

The options granted and unexpired or unexercised as at 31 March 2003 are categorised as -

No. of shares	Expiry date	Option price (cents)
190 600	29 June 2004	450
1 710 800	27 March 2005	600
140 000	21 April 2006	925
4 084 800	30 August 2008	435
2 680 000	29 August 2009	562
805 000	11 July 2010	443
1 215 000	12 September 2010	520
2 360 000	6 June 2011	650
2 455 500	20 May 2012	805
<u>15 641 700</u>		

Options granted to directors and unexpired or unexercised as at 31 March 2003 are determined as -

	Options as at 31 March 2002	Options granted during the year	Options exercised during the year	Options as at 31 March 2003	Average option price (cents)
Buchanan W M A	307 500	30 000	105 000	232 500	543
Clark G J	380 000	110 000	43 300	446 700	594
Hawley N M	282 500	45 000	10 000	317 500	565
Hetzler R L	225 000	40 000	-	265 000	595
Hlatshwayo M I	132 500	20 000	35 000	117 500	586
Knox G D	312 500	30 000	-	342 500	544
MacLeod D G	1 090 000	250 000	10 000	1 330 000	583
Russell J T	490 000	110 000	-	600 000	581
Stuart B M	465 000	110 000	-	575 000	588
	<u>3 685 000</u>	<u>745 000</u>	<u>203 300</u>	<u>4 226 700</u>	<u>579</u>

At the forthcoming annual general meeting, as included in the notice of such meeting, members will be requested to approve the allotment and issue of shares to directors in respect of options granted during the year under review, and in the case of Mr M I Hlatshwayo all the options previously granted to and unexercised by him.

ILLOVO SUGAR EMPLOYEES' SHARE PURCHASE SCHEME

During the year under review the trustees of the Illovo Sugar Employees' Share Purchase Scheme acquired a further 2 100 shares in the company bringing the total number of shares held to 157 933. Of this number, 157 928 are held on behalf of participants.

DIVIDENDS

An interim ordinary dividend (No. 22) of 26.0 cents per share was declared on 13 November 2002, and a final ordinary dividend (No. 23) of 42.0 cents per share was declared on 20 May 2003, making the total distribution for the year 68.0 cents per share.

The interim dividend was paid on 13 January 2003 and the final dividend will be paid on 14 July 2003.

SUBSIDIARY COMPANIES

The names and financial information concerning the subsidiaries of the company are set out in note 11 to the financial statements on page 69.

DIRECTORATE AND SECRETARY

The names of the directors and the secretary in office at the date of this report along with the company's business and postal addresses, are set out on pages 6 and 9 respectively.

Dr A B Ravnö retired from the board on 31 May 2002.

Mr P M Madi was appointed as a non-executive director on 29 November 2002, and Mr M I Hlatshwayo was appointed as corporate affairs director on 19 March 2003.

In terms of the company's articles of association, Messrs W M A Buchanan, B P Connellan, N M Hawley, A R Mpungwe, J T Russell and M J Shaw retire by rotation at the forthcoming annual general meeting. All these directors are eligible and offer themselves for re-election.

The beneficial interests of the directors holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2003 were as follows -

	2003		2002	
	Direct	Indirect	Direct	Indirect
Buchanan W M A	35 000		20 000	
Connellan B P	25 224	3 242	25 224	3 242
Hamilton R D	134 086	53 634	134 086	53 634
Hawley N M	10 000		-	
Hlatshwayo M I	35 000		-	
Knox G D	10 000		10 000	
MacLeod D G	300 000		290 000	
Russell J T	100 000		100 000	
Stuart B M	128 400		128 400	
Williams R A	37 194		37 194	
	814 904	56 876	744 904	56 876
Total	871 780		801 780	

No non-beneficial interests were held by any of the directors.

The register of interests of directors and others in the shares of the company is available for inspection at the registered office.

DIRECTORS' FEES

At the last annual general meeting, held on 17 July 2002, members approved an increase in the basic fee payable to non-executive directors to R70 000 per annum with effect from 1 April 2002. At the forthcoming annual general meeting, members will be requested to approve an increase in the basic fee payable to non-executive directors to R90 000 per annum with effect from 1 April 2004.

HOLDING COMPANY

Illovo Sugar Limited does not have a holding company.

AUDITORS

Deloitte & Touche will continue in office in accordance with the provisions of Section 270(2) of the Companies Act, 1973.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

Since the date of the previous Annual Report, special resolutions have been passed by –

- The Sugar Corporation of Malawi Limited, to give effect to a renounceable rights offer of 39 635 800 ordinary shares, thereby increasing the issued share capital of that company to 713 444 391 ordinary shares;
- Maragra Açúcar SARL, to change the share capital of that company, by converting 4 million "B class" preference shares into an equivalent number of "A class" ordinary shares, and issuing a further 14.9 million "A class" ordinary shares; thereby establishing the total issued share capital as 36 902 000 ordinary shares.

POST BALANCE SHEET EVENTS

There have been no matters of material interest to report on since the end of the period under review.

OTHER MATTERS

So as to structure the company's business in South Africa consistently with the structures in place in all the other countries in which Illovo Sugar operates, it is proposed to transfer the company's South African sugar and related assets to a wholly-owned subsidiary, Illovo Sugar (South Africa) Limited. The consideration payable for such assets is to be determined pursuant to an independent valuation. At the forthcoming annual general meeting, as included in the notice of such meeting, members will be requested to approve an ordinary resolution to give effect to this arrangement.

The principal accounting policies of the group conform with South African Statements of Generally Accepted Accounting Practice and are consistent in all material respects with those of the previous year.

1 BASIS OF CONSOLIDATION

The consolidated financial statements are prepared on the historical cost basis and incorporate the financial statements of the company and its subsidiaries. Operating results of subsidiaries acquired or disposed of during the year are included from, or up to, the effective dates of acquisition or disposal, respectively. Subsidiaries and associates which operate under severe long-term restrictions which significantly impair their ability to transfer funds are not consolidated or equity accounted.

2 TRANSLATION OF FINANCIAL STATEMENTS PREPARED IN FOREIGN CURRENCIES

Balance sheets of consolidated foreign subsidiaries are translated into South African Rand at rates of exchange ruling at the year end. The related income statements including those of equity accounted foreign subsidiaries are translated at the weighted average rate of exchange for the year.

Where a subsidiary reports in the currency of a hyperinflationary economy, its financial statements are restated by applying a general price index pertaining to that economy before they are translated and included in the consolidated financial statements. Translation of the restated financial statements of the subsidiary is performed at rates of exchange ruling at the year end.

Aggregate gains and losses on the translation of foreign subsidiaries are taken directly to non-distributable reserves.

3 GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on or after 1 April 2000 is recognised on the balance sheet and amortised on a systematic basis following an assessment of its foreseeable life, subject to a maximum of 20 years.

4 PRODUCT REGISTRATIONS

Expenditure incurred in obtaining the registration of a product to enable sales to be made in specific markets, is capitalised and amortised over the expected useful life of the registration on the straight line basis.

Subsequent expenditure, which increases the life of the registration or increases future economic benefits, is capitalised in the year in which it is incurred. Expenditure to maintain the registration is expensed in the year in which it is incurred.

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost to the group.

Land is not depreciated.

Leasehold properties are amortised over the period of the leases.

Plant and equipment are written down to their estimated residual values over their anticipated useful lives using the straight-line basis.

Interest on funds expended on new productive capacity prior to commencement of production is capitalised where such expenditure is incurred over a year in excess of 12 months.

6 LEASED ASSETS

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised.

The cost of the asset is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease finance charges are charged to operating profit as they are incurred.

Assets subject to operating lease agreements are not capitalised and the related lease payments are charged to operating profit as they are incurred.

7 FACTORY OVERHAUL COSTS

Factory overhaul costs represent expenditure actually incurred on plant and equipment for the overhaul of the factory in preparation for the new sugar season commencing after the year end. This expenditure is written off in full in the following year.

8 ASSOCIATED COMPANIES

Associates are those companies which are not subsidiaries, over which the group exercises a significant influence and in which it holds a long-term equity interest.

Associate companies are accounted for on the equity method from their most recent financial statements. Equity accounted income, which is included in the respective carrying values of the investments, represents the group's proportionate share of associate companies' post-acquisition retained income after accounting for dividends payable by those associates.

Associate companies undergoing a long-term rehabilitation project which significantly impairs their ability to transfer funds, are not equity accounted.

9 INVESTMENTS

Investments are stated at cost to the group less amounts written off to give recognition to declines in value.

10 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The basis of determining cost is the average method except in the case of downstream products and Monitor Sugar where the first-in-first-out basis is used.

Cost of finished goods comprise all costs of purchase, cost of conversion and other costs incurred in bringing such inventories to their present location and condition.

Establishment and replanting costs of cane are written off over the expected life of the crop whilst the maintenance costs of cane are expensed in the year when revenue is generated.

Maintenance stores are valued at average cost with obsolete items being written off.

Redundant and slow moving inventories are identified and written down to their net realisable values.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash resources which comprise cash on hand, balances with bankers and investments in short-term money market instruments, including preference share investments held as treasury instruments.

12 FOREIGN CURRENCY ASSETS AND LIABILITIES

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Gains and losses arising from the settlement of such transactions are recognised in the income statement. If a foreign currency denominated transaction is appropriately hedged with a forward exchange contract, the difference between the rate of exchange ruling on the transaction date and the forward exchange rate is amortised over the remaining term of the forward exchange contract.

13 DEFERRED TAXATION

Deferred taxation is provided on the comprehensive basis using the liability method.

Deferred taxation liabilities are recognised for all taxable temporary differences.

Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

14 DIVIDEND INCOME

Dividend income from investments is brought to account as and when the company is entitled to receive such dividends.

15 REVENUE

Revenue comprises the selling value, excluding value added tax, of goods delivered and services rendered during the year. In the determination of revenue, all material inter-company transactions are excluded. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer.

16 RESEARCH, DEVELOPMENT AND RELATED EXPENDITURE

Research and development expenditure is charged to operating profit in the year in which it is incurred.

Technology, royalty and associated costs, which are disclosed separately from research and development expenditure, are charged to operating profit as incurred. These costs include technical licence fees and royalties paid to third parties where the payments are considered to be a contribution to the research and development activities of those third parties.

17 ABNORMAL AND EXTRAORDINARY ITEMS

Abnormal items are those items of income or expense, whose nature or incidence is such that their disclosure becomes relevant to explain the performance of the group. Profit before taxation is stated after accounting for abnormal items.

Extraordinary items are defined as material items of income and expenditure resulting from occurrences which are clearly distinct from the ordinary activities of the group and are not expected to recur frequently or regularly.

18 DISCONTINUING OPERATIONS

Discontinuing operations are significant, distinguishable components of the group that have been sold, abandoned or are the subject of formal plans for disposal. The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and includes the operating results from this date, the difference between the proceeds of disposal and the net carrying value of the assets and liabilities to be disposed of, as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is taken into account only when realised.

19 RETIREMENT BENEFITS

The group provides retirement benefits for its employees through a number of defined contribution and defined benefit plans.

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.

Current service costs in respect of defined benefit retirement plans are actuarially determined and recognised as an expense in the year in which related services are rendered by employees. Past service costs in respect of existing employees, including changes in actuarial assumptions, plan amendments and experience adjustments, are recognised as income or an expense systematically over the expected remaining working lives of the employees concerned. Past service costs in respect of retired employees are recognised as an expense in the year in which the plan amendment is made. All plans are funded. Funding shortfalls arising in defined benefits plans are met by group companies through lump sum payments or increased future contributions.

Additional severance liabilities in terms of legislative regulations are assessed annually and provided for.

Historically, qualifying employees have been granted certain post retirement medical benefits. Although the practice has been discontinued, there is a liability in respect of current and retired employees to whom the benefit was granted. These costs are provided on the accrual basis determined actuarially.

20 PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

21 COMPARATIVE FIGURES

When an accounting policy is changed with retrospective effect, comparative figures are restated in accordance with the new policy.

INCOME STATEMENTS for the year ended 31 March 2003

	Notes	Group		Company	
		March 2003 Rm	March 2002 Rm	March 2003 Rm	March 2002 Rm
Revenue	1	7 025.0	6 001.0	3 533.5	2 919.5
Profit from operations	2	1 086.4	763.5	417.6	284.2
Net financing costs	3	248.8	229.7	178.2	134.2
Dividend income		1.7	1.7	3.6	22.1
Profit before taxation and abnormal items		839.3	535.5	243.0	172.1
Abnormal items	4	(2.3)	20.1	(2.9)	42.1
Profit before taxation		837.0	555.6	240.1	214.2
Taxation	5	263.5	122.0	77.4	70.4
Profit after taxation		573.5	433.6	162.7	143.8
Attributable to outside shareholders of subsidiary companies		119.8	72.2		
Net profit from ordinary activities		453.7	361.4	162.7	143.8
Extraordinary item	6	-	186.7	-	-
Net profit attributable to shareholders in Illovo Sugar Limited		453.7	174.7	162.7	143.8

Reconciliation of headline earnings:-

Net profit from ordinary activities	453.7	361.4
Adjusted for:		
(Profit)/loss on sale of property, plant and equipment	(0.8)	2.8
Profit on disposal of subsidiary company	-	(23.3)
Amortisation of goodwill	1.7	(0.6)
Headline earnings	454.6	340.3

Net profit from ordinary activities per share (cents)	16	136.5	109.2
Headline earnings per share (cents)	16	136.8	102.8
Diluted headline earnings per share (cents)	16	133.5	100.1

	Notes	Group		Company	
		March 2003 Rm	March 2002 Rm	March 2003 Rm	March 2002 Rm
ASSETS					
Non-current assets					
		3 187.7	2 982.6	2 039.0	1 993.0
Property, plant and equipment	8	3 077.8	2 726.3	749.2	752.4
Product registrations	9	15.8	4.0	15.8	4.0
Goodwill	10	(23.9)	(11.5)	-	-
Interest in subsidiary companies	11			1 267.5	1 230.1
Interest in associate companies	12	-	188.0	-	-
Investments	13	118.0	75.8	6.5	6.5
Current assets					
		2 806.4	3 012.8	773.0	797.4
Inventories	14	1 588.1	1 578.6	216.1	202.2
Accounts receivable		743.4	844.7	430.0	244.4
Factory overhaul costs	15	145.8	134.7	81.9	70.0
Cash resources		329.1	454.8	45.0	280.8
Total assets					
		5 994.1	5 995.4	2 812.0	2 790.4
EQUITY AND LIABILITIES					
Capital and reserves					
		1 469.4	1 786.3	1 083.9	1 105.3
Ordinary share capital and premium	16	259.9	254.6	259.9	254.6
Non-distributable reserves	17	91.7	466.1	314.0	316.0
Retained surplus	18	1 117.8	1 065.6	510.0	534.7
Interest of outside shareholders of subsidiaries		412.3	359.3		
Non-current liabilities					
		1 021.3	1 171.9	185.9	397.0
Deferred taxation	19	634.6	575.1	185.9	181.3
Long term borrowings	20	386.7	596.8	-	215.7
Current liabilities					
		3 091.1	2 677.9	1 542.2	1 288.1
Accounts payable		988.4	929.0	451.0	393.6
Short term borrowings	21	1 564.6	1 145.7	998.1	758.6
Bank overdraft		155.0	171.8	0.6	-
Taxation		61.8	77.4	-	53.1
Provisions	22	321.3	354.0	92.5	82.8
Total equity and liabilities					
		5 994.1	5 995.4	2 812.0	2 790.4

CASH FLOW STATEMENTS for the year ended 31 March 2003

	Notes	Group		Company	
		March 2003 Rm	March 2002 Rm	March 2003 Rm	March 2002 Rm
Cash flows from operating activities					
Profit from operations before working capital requirements	a	1 317.9	993.6	506.8	369.2
Working capital requirements	b	(145.0)	(250.2)	(140.5)	(27.4)
Cash generated from operations		1 172.9	743.4	366.3	341.8
Interest paid		(277.9)	(288.7)	(200.7)	(164.3)
Interest received		28.9	58.6	22.5	30.1
Taxation paid	c	(194.6)	(54.2)	(129.7)	(2.0)
Dividends paid	d	(227.8)	(165.3)	(189.4)	(129.0)
Dividend income		1.7	1.7	3.6	22.1
Net cash inflow/(outflow) from operating activities		503.2	295.5	(127.4)	98.7
Cash flows from investing activities					
Replacement of property, plant and equipment		(173.8)	(140.2)	(65.8)	(62.1)
Expansion capital expenditure		(30.6)	(37.4)	(15.4)	(10.4)
Capitalisation of product registrations		(12.1)	(4.0)	(12.1)	(4.0)
Cash related abnormal items		-	47.7	-	-
Proceeds on disposal of plant and equipment		5.9	2.5	2.5	30.9
Proceeds on disposal of immovable property		12.3	31.3	8.4	1.8
Proceeds on disposal of investments		-	-	-	186.4
Proceeds on disposal of subsidiaries	e	-	389.7	-	-
Cash cost of subsidiary acquired	f	(194.0)	(172.8)	(274.4)	-
Research and development expenditure		(18.3)	(15.5)	(18.3)	(15.5)
Net movement on loans and advances		0.8	(20.2)	237.0	12.3
Net cash (outflow)/inflow from investing activities		(409.8)	81.1	(138.1)	139.4
Net cash inflow/(outflow) before financing activities		93.4	376.6	(265.5)	238.1
Cash flows from financing activities					
Long term borrowings raised		-	69.5	-	-
Long term borrowings repaid		(282.6)	(246.4)	(218.1)	(136.0)
Short term borrowings raised/(repaid)		109.0	(54.0)	242.5	-
Capitalised finance leases repaid		(0.3)	(2.7)	-	-
Proceeds from issue of share capital	g	5.3	6.8	5.3	6.8
Net cash (outflow)/inflow from financing activities		(168.6)	(226.8)	29.7	(129.2)
Net (decrease)/increase in cash and cash equivalents		(75.2)	149.8	(235.8)	108.9
Cash and cash equivalents at beginning of the year	h	404.3	305.0	280.8	171.9
Cash and cash equivalents at end of the year	h	329.1	454.8	45.0	280.8

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
a Profit from operations before working capital requirements is calculated as follows:				
Profit from operations before finance costs and taxation	1 086.4	763.5	417.6	284.2
Abnormal items	(2.3)	20.1	(2.9)	42.1
Total income	1 084.1	783.6	414.7	326.3
Add back: Depreciation	214.8	215.6	71.1	70.2
(Profit)/loss on disposal of property, plant and equipment	(1.3)	2.8	2.4	(8.0)
Profit on disposal of subsidiary	-	(23.3)	-	(34.8)
Amortisation of goodwill	1.7	(0.6)		
Amortisation of product registration costs	0.3	-	0.3	-
Research and development expenditure	18.3	15.5	18.3	15.5
Profit from operations before working capital requirements	1 317.9	993.6	506.8	369.2
b Working capital requirements comprise the following:				
Inventories	(261.9)	(100.5)	(13.9)	(34.8)
Accounts receivable	(114.4)	(9.5)	(181.8)	36.4
Factory overhaul costs	(17.7)	(17.9)	(11.9)	(9.1)
Accounts payable	249.0	(122.3)	67.1	(19.9)
Working capital requirements	(145.0)	(250.2)	(140.5)	(27.4)
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	(70.7)	(11.1)	(53.1)	14.1
Amounts in respect of subsidiary company acquired	-	(5.1)		
Amounts in respect of subsidiary companies disposed	-	4.8		
Translation rate adjustment	9.5	(4.0)		
Other	(0.7)	4.4	-	-
Per income statements (excluding deferred taxation)	(174.9)	(113.9)	(72.8)	(69.2)
Amounts unpaid at end of year net of overpayments	42.2	70.7	(3.8)	53.1
Total taxation paid	(194.6)	(54.2)	(129.7)	(2.0)
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 7 to the financial statements)	(189.4)	(129.0)	(189.4)	(129.0)
Dividends paid to outside shareholders of subsidiary companies	(38.4)	(36.3)		
Total dividends paid	(227.8)	(165.3)	(189.4)	(129.0)

Group
Company
e Disposal of subsidiaries net of cash disposed

The fair value of the assets and liabilities of Mauritius operations disposed of were as follows:

Cash
 Inventories
 Accounts receivable
 Property, plant and equipment
 Investments
 Accounts payable
 Long term liabilities
 Short term loans
 Deferred tax liability
 Other

Less: Outside shareholders' interest therein

Net asset value to group
 Profit on disposal

Proceeds net of disposal costs
 Settling of intercompany balance owing

Net proceeds on disposal of subsidiaries

f Acquisition of subsidiary net of cash acquired

The fair value of the assets acquired and liabilities assumed of subsidiaries acquired were as follows:

Cash
 Inventories
 Accounts receivable
 Factory overhaul costs
 Property, plant and equipment
 Investments
 Accounts payable
 Long term liabilities
 Short term loans
 Deferred tax liability

Less: Outside shareholders' interest therein

Net asset value to group
 Negative goodwill on acquisition
 Portion of purchase price paid in prior years
 Less: cash acquired in subsidiaries

Cash cost of subsidiaries acquired including acquisition costs

	2003 Rm	2002 Rm	2003 Rm	2002 Rm
	-	12.4	-	-
	-	176.3	-	-
	-	155.2	-	-
	-	447.8	-	-
	-	20.3	-	-
	-	(97.8)	-	-
	-	(1.5)	-	-
	-	(35.5)	-	-
	-	(24.7)	-	-
	-	(41.0)	-	-
	-	611.5	-	-
	-	(177.4)	-	-
	-	434.1	-	-
	-	23.3	-	-
	-	457.4	-	-
	-	(67.7)	-	-
	-	389.7	-	-
	13.0	5.5	-	-
	237.4	196.3	-	-
	30.9	57.8	-	-
	14.0	23.7	-	-
	909.7	233.8	-	-
	66.3	-	-	-
	(100.2)	(130.4)	-	-
	(230.2)	(94.8)	-	-
	(382.7)	(41.5)	-	-
	(85.5)	(37.4)	-	-
	472.7	213.0	-	-
	(77.9)	(22.6)	-	-
	394.8	190.4	-	-
	(23.2)	(12.1)	-	-
	(164.6)	-	-	-
	(13.0)	(5.5)	-	-
	194.0	172.8	-	-

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
g Proceeds from issue of share capital				
During the year the company issued 1 280 300 (2002: 1 527 900) new shares and repurchased 79 401 (2002: nil) in terms of a compulsory odd lot offer.				
Net proceeds	5.3	6.8	5.3	6..8
h Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments.				
Cash and cash equivalents at the beginning of the year				
Per the balance sheet	454.8	279.3	280.8	171.9
Less: Cash in subsidiaries disposed of	-	(12.4)		
Translation adjustment on opening balance of cash and cash equivalents	(50.5)	38.1		
Per the cashflow	404.3	305.0	280.8	171.9

STATEMENT OF CHANGES IN EQUITY as at 31 March 2003

	Share capital and premium Rm	Translation reserve Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Group					
Balance at 31 March 2001	247.8	94.0	323.9	667.9	1 333.6
Net gains and losses not recognised in the income statement:-	-	286.5	(238.3)	352.0	400.2
Transfer to retained surplus			(186.7)	186.7	-
Realised losses - disposal of land			(3.2)	3.2	-
Profit on disposal of subsidiary			23.3	(23.3)	-
Realised on disposal of subsidiary		(113.7)	(71.7)	185.4	-
Currency translation differences		400.2			400.2
Net profit for the year				361.4	361.4
Dividends paid				(129.0)	(129.0)
Impairment of investment in subsidiary				(186.7)	(186.7)
Issue of share capital	6.8				6.8
Balance at 31 March 2002	254.6	380.5	85.6	1 065.6	1 786.3
Net gains and losses not recognised in the income statement:-	-	(380.5)	6.1	(212.1)	(586.5)
Realised losses - disposal of land			6.1	(6.1)	-
Transfer of debit foreign currency translation reserve to retained surplus		206.0		(206.0)	-
Currency translation differences		(586.5)			(586.5)
Net profit for the year				453.7	453.7
Dividends paid				(189.4)	(189.4)
Issue of share capital	5.3				5.3
Balance at 31 March 2003	259.9	-	91.7	1 117.8	1 469.4
Company					
Balance at 31 March 2001	247.8		273.9	562.0	1 083.7
Net gains and losses not recognised in the income statement:-					
Realised surpluses - disposal of land			7.3	(7.3)	-
Profit on disposal of subsidiary			34.8	(34.8)	-
Net profit for the year				143.8	143.8
Dividends paid				(129.0)	(129.0)
Issue of share capital	6.8				6.8
Balance at 31 March 2002	254.6		316.0	534.7	1 105.3
Net gains and losses not recognised in the income statement:-					
Realised surpluses - disposal of land			(2.0)	2.0	-
Net profit for the year				162.7	162.7
Dividends paid				(189.4)	(189.4)
Issue of share capital	5.3				5.3
Balance at 31 March 2003	259.9		314.0	510.0	1 083.9

1 REVENUE

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Revenue represents the proceeds receivable from:				
Sugar production	5217.7	4 561.0	2 887.0	2 333.5
Cane growing	1 126.9	816.1	184.7	152.8
Downstream	680.4	623.9	461.8	433.2
	7 025.0	6 001.0	3 533.5	2 919.5
Includes export revenue of:	2 560.5	2 105.9	1 392.4	1 141.5

2 PROFIT FROM OPERATIONS

Revenue	7 025.0	6 001.0	3 533.5	2 919.5
Cost of sales	4 437.6	4 339.3	2 654.0	2 258.8
Distribution costs	479.6	413.3	195.3	163.6
Administrative costs	513.2	350.4	216.1	195.6
Other operating costs	508.2	134.5	50.5	17.3
Profit from operations	1 086.4	763.5	417.6	284.2
Profit from operations has been determined after taking into account the following items:				
Depreciation	214.8	215.6	71.1	70.2
– Buildings	14.9	14.7	3.0	3.2
– Leasehold properties	5.0	7.7	0.1	0.1
– Plant, machinery and other	194.8	192.3	68.0	66.9
– Capitalised leased plant	0.1	0.9	–	–
(Profit)/loss on disposal of plant and equipment	(3.6)	0.4	(0.5)	(0.7)
Amortisation of goodwill	1.7	(0.6)		
Amortisation of product registration costs	0.3	–		
Amortisation of factory overhaul costs	124.7	113.5	70.0	60.9
Operating lease charges	92.6	61.6	60.9	30.9
Auditors' remuneration	7.4	5.4	3.9	3.0
– Audit fees	5.1	4.5	2.0	2.1
– Fees for other services	2.2	0.8	1.8	0.8
– Expenses	0.1	0.1	0.1	0.1
Research and development expenditure	18.3	15.5	18.3	15.5

3 NET FINANCING COSTS

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Interest paid	277.9	288.7	200.7	164.3
Long term borrowings	63.4	69.6	42.4	50.9
Bank and short term borrowings	206.3	210.6	138.6	101.7
Capitalised finance leases	0.5	1.4	–	–
Other	7.7	7.1	19.7	11.7
Interest received on loans and deposits	(28.9)	(58.6)	(22.5)	(30.1)
	249.0	230.1	178.2	134.2
Interest incurred prior to the commencement of production and capitalised as part of the cost of property, plant and equipment	(0.2)	(0.4)	–	–
Net financing costs	248.8	229.7	178.2	134.2
Dividend income	1.7	1.7	3.6	22.1
Finance costs net of dividend income	247.1	228.0	174.6	112.1

4 ABNORMAL ITEMS

(Loss)/profit arising on disposal of properties	(2.3)	(3.2)	(2.9)	7.3
Profit arising on sale of subsidiaries	–	23.3	–	34.8
Per income statement	(2.3)	20.1	(2.9)	42.1
Taxation	0.9	–	0.9	–
Outside shareholders' share of abnormal items after taxation	–	–	–	–
Abnormal (loss)/profit attributable to shareholders of Illovo Sugar Limited	(1.4)	20.1	(2.0)	42.1

5 TAXATION

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
South African normal taxation – current year	80.2	79.3	77.5	66.3
– prior year	(4.7)	3.1	(4.7)	2.9
Foreign taxation – current year	110.2	33.7		
– prior year	(10.8)	(2.2)		
Secondary tax on companies	–	–	–	–
Deferred taxation – current year	88.2	50.8	5.8	1.2
– prior year	(1.8)	(3.8)	(1.2)	–
– rate change adjustment	2.2	(38.9)	–	–
	263.5	122.0	77.4	70.4

Reconciliation of rate of taxation

	%	%	%	%
South African normal rate of taxation	30.0	30.0	30.0	30.0
Less increase/(reduction) in charge for year due to:	1.4	(7.2)	1.9	11.0
Adjustment from prior years	1.1	0.5	(2.4)	1.7
Exempt income	(0.8)	(4.6)	(0.5)	(3.1)
Assessed losses created/(utilised)	2.0	(1.4)	–	–
Increase/(reduction) in the tax rate	0.2	(5.1)	–	–
Disallowable expenditure	2.2	4.6	2.3	7.3
Taxation rate differentials - foreign subsidiaries	(1.6)	(3.0)	–	–
Other	(1.7)	1.8	2.5	5.1
Effective rate of taxation	31.4	22.8	31.9	41.0
The estimated group tax losses at the end of the year:	358.7	39.7		

6 EXTRAORDINARY ITEM

In the prior year, in Mozambique, as a direct consequence of the devastating floods of February 2000 and because the funds expected to be received pursuant to the Rome Convention proposals for the restoration of identified agricultural operations affected by the floods were not forthcoming, it became necessary for the group to invest additional capital of its own into the Maragra sugar project. It was deemed prudent to provide an amount of R186.7 million, as an extraordinary item, for the impairment of this investment.

7 DIVIDENDS PAID

Dividend no.19 of 19.0 cents per share (final 2001) - paid 13 July 2001
 Dividend no.20 of 20.0 cents per share (interim 2002) - paid 14 January 2002
 Dividend no.21 of 31.0 cents per share (final 2002) - paid 15 July 2002
 Dividend no.22 of 26.0 cents per share (interim 2003) - paid 13 January 2003

Group and Company

2003 Rm	2002 Rm
	62.7
	66.3
86.5	
102.9	
189.4	129.0

8 PROPERTY, PLANT AND EQUIPMENT

Group

Freehold land and buildings
 Leasehold properties
 Plant, machinery and other
 Capitalised leased plant

Net book value
Company

Freehold land and buildings
 Leasehold properties
 Plant, machinery and other

Net book value

2003		2002	
Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
659.7	183.3	658.6	215.2
328.4	45.2	237.1	40.9
4 044.2	1 727.8	3 884.0	1 802.0
2.2	0.4	6.4	1.7
5 034.5	1 956.7	4 786.1	2 059.8
3 077.8		2 726.3	
214.8	45.7	218.3	45.7
3.0	1.7	3.0	1.6
1 264.4	685.6	1 206.1	627.7
1 482.2	733.0	1 427.4	675.0
749.2		752.4	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R15 707 million (2002: R15 202 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 128 166 hectares (2002: 107 594) in extent comprising largely the lands on which the group's sugar milling and cane growing activities are situated. As the number of individual properties is extensive, a list is not published with these statements but registers of land and buildings are available for inspection at the relevant registered offices of the group.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

Group

The carrying amount of the group's property, plant and equipment can be reconciled as follows:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2003 Total Rm	2002 Total Rm
Net book value at beginning of year	443.4	196.2	2 086.7	2 726.3	2 574.7
Additions	24.7	8.0	171.9	204.6	178.0
Acquisition of subsidiary	90.3	148.1	671.3	909.7	233.8
Disposals	(13.9)	(0.7)	(2.3)	(16.9)	(36.7)
Disposal of subsidiary	-	-	-	-	(447.8)
Exchange rate translation	(53.2)	(63.4)	(414.5)	(531.1)	439.9
	491.3	288.2	2 513.1	3 292.6	2 941.9
Depreciation	(14.9)	(5.0)	(194.9)	(214.8)	(215.6)
Net book value at end of year	476.4	283.2	2 318.2	3 077.8	2 726.3

Company

The carrying amount of the company's property, plant and equipment can be reconciled as follows:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2003 Total Rm	2002 Total Rm
Net book value at beginning of year	172.6	1.4	578.4	752.4	774.8
Additions	10.8	-	70.4	81.2	72.5
Disposals	(11.3)	-	(2.0)	(13.3)	(24.7)
	172.1	1.4	646.8	820.3	822.6
Depreciation	(3.0)	(0.1)	(68.0)	(71.1)	(70.2)
Net book value at end of year	169.1	1.3	578.8	749.2	752.4

9 PRODUCT REGISTRATIONS

Product registrations represent registered rights to exclusively sell licensed products in specific countries.

Balance at beginning of the year

Current year movements

Expenditure

Amortisation for the year

Balance at end of the year

Group and Company

2003 Rm	2002 Rm
4.0	-
12.1	4.0
(0.3)	-
15.8	4.0

10 GOODWILL

Balance at the beginning of the year

Surplus of net assets over the cost of subsidiaries acquired during the year

Fair value adjustment

Amortisation for the year

Carrying amount at the end of the year

Gross carrying amount

Accumulated amortisation

Goodwill relates to the following subsidiaries:

Zambia Sugar Plc

The Sugar Corporation of Malawi Limited

Kilombero Sugar Company Limited

Group

2003 Rm	2002 Rm
(11.5)	-
(23.2)	(12.1)
12.5	-
(1.7)	0.6
(23.9)	(11.5)
(22.8)	(12.1)
(1.1)	0.6
-	(11.5)
(26.6)	-
2.7	-
(23.9)	(11.5)

11 INTEREST IN SUBSIDIARY COMPANIES

The principal subsidiaries of Illovo Sugar Limited are as follows:

2003

	Issued capital	Effective percentage holding	Shares at cost	Amount owing by/(to) subsidiary company	Total investment
	Rm	%	Rm	Rm	Rm
Illovo Distributors (Pty) Limited	-	100	0.4	(3.4)	(3.0)
Illprop (Pty) Limited	-	100	-	1.3	1.3
Reynolds Brothers Limited	-	100	-	8.8	8.8
Eureka Trading Limited	-	100	-	(0.6)	(0.6)
Illovo Project Services Limited	-	100	-	36.2	36.2
CGS Investments (Pty) Limited	-	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	4.7	100	20.9	(10.4)	10.5
Lacsa (Pty) Limited./ Relax Limited	1.2	50	0.6	1.8	2.4
East African Supply (Pty) Limited	-	100	-	77.5	77.5
Illovo Sugar (Africa) Limited	95.8	100	41.9	(105.6)	(63.7)
Ubombo Sugar Limited	49.5	60	-	0.2	0.2
The Sugar Corporation of Malawi Limited	79.3	76	-	-	-
Zambia Sugar Plc	4.5	90	-	-	-
Maragra Açúcar SARL	290.5	76	-	(1.6)	(1.6)
Kilombero Sugar Company Limited	0.2	55	-	0.3	0.3
Illovo Group Holdings Limited - ordinary	-	100	-	(32.3)	(32.3)
Illovo Group Holdings Limited - preference	969.8	100	858.8	-	858.8
Palaa Consultores Marketing E Servicos Lda	-	100	-	0.5	0.5
Monitor Holdings Limited	350.0	100	350.0	0.7	350.7
Monitor Sugar Company	118.7	100	-	0.4	0.4
Sucoma Holdings Limited	436.7	100	-	20.4	20.4
Illovo Tanzania Limited	-	100	-	-	-
Illovo Sugar Ireland	-	100	-	1.3	1.3
			1 273.5	(6.0)	1 267.5

2002

Illovo Distributors (Pty) Limited	-	100	0.4	(1.8)	(1.4)
Illprop (Pty) Limited	-	100	-	1.6	1.6
Reynolds Brothers Limited	-	100	-	8.3	8.3
Eureka Trading Limited	-	100	-	(0.5)	(0.5)
Illovo Project Services Limited	-	100	-	27.7	27.7
CGS Investments (Pty) Limited	-	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	4.7	100	20.9	(13.5)	7.4
Lacsa (Pty) Limited / Relax Limited	1.2	50	0.6	-	0.6
East African Supply (Pty) Limited	-	100	-	128.5	128.5
Illovo Sugar (Africa) Limited	95.8	100	41.9	(96.3)	(54.4)
Ubombo Sugar Limited	49.5	60	-	1.5	1.5
The Sugar Corporation of Malawi Limited	92.0	61	-	0.1	0.1
Zambia Sugar Plc	7.2	89	-	-	-
Illovo Group Holdings Limited - ordinary	-	100	-	174.6	174.6
Illovo Group Holdings Limited - preference	1 009.6	100	584.4	-	584.4
Palaa Consultores Marketing E Servicos Lda	-	100	-	0.4	0.4
Monitor Holdings Limited	350.0	100	350.0	0.2	350.2
Illovo Tanzania Limited	-	100	-	1.0	1.0
Illovo Sugar Ireland	-	100	-	0.7	0.7
			999.1	231.0	1 230.1

A full list of subsidiaries is available on request from the Secretary.

12 INTEREST IN ASSOCIATE COMPANIES

Principal associates of the group	Nature of business	Group	
		2003 Effective % holding	2002 Effective % holding
Southern Cross Sugar Exports (Pty) Limited	Sugar export agents	33.3	33.3
Kilombero Sugar Distributors Limited	Distribution agents	20.0	20.0
Kilombero Holdings Limited *	Investment	73.3	9.7
Kilombero Sugar Company Limited *	Sugar production	55.0	7.3
Maragra Açúcar SARL *	Sugar production	75.6	50.0

* Following the completion of the rehabilitation and re-development programmes at Kilombero Sugar and Maragra Açúcar and the easing of long term restrictions impairing their ability to transfer funds, both operations have been consolidated into the group with effect from 31 March 2003.

	Rm	Rm
Investment in associate companies		
Cost	-	129.2
Loans	-	245.5
Gross investment	-	374.7
Impairment of investment in Maragra Açúcar	-	(186.7)
Net investment in associate companies	-	188.0
Directors valuation of:		
Shares in unlisted associate companies	-	129.2
Loans to unlisted associate companies	-	58.8
	-	188.0

13 INVESTMENTS

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Unlisted investments	0.4	0.5	0.4	0.4
Loans	117.6	75.3	6.1	6.1
	118.0	75.8	6.5	6.5
Unlisted investments at directors' valuation	0.4	0.5	0.4	0.4

The loans bear interest at varying rates and have no fixed terms of repayment.

14 INVENTORIES

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Finished goods	454.9	478.9	31.5	27.4
Growing crops	899.0	806.4	119.2	105.5
Consumables and components	234.2	293.3	65.4	69.3
	1 588.1	1 578.6	216.1	202.2

15 FACTORY OVERHAUL COSTS

Balance at the beginning of the year	134.7	84.3	70.0	60.9
Acquisition of subsidiary	14.0	23.7		
Capitalised during the year	142.4	131.4	81.9	70.0
Amortised during the year	(124.7)	(113.5)	(70.0)	(60.9)
Exchange rate translation	(20.6)	8.8		
Balance at the end of the year	145.8	134.7	81.9	70.0

16 ORDINARY SHARE CAPITAL AND PREMIUM

	Group and Company	
	2003 Rm	2002 Rm
Authorised share capital 900 000 000 (2002: 900 000 000) ordinary shares of 4 cents each	36.0	36.0
Issued share capital 332 911 900 (2002: 331 711 001) ordinary shares of 4 cents each	13.3	13.3
Share premium account	246.6	241.3
	259.9	254.6
The movement on the share capital and share premium accounts for the year was as follows:		
Balance at beginning of year	254.6	247.8
Issue of new shares	6.2	6.8
Repurchase of shares	(0.9)	-
Balance at end of year	259.9	254.6

The unissued shares are under the control of the directors until the forthcoming annual general meeting.

The weighted average number of shares used in the calculation of headline earnings per share was 332 282 293 (2002: 330 890 358) and used in the calculation of diluted headline earnings per share was 345 328 493 (2002: 345 370 458).

17 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Realised surpluses on sales of land and investments	54.6	48.5	278.4	280.4
Capital redemption reserve funds	37.1	37.1	35.6	35.6
Foreign currency translation reserve	-	380.5	-	-
Total non-distributable reserves	91.7	466.1	314.0	316.0
Balance at beginning of year	466.1	417.9	316.0	273.9
Realised surpluses/(losses) - sale of land	6.1	(3.2)	(2.0)	7.3
Profit on disposal of subsidiaries	-	23.3	-	34.8
Realised on disposal of investment in subsidiary	-	(185.4)	-	-
Transfer to retained surplus	-	(186.7)	-	-
Foreign currency translation adjustment	(586.5)	400.2	-	-
Transfer of debit foreign currency translation reserve to retained surplus	206.0	-	-	-
Balance at end of year	91.7	466.1	314.0	316.0

18 RETAINED SURPLUS

Balance at beginning of year	1 065.6	667.9	534.7	562.0
Net profit for the year	453.7	361.4	162.7	143.8
Dividends paid	(189.4)	(129.0)	(189.4)	(129.0)
Impairment of investment in subsidiary	-	(186.7)	-	-
Transfer from non-distributable reserves	-	186.7	-	-
Transfer of debit foreign currency translation reserve from non-distributable reserves	(206.0)	-	-	-
Realised (surpluses)/losses - sale of land	(6.1)	3.2	2.0	(7.3)
Profit on disposal of subsidiaries	-	(23.3)	-	(34.8)
Realised on disposal of investment in subsidiary	-	185.4	-	-
Balance at end of year	1 117.8	1 065.6	510.0	534.7

19 DEFERRED TAXATION

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Balance at beginning of year	575.1	456.8	181.3	180.0
On acquisition of subsidiaries	85.5	37.4		
On disposal of subsidiaries	-	(24.7)		
Changes during the year:				
Exchange rate translation difference	(114.6)	97.5		
Charged/(credited) to income:				
Temporary differences	86.4	48.6	4.6	1.3
Tax loss increased	-	(1.6)	-	-
Rate change adjustment	2.2	(38.9)	-	-
Balance at end of year	634.6	575.1	185.9	181.3
Analysis of provision				
Property, plant and equipment	460.9	446.6	137.0	145.4
Tax losses	(91.8)	(13.6)	-	-
Other	265.5	142.1	48.9	35.9
Balance at end of year	634.6	575.1	185.9	181.3

20 LONG TERM BORROWINGS

South African borrowings	2.8	220.7	-	218.1
Foreign currency borrowings	486.5	458.2	-	-
Total borrowings	489.3	678.9	-	218.1
Less: Current portion redeemable and repayable within one year	102.6	82.1	-	2.4
	386.7	596.8	-	215.7
The above borrowings are due for repayment in the following years ending 31 March				
2004	102.6	82.1	-	2.4
2005	170.7	71.3	-	0.1
2006	31.3	418.3	-	215.5
2007	31.2	10.3	-	0.1
2008 and thereafter	153.5	96.9	-	-
	489.3	678.9	-	218.1

20 LONG TERM BORROWINGS (continued)

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group	
				2003 Rm	2002 Rm
South African borrowings					
Unsecured loans				-	218.1
Liabilities under capitalised finance leases		2004 - 2009	18.0	2.8	2.6
Total South African borrowings				2.8	220.7
Foreign borrowings					
Unsecured loans					
US Dollar	20.8	2004 - 2007	2.7 - 7.0	163.9	271.0
Euro	17.0	2005 - 2015	3.0 - 8.0	128.6	104.6
Swaziland Lilangeni	0.2	2010	10.0	0.2	0.3
Malawi Kwacha	0.6	2012	7.5	0.1	0.1
Zambia Kwacha				-	8.4
Mozambican Metical	3 400.0	2003 - 2007	8.0	1.5	
Secured loans					
US Dollar	16.9	2010 - 2013	4.0 - 4.76	133.0	-
Zambia Kwacha *	13.9	2004	43.9	22.8	73.8
Tanzanian Shilling	4.6	2004	10.0	35.6	
Mozambican Metical	2 550.0	2003 - 2008	8.0	0.8	
Total foreign borrowings				486.5	458.2
Total borrowings				489.3	678.9

* The Zambia Sugar Plc syndicated loan is secured over the assets of Zambia Sugar Plc.
The book value of the encumbered assets is limited to the outstanding loan of R22.8 million (2002: R73.8 million)

21 SHORT TERM BORROWINGS

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Amounts due to bankers	1 462.0	1 063.6	998.1	756.2
Current portion of long term borrowings (note 20)	102.6	82.1	-	2.4
	1 564.6	1 145.7	998.1	758.6

Certain loans are secured over assets (refer note 20)

22 PROVISIONS

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
Leave pay				
Balance at beginning of year	46.4	35.3	19.4	21.2
Acquisition of subsidiary	1.3	4.0		
Raised during the year	6.2	2.4	3.8	(1.8)
Foreign currency translation movement	(7.7)	4.7		
Balance at end of year	46.2	46.4	23.2	19.4
Post retirement benefits				
Balance at beginning of year	280.9	220.8	63.4	58.2
Acquisition of subsidiary	-	37.5		
Disposal of subsidiaries	-	(55.6)		
Raised during the year	28.2	32.6	5.9	5.2
Foreign currency translation movement	(75.8)	45.6		
Balance at end of year	233.3	280.9	69.3	63.4
Other				
Balance at beginning of year	26.7	16.8	-	-
Acquisition of subsidiary	-	11.0		
Raised/(utilised) during the year	20.7	(1.3)	-	-
Foreign currency translation movement	(5.6)	0.2		
Balance at end of year	41.8	26.7	-	-
Total provisions				
Balance at beginning of year	354.0	272.9	82.8	79.4
Acquisition of subsidiary	1.3	52.5		
Disposal of subsidiaries	-	(55.6)		
Raised/(utilised) during the year	55.1	33.7	9.7	3.4
Foreign currency translation movement	(89.1)	50.5		
Balance at end of year	321.3	354.0	92.5	82.8

23 RETIREMENT BENEFITS

A total of seven defined benefit pension funds and eight defined contribution funds cover the large majority of employees, other than those covered by membership of various service based retirement arrangements.

An amount of R29.2 million (2002: R25.7 million) was expensed during the year in respect of defined contribution plans and R26.5 million (2002: R20.8 million) was expensed during the year in respect of defined benefit plans.

South Africa

All South African plans are funded, with their assets held in administered trust funds which are governed by the Pensions Fund Act of 1956. Plan assets primarily consist of listed shares, fixed income securities and investments in the money market.

Following the conversion in 1998, on a voluntary basis, of a large number of members from defined benefit plans to defined contribution plans, remaining defined benefit plans operate as closed funds.

The defined benefit plans are actuarially valued at intervals of not more than three years. Any deficits that are identified, are funded by the companies concerned by way of increased future contributions or by the payment of an actuarially determined lump sum.

In terms of the requirements of the revised AC116, a valuation using the projected unit credit method was performed on the two defined benefit plans during 2002. These were found to be in a sound financial condition by an independent

23 RETIREMENT BENEFITS (continued)

consulting actuary. In arriving at his finding, the actuary has taken into account a discount rate and expected rate of return on the assets of 11.5%, an expected rate of salary increase of 8.0% and an expected rate of pension increase equal to inflation of 6.5%. The assumptions and methods used are consistent with the requirements of the revised statement AC116, and not necessarily consistent with the assumptions and methods used in the statutory actuarial valuation used for assessing funding requirements. At the last valuation date, the combined fair value of the benefit plan assets amounted to R524.5 million whilst the actuarial present value of promised retirement benefits totalled R283.8 million. The actuarial surplus of R71.4 million has not been recognised as an asset in the financial statements due to the implications of the Pension Funds Second Amendment Act, 2001. In terms of this Act, a surplus apportionment exercise is presently being carried out and is expected to be finalised in June 2004.

The obligation of the company to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 1 December 1995. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit for current employees is dependent upon the employees remaining in service until retirement age and completing a minimum service period.

Malawi

During the year two defined benefit pension funds and two defined contribution funds were converted into the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund.

With the rationalisation of the group's funds, pensions are now provided for all senior employees. The assets are held in independently administered funds. The pension cost charge is recognised in the year in which it is incurred.

Retirement benefits for the other staff are provided for by the Employment Act regulations.

Swaziland

The pension scheme is actuarially valued every three years on the accrual funding basis. The latest valuation was carried out in May 2002 and reflected a deficit of R8.6 million at 1 May 2002. Employer contribution rates have been increased to fund this deficit. A full provision for this deficit has been made in the current year.

The fair value of plan assets amounted to R29.4 million, whilst the actuarial present value of promised retirement benefits totalled R38.0 million. In arriving at this valuation, the actuary has taken into account a discount rate and expected rate of return on assets of 8%, an expected rate of salary increases of 6.5% and an expected rate of pension increases of 6.5%.

Arrangements have been concluded in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of service. An actuarial valuation carried out by independent consulting actuaries at 31 March 2001 indicated that the provision in respect of these benefits and the statutory benefits was understated by R8.9 million. The shortfall is being provided for in equal amounts over a period of four years and at 31 March 2003 the balance not provided for in this regard was R6.7 million (2002: R7.1 million) which is to be provided for over the next three years.

Zambia

The defined benefit pension scheme covering its non-unionised permanent employees operates as a closed fund. Members contribute 6.5% and the company contributes 12% of the pensionable pay to a fund managed by Saturnia Regna Pension Trust Fund.

An actuarial valuation of the Defined Benefit Fund at 31 March 2002 identified a deficit of R10.5 million. The fair value of assets amounted to R10.2 million whilst the actuarial value of promised retirement benefits totalled R20.7 million. In arriving at this valuation, the actuary has taken into account a discount rate and expected rate of return on the assets of 14%, an expected rate of salary increase of 12% and an expected rate of pension increase equal to 7%. The projected deficit at 31 March 2003, based on the actuarial valuation at 31 March 2002, amounts to R14.1 million (2002: R8.2 million) which has been fully provided for by the group.

With effect from 1 May 2002 the company established a defined contribution pension scheme and the pension costs are recognised when incurred.

Retirement benefits in respect of unionised employees covered by collective agreements are provided based on the number of years service at current rates of pay.

United States of America

Salaried employees are covered by a defined benefit pension plan. A separate plan covers the hourly paid employees who are represented by the American Federation of Grain Millers, Local No. 263, AFL-CIO. The salaried plan benefits are based on years of service and the employees' compensation using the highest compensation rate for any five years out of the last ten prior to retirement. The hourly plan benefits are based on years of service and specified benefit rates.

The funding practice for both plans is to annually contribute the minimum amount required to meet ERISA standards. These contributions are invested in shares and fixed income securities. There are also defined benefit pension plans covering employees whose benefits are limited by section 415 of the Internal Revenue Code. The benefit formula is based on years of service and employee compensation. This supplemental plan is not funded by the company.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis determined actuarially. At 31 March 2003, the total provision amounted to R 233.3 million (2002: R280.9 million); the reduction from the previous year-end being attributable to foreign currency translation effects. R28.2 million (2002: R32.6 million) was charged to the income statement in the current year.

24 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2003 Rm	2002 Rm	2003 Rm	2002 Rm
South Africa				
- contracted	10.9	7.1	10.9	7.1
- approved but not contracted	170.4	186.1	170.4	186.1
Swaziland				
- contracted	0.7	1.9		
- approved but not contracted	35.9	34.2		
Malawi				
- contracted	7.2	6.2		
- approved but not contracted	90.6	43.4		
Zambia				
- contracted	11.3	11.2		
- approved but not contracted	46.1	51.8		
Tanzania				
- contracted	0.8			
- approved but not contracted	21.6			
Mozambique				
- contracted	0.3			
- approved but not contracted	5.2			
United States of America				
- contracted	0.5	1.5		
- approved but not contracted	33.9	50.0		
Contracted	31.7	27.9	10.9	7.1
Approved but not contracted	403.7	365.5	170.4	186.1
	435.4	393.4	181.3	193.2

The capital expenditure will be financed from cash resources and facilities negotiated and not yet utilised.

25 CONTINGENT LIABILITIES

Guarantees in respect of liabilities of third parties	16.1	469.5	341.8	543.0
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26 OPERATING LEASES

The group's commitments in respect of operating leases are as follows:

	2004 Rm	2005 Rm	2006 Rm	2007 Rm	2008 onwards Rm	2003 Rm	2002 Rm
Property	35.7	32.3	32.1	34.2	363.7	498.0	513.9
Plant and equipment	24.2	20.0	16.9	12.6	5.3	79.0	104.3
Total lease commitments	59.9	52.3	49.0	46.8	369.0	577.0	618.2

27 DIRECTORS' REMUNERATION (R 000)

The directors' remuneration for the year ended 31 March 2003 was as follows:

Name	Salary	2002 Bonus	2003 Bonus	Retirement and medical contributions	Other benefits	Option Gains	2003 Total	2002 Total
Executive directors:								
W M A Buchanan	597	-	813	136	138	347	2 031	1 005
G J Clark	992	419	1 375	238	77	145	3 246	1 552
N M Hawley	646	-	875	155	149	34	1 859	1 080
G D Knox	601	-	813	166	66	-	1 646	1 014
D G MacLeod	1 936	796	2 625	401	124	38	5 920	3 181
A B Ravnö	113	-	-	25	24	196	358	1 111
J T Russell	1 014	419	1 375	227	121	-	3 156	1 787
B M Stuart	1 021	419	1 375	250	132	-	3 197	1 767
Former director:								
G Leung Shing	-	-	-	-	-	-	-	1 000
R L Hetzler	US\$ 000	387	-	-	119	12	518	512
Total executive directors	10 670	2 053	9 251	2 751	947	760	26 432	18 365
							2003 Fees	2002 Fees
Non-executive directors:								
B P Connellan							70	60
R D Hamilton							-	-
D Konar							130	110
P M Madi							24	-
A R Mpungwe							70	60
R A Norton							150	110
M J Shaw							110	55
R A Williams							900	800
Former directors:								
D E Cooper							-	36
D D B Mkhwanazi							-	35
Total non-executive directors							1 454	1 266

Interest of the directors of the company in the share capital and share options is set out in the Statutory Information.

Benefits paid to past directors amounted to R93 518 for the year (2002: R39 144).

28 RELATED PARTY TRANSACTIONS

Related party relationships exist between subsidiaries and associates within the group. Purchasing and selling transactions are concluded at arm's length.

28.1 Subsidiaries and associates

Details of investments in principal subsidiaries and associates are disclosed in notes 11 and 12 respectively.

28.2 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 82.

28.3 Interests of directors in contracts

All directors of the company have confirmed that they were not materially interested in any contract of significance with the company or any of its subsidiary companies which could have resulted in a conflict of interest during the year.

28.4 Shareholders and related interests of directors and officers in share capital

Details have been included in the statutory information on pages 49 to 52.

29 FOREIGN CURRENCY EXPOSURE

The group has entered into certain forward exchange contracts which do not relate to specific items appearing on the balance sheet but were entered into to cover foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2004 financial year.

	Group					
	2003			2002		
	Foreign currency million	Average rate Rand/US\$	Amount in Rm	Foreign currency million	Average rate Rand/US\$	Amount in Rm
Foreign currency sold						
US Dollar	20.5	9.30	190.7	20.4	11.48	233.5

Unhedged and uncovered foreign currency monetary items which are repayable within twelve months comprise:

	Group			
	2003		2003	
	Foreign currency million	Amount in Rm	Foreign currency million	Amount in Rm
Assets				
US Dollar	7.2	58.5	-	-
Pound Sterling	0.1	1.5	-	-
		60.0		-
Liabilities				
US Dollar	0.4	3.0	0.1	1.5
Euro	7.0	55.1	-	-
		58.1		1.5

30 FINANCIAL RISK MANAGEMENT

30.1 Treasury risk management

A treasury risk management committee, consisting of senior executives in the group, meets monthly to analyse currency and interest rate exposures and formulates treasury management strategies in the light of prevailing market conditions and current economic forecasts. This committee operates within group policies approved by the board.

30.2 Currency risk management

In order to minimise the risk on a US dollar denominated revolving credit facility, the company has entered into a three-year cross currency swap which fixes the exchange rate on the capital and swaps out the floating US dollar LIBOR interest rate for a floating JIBAR rate.

30.3 Interest rate 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 interest rates internationally as well as in the countries in which the group operates.

The interest rate profile at 31 March 2003 is as follows:

	Floating rate	1-6 months	7-12 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	155.1	593.8	868.1	386.7	102.6	2 106.3
% total borrowings	8%	28%	41%	18%	5%	100%

The group has not entered into any interest rate derivatives.

30.4 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments and trade debtors. The group only deposits short term cash with major banks of high quality credit standing and limits the amount of credit exposure to any one counter-party. Trade debtors comprise a widespread customer base, and group companies undertake ongoing credit evaluations of the financial condition of their customers. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2003, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

30.5 Liquidity risk management

The group treasury has access to the following local and foreign banking facilities at 31 March 2003:

Local, fixed and flexible term, general banking facilities
 Foreign, fixed and flexible term, general banking facilities

Rm
2 730.0
2 540.0
5 270.0

In terms of a foreign syndicated revolving credit facility, the total consolidated net borrowings of the group are constrained to a percentage of the group's consolidated earnings before finance costs and taxation.

Geographical segmental analysis

Year to 31 March 2003

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
South Africa	3 642.5	425.6	1 584.1	101.2	72.7
Malawi	955.0	264.6	837.8	18.7	29.5
Swaziland	618.7	140.3	427.7	24.3	15.6
Zambia	767.9	235.1	385.5	28.2	15.1
Tanzania	-	-	740.4	-	-
Mozambique	-	-	519.1	-	-
USA	1 040.9	20.8	1 164.9	44.1	81.9
Group operations	-	-	5.5	-	-
	7 025.0	1 086.4	5 665.0	216.5	214.8

Year to 31 March 2002

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
South Africa	3 013.8	322.5	1 436.9	84.0	72.1
Malawi	749.1	153.0	1 189.3	7.5	31.8
Swaziland	457.6	78.0	393.0	14.3	17.2
Zambia	704.2	160.0	565.2	14.7	16.9
USA	1 076.3	50.0	1 720.4	61.1	77.6
Group operations	-	-	235.8	-	-
	6 001.0	763.5	5 540.6	181.6	215.6

Business segmental analysis

Group

	2003		2002	
	Revenue Rm	Operating profit Rm	Revenue Rm	Operating profit Rm
Sugar production	5 217.7	642.7	4 561.0	481.8
Cane growing	1 126.9	290.2	816.1	165.8
Downstream	680.4	153.5	623.9	115.9
	7 025.0	1 086.4	6 001.0	763.5

An analysis of the certificated register of members as at 31 March 2003 revealed the following categories of membership:

Individuals

	Number of ordinary shares held	% of shares issued	Number of shareholders
1 - 500	199 903		919
501 - 2 500	343 329		320
2 501 - 5 000	149 340		41
Over 5 000	611 218		36
	1 303 790	0.4	1 316
STRATE Control Account (dematerialised shares)	327 892 220	98.5	1
Banks and nominee companies	3 407 186	1.4	24
Other corporate bodies	308 704	0.1	83
	332 911 900	100.0	1 424

Major shareholders

Given the high proportion of shares which have been dematerialised, a further analysis of the sub-registers maintained by the Central Securities Depository Participants determined the following registered shareholdings equal to or exceeding 5% of the total issued shares in the company:

Nedcor Bank Nominees Limited	119 544 658	35.9
Standard Bank Nominees (Transvaal) (Pty) Limited	75 910 032	22.8
First National Nominees (Pty) Limited	36 120 689	10.8
Old Mutual Nominees (Pty) Limited	32 118 093	10.5
ABSA Nominees (Pty) Limited	34 316 839	10.3

Disclosures by nominee shareholders

Pursuant to the provisions of Section 140A of the Companies Act, 1973, the following beneficial shareholdings equal to or exceeding 5% of the total issued shares in the company have been determined from an analysis of the statutory disclosures submitted by the above nominee companies:

Allan Gray Limited	76 257 827	22.9
Old Mutual Asset Management	62 443 318	18.8
RMB Asset Management	50 037 909	15.0
Investec Asset Management	31 308 764	9.4

A further analysis of the holdings of these asset management companies revealed that the Public Investment Commissioner held, in aggregate, 54 015 932 shares (16.2%).

Shareholder spread

Non-public shareholders:

Directors	871 780	
Trustees of the Illovo Sugar Employees' Share Purchase Trust	157 933	
	1 029 713	0.3
Public shareholders	331 882 187	99.7
	332 911 900	100.0

Notice is hereby given that the 88th annual general meeting of the members of the company will be held in the Boardroom, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe on Thursday, 17 July 2003 at 14:00 to transact the following business -

1 FINANCIAL STATEMENTS

To receive and adopt the annual financial statements for the year ended 31 March 2003.

2 ELECTION OF DIRECTORS

2.1 To confirm the appointment of Messrs M I Hlatshwayo and P M Madi who were appointed as directors since the previous annual general meeting.

2.2 To re-elect Messrs W M A Buchanan, B P Connellan, N M Hawley, A R Mpungwe, J T Russell and M J Shaw who retire by rotation, in terms of the articles of association, and who, being eligible, offer themselves for re-election.

The credentials of these directors are provided in the appendix to this notice; page 86 of the Annual Report.

3 SPECIAL BUSINESS

3.1 Ordinary Resolutions

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

1 *Placing unissued shares under the control of the directors*

That the ordinary shares of the company not allotted nor issued at 17 July 2003 (but excluding the shares reserved for the purpose of the Illovo Sugar 1992 Share Option Scheme over which the directors have specific authority) be placed under the control of the directors who be and they are hereby authorised, subject to the provisions of Section 221 of the Companies Act, 1973, as amended, and the rules and requirements of the JSE Securities Exchange South Africa, to allot and issue those shares at their discretion on such terms and conditions as they deem fit.

2 *Issuing of shares for cash*

That, subject to the renewal of the general authority proposed in terms of ordinary resolution number 1 above, the directors be and they are hereby granted a general authority to issue ordinary shares in the capital of the company for cash subject to the Listings Requirements of the JSE Securities Exchange South Africa ("the JSE") which currently provide -

- (i) that this authority shall only be valid until the next annual general meeting, but in any event that it shall not extend beyond 15 months from the date of this resolution;
- (ii) that an announcement containing full details, including the effect on net asset value and earnings per share, will be published at the time of any issue of shares representing, on a cumulative basis within one financial year, five percent or more of the number of ordinary shares in issue immediately prior to such issue;
- (iii) that issues in the aggregate in any one financial year will not exceed 15 percent of the number of the ordinary shares in issue in the capital of the company;
- (iv) that, in determining the price at which the ordinary shares will be issued in terms of this authority, the maximum discount permitted will be 10 percent of the weighted average traded price of the ordinary shares over the 30 business days prior to the date that the price of the ordinary shares to be issued is determined or agreed by the directors;
- (v) that any issues of ordinary shares in the capital of the company shall only be made to public shareholders as defined in the Listings Requirements of the JSE but not to related parties.

In accordance with the Listings Requirements of the JSE, this ordinary resolution will require to be approved by a 75 percent majority of votes cast by members present or represented by proxy at the annual general meeting.

3 *Allotment and issue of option shares to directors*

That, the directors referred to below having been granted options on 21 May 2002, and in the case of Mr M I Hlatshwayo having been granted further options prior to this date and prior to his appointment as a director, in terms of the Illovo Sugar 1992 Share Option Scheme, the company hereby approves, in terms of Section 222(1)(a) of the Companies Act, 1973, as amended, the allotment and issue to such directors of up to the number of ordinary shares set out against their respective names as and when they exercise their options in respect of those shares from time to time -

W M A Buchanan	30 000	G D Knox	30 000
G J Clark	110 000	D G MacLeod	250 000
N M Hawley	45 000	J T Russell	110 000
R L Hetzler	40 000	B M Stuart	110 000
M I Hlatshwayo	117 500		

4 Determination of directors' fees

That unless otherwise determined by the company in general meeting, each director other than those in the full time service of the company be entitled to remuneration for his/her service as such at a basic rate of R90 000 per annum and that the remuneration herein determined shall be payable by the company quarterly in arrear with effect from 1 April 2003.

5 Transfer of South African assets

So as to structure the company's business in South Africa consistently with the structures in place in all the other countries in which Illovo Sugar operates, and on the basis that this transaction will not change the effective ownership of the relevant assets;

That the agreement entered into between the Company and its wholly-owned subsidiary, Illovo Sugar (South Africa) Limited ("Illovo SA"), whereby the Company sells to Illovo SA its South African sugar and related assets for a purchase consideration to be determined pursuant to an independent valuation, be and it is hereby approved.

The amount of the purchase consideration will be tabled at the meeting.

3.2 Special resolutions

To consider and, if deemed fit, to pass the following special resolution -

Special Resolution No. 1

"RESOLVED THAT the directors of the company be and they are hereby authorised by way of a general authority, up to and including the date of the following annual general meeting of the company, to approve the purchase by the company of its own shares;

subject to the provisions of the Companies Act, No. 61 of 1973, as amended, and the rules and requirements of the JSE Securities Exchange South Africa ("the JSE") and/or any other recognised stock exchange on which the shares of the company may be listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, and provided that -

- (i) the general authority shall only be valid until the next annual general meeting, but in any event shall not extend beyond 15 months from the date of this resolution;
- (ii) the general authority may be varied or revoked by special resolution at any general meeting of the company at any time prior to the next annual general meeting;
- (iii) the general authority to repurchase be limited to a maximum of 20 percent of the company's issued share capital of that class at the date the transaction is agreed;
- (iv) repurchases shall not be made at a price more than five percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is agreed;
- (v) an announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, three percent of the number of ordinary shares in issue prior to such acquisition, which announcement shall contain full details of such acquisition; and
- (vi) the repurchase shall be implemented on the JSE ("open market"), but subject to the company's sponsor having furnished the JSE with prior, written confirmation of the company's working capital adequacy."

Reason for and effect of Special Resolution No. 1

The reason for and effect of Special Resolution No.1 will be that the directors will, up to and including the date of the following annual general meeting, be entitled to approve the purchase by the company of its own shares, provided that the general authority shall only be valid until the next annual general meeting but in any event shall not extend beyond 15 months from the date of this resolution; the general authority to repurchase shall be limited to a maximum of 20 percent of the company's issued share capital of that class at the date the transaction is agreed; the repurchases will not be made at a price more than five percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is agreed; and shall be subject to the provisions of the Companies Act, No. 61 of 1973, as amended, and the rules and requirements of any recognised stock exchange on which the shares of the company may be listed.

It is the intention of the directors that they may use such authority should the prevailing circumstances (including the tax dispensation and market conditions) in their opinion warrant it. As a prerequisite to the use of such authority, the directors will be of the opinion, after considering the effect of such acquisition of shares, that for a period of 12 months following a decision to use this authority -

- (i) the company and the group will be able, in the ordinary course of business, to pay their debts;
- (ii) the consolidated assets of the company, fairly valued in accordance with Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the company;

- (iii) the company and the group will have adequate capital and reserves for purposes of their business for the foreseeable future; and
- (iv) the working capital of the company and the group will be adequate.

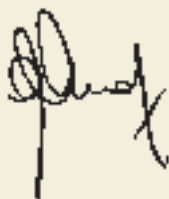
4 OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of members.

Members holding certificated shares and members that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP) or a broker, may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be members of the company) to attend, speak and vote at the annual general meeting on behalf of such member. A proxy form is attached to this notice of meeting. Duly completed proxy forms must be returned to the transfer secretaries (P O Box 1053, Johannesburg, 2000) by no later than 14:00 on Tuesday, 15 July 2003.

Shareowners who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP/broker and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareowners who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareowners and their CSDP/broker.

By order of the board.



G D Knox
Secretary

Durban
17 June 2003

SHAREHOLDERS' DIARY

Financial year end		March
Annual general meeting		July
Reports and profit statements		
Interim report		November
Profit statement for the year		May
Annual report and financial statements		June
Dividends		
Interim	Declaration	November
	Payment	January
Final	Declaration	May
	Payment	July

Shareholders are reminded to notify the transfer secretaries of any change in address.



ELECTION OF DIRECTORS

Curricula vitae**1 M I (Mandla) Hlatshwayo** (45), *B.A. (Law)*

Obtained his law degree from the University of Swaziland in 1986. Joined Ubombo Sugar Limited in 1987 as a Personnel Officer, thereafter progressing to the position of Human Resources Manager and being appointed as Assistant General Manager in 2001. He was appointed to the board as Corporate Affairs Director in March 2003. He has held positions on and has represented a number of business associations, including being President of the Federation of Swaziland Employers and Chamber of Commerce & Industry, a representative of Business Swaziland, and representing Swaziland on several SADC regional initiatives.

2 P M (Phinda) Madi (39), *B.Proc., E.D.P.*

Appointed to the board in November 2002. Obtained his law degree from the University of Zululand in 1987. Joined the French Bank of South Africa in 1987 as corporate banking and legal officer and from 1992 to 1994 served as an in-house consultant on employment equity for the Standard Bank group. In 1994 he founded Simela Consulting and in 1997 was appointed Chairman of Madi HerdBuoys. In 2001 he was appointed as Group Managing Director of the Thebe Risks and Benefits Group. He is a visiting professor at the Rhodes University Business School and has written three business-related books.

3 W M A (Mike) Buchanan (53), *B.Tech. (Mkt.), S.E.P. (Stanford), C.M. (S.A.)*

Joined the Illovo group in 1981 and served in various positions in subsidiary companies before being appointed as General Manager of the Merebank operation in 1987. Appointed General Manager - Marketing in 1994 and appointed as Marketing Director in 1996. He obtained his degree from Technikon Natal in 1999. He is a member of the Marketing Federation of South Africa.

4 B P (Brian) Connellan (62), *C.A. (S.A.)*

Appointed to the board in 1993. After qualifying as a chartered accountant, he joined the Barlows group where he managed a number of subsidiaries and was appointed as a director of Barlows Group Limited in 1985. He was Chairman of the buildings, steel and paint division until 1990. Thereafter he was appointed as Executive Chairman of Nampak Limited, a position he held until retirement in 2001. He is also a non-executive director of other listed companies, ABSA Group Limited, Nampak Limited, Oceana Group Limited, Reunert Limited, SASOL Limited and Tiger Brands Limited.

5 N M (Nigel) Hawley (46), *B.Com. (Hons.)*

Joined the Illovo group in 1978 and spent 11 years in various agricultural management positions. He transferred into the human resources discipline in 1989 and was appointed as Human Resources Manager of the Noodsberg mill in 1992. He was then appointed General Manager – Group Human Resources in 1997 and to the board as Human Resources Director in 1998. He obtained his bachelors degree in 1990 and his honours degree in 1995, both from UNISA.

6 A R (Ami) Mpungwe (Tanzanian) (52), *B.A. (Hons.)*

Appointed to the board in 2001. He is the immediate past Tanzanian High Commissioner to South Africa, having retired after 25 years' service in the Tanzanian diplomatic service. He is also a non-executive director of subsidiary company, Kilombero Sugar Company Limited, of listed companies, Aveng Limited and African Gem Resources Limited, and several companies in Tanzania. He was awarded the Order of Good Hope, South Africa's highest award given to foreign citizens, by President Mbeki, in recognition for his contribution to African regional co-operation.

7 J T (John) Russell (54), *A.C.M.A.*

Joined the Illovo group in 1978 and spent 9 years as General Manager – Finance. Joined the South African Sugar Association in 1987 in their London office, working in export marketing. Subsequently returned to Durban to the position of Export Manager and then Finance Director. Rejoined Illovo in 1993 as Financial Director. He qualified in the United Kingdom as an A.C.M.A.

8 M J (Martin) Shaw (64), *C.A. (S.A.), S.E.P. (Stanford)*

Appointed to the board in 2001. Joined Deloitte & Touche in 1956 in Johannesburg. He was appointed a partner in 1968 and transferred to Durban. He returned to Johannesburg in 1983 and was appointed Managing Partner. In 1991 he became Chief Executive, a position he held until 1999. Thereafter he acted as Chairman of the Board until his retirement in 2001. He served as President of the Natal Society of Chartered Accountants in 1977/78 and President of the South African Institute of Chartered Accountants in 1982/83. He is also a non-executive director of other listed companies, JD Group Limited, Liberty Group Limited, Liberty Holdings Limited, Murray & Roberts Holdings Limited, Pretoria Portland Cement Company Limited and Reunert Limited.



for the 88th annual general meeting

Company Registration No. 1906/000622/06

I/We _____
(Name/s in block letters)

of _____
(address)

being the shareholder/member of the abovenamed 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 in the Boardroom, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe on Thursday 17 July 2003 at 14:00 and at any adjournment thereof as follows -

Resolution No.	Agenda Item	Mark with X where applicable		
		For	Against	Abstain
1	Adoption of 2003 annual financial statements			
2.1	Confirmation of appointments of directors			
2.2	Re-election of directors			

Ordinary Resolutions

1	Placing unissued shares under the control of the directors			
2	Issuing of shares for cash			
3	Allotment and issue of option shares to directors			
4	Determination of directors' fees			
5	Transfer of South African assets			

Special Resolutions

1	General authority for the repurchase of shares			
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Signed at _____ on this _____ day of _____ 2003

Signature _____

Assisted by me (where applicable) (see note 4) _____

Full name/s of signatory/ies if signing in a representative capacity (see note 5)

NB Please refer to the notes on the reverse of this Form of Proxy

NOTES TO THE FORM OF PROXY

- 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 This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant (CSDP) or broker). Such shareowners should provide their CSDP / broker with their voting instructions.
- 3 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.
- 4 A minor must be assisted by his/her guardian.
- 5 The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
- 6 In order to be effective, proxy forms must reach the transfer secretaries (P O Box 1053, Johannesburg, 2000) no later than 14:00 on Tuesday, 15 July 2003.
- 7 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.
- 8 If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.



ILLOVO