SUGAR
ILLOVO
LIMITED

Annual Report 2009

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 by adding value to its core commodity products - fibre, 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; aligning strategies to meet changing circumstances in the various countries in which the group operates.
- be cognisant of the rural locations of the group's operations and the impact that it has on job creation and poverty alleviation in such areas.

Contents

2009

Features

	Year ended 31 March 2009	2008	% change
Results (Rm)			
Revenue	**8 601.7**	6 794.1	27
Operating profit	**1 386.2**	1 064.5	30
Net financing costs	**183.7**	170.4	8
Headline earnings	**741.8**	599.6	24
Share performance (cents per share)			
Headline earnings	**211.6**	171.6	23
Dividend (interim - paid; final - declared)	**106.0**	85.5	24
Year-end market price	**2 849**	2 964	
Balance sheet and cash flow (Rm)			
Total assets	**8 264.4**	6 262.8	
Ordinary shareholders' funds	**2 773.8**	2 373.3	
Net borrowings	**2 411.1**	1 168.3	
Cash generated from operations	**1 569.7**	1 101.2	
Financial ratios			
Operating margin (%)	**16.1**	15.7	
Effective tax rate (%)	**19.9**	15.7	
Debt : equity ratio	**70.0**	39.9	
Interest cover (times)	**7.5**	6.2	
Return on net assets (%)	**22.0**	24.1	
Net asset value per share (cents)	**981.7**	837.2	
Dividend cover (times)	**2.0**	2.0	
Price : headline earnings ratio	**13.5**	17.3	

Operating profit increased by 30%

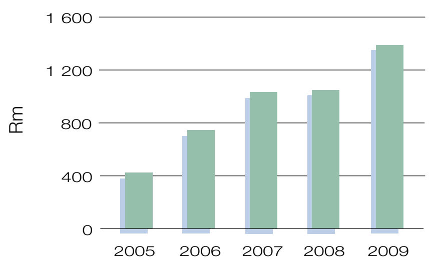
Headline earnings per share increased by 23%

Dividend increased by 24%

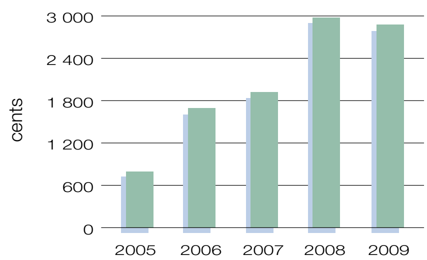
Strong operational cash generation

Ongoing major capacity expansion / funding arrangements

OPERATING PROFIT



YEAR-END SHARE PRICE



Group profile

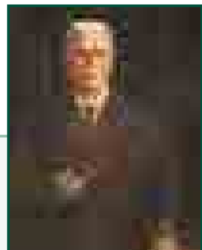
Illovo Sugar is a leading, global, low-cost sugar producer and a significant manufacturer of high-value downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. Downstream products include furfural (used mainly in lube oil refineries for the purification of oils), furfuryl alcohol (used mainly to produce a resin in the foundry industry as a binder for foundry sands), Agriguard (an agricultural nematicide), diacetyl and 2.3-pentanedione (both used as high-quality natural flavourants), BioMass Sugar (a sugar cane-based fertiliser), ethyl alcohol and lactulose (a natural laxative). Illovo is listed on the JSE Limited. It is a subsidiary of Associated British Foods plc which holds 51% of the issued share capital.

Excellent climatic and soil conditions in the group's countries of operation, accompanied by irrigation from secure water sources, are ideal for the cultivation of high-yielding and excellent quality sugar cane. The group manages agricultural estates in each of the countries in which it operates and in the past season, these estates produced an aggregate of 5.1 million tons of cane. In addition, independent growers supplied an aggregate of 10.3 million tons of cane to Illovo's sugar factories, mainly to those in South Africa. Sugar production in 2008/09 amounted to 1.8 million tons, comprising 920 000 tons produced in South Africa, Malawi 304 000 tons, Zambia 193 000 tons, Swaziland 210 000 tons, Tanzania 118 000 tons and Mozambique 76 000 tons.

The group is a major supplier of sugar to African consumer and industrial markets, particularly in its own countries of operation. In Malawi, Illovo is that country's sole sugar producer and in Zambia, manufactures 87% of all local production. The group's share of industry production in South Africa is 41%, Swaziland 33%, Tanzania 42% and Mozambique 31%. Illovo has significant and increasing access to preferential markets in the European Union (EU) and the United States of America (US), whilst the operations outside South Africa also have access to the South African Customs Union (SACU) market in terms of the Southern African Development Community (SADC) Sugar Protocol on Trade. Pre-packed and bagged sugar is supplied into other regional markets within Africa. The group, through the South African sugar industry exports sugar into the world free market. Syrup and speciality sugars are produced in South Africa and Zambia mainly for domestic consumption, whilst speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi also in the US.

The majority of downstream products is sold internationally into high-value, niche markets. Furfural and its derivatives are produced at the Sezela mill complex on the south coast of KwaZulu-Natal. High quality ethyl alcohol, from which various grades of alcohol are made, is produced at the Merebank plant in Durban and at the Glendale distillery on the north coast. Lactulose is also manufactured at Merebank.

In recognition of the group's interdependence with the communities in which it operates, Illovo co-ordinates a wide range of social investment-related programmes focusing on basic needs such as the provision of water and sanitation, access to health care, education delivery and involvement in community outreach programmes. Illovo also provides considerable training and other support to local indigenous growers in order to promote sustainable agriculture and economic development activities. Total cane supplies from these growers, including community-based co-operative schemes, amount to 2.3 million tons annually, generating revenue of approximately R675 million. Particular attention is given to preferential procurement with the aim of promoting and supporting the development of small and medium-sized businesses which supply goods and services to both cane growers and neighbouring communities, and to the group.



C G Smith

Group history

- *1891* Reynolds Brothers Limited is listed as a public company and Charles George Smith appointed as its agent in Durban;
- *1893* CG Smith, entrepreneur and sugar agent, becomes a shareholder in Reynolds Brothers;
- *1904* CG Smith and associates buy the Umzimkulu mill and estates;
- *1915* Reynolds Brothers opens the Sezela mill; and The Natal Cane By-Products Limited (now Illovo Merebank) is listed as a public company;
- *1952* Reynolds Brothers moves the Esperanza mill to Pongola;
- *1975* The sugar-related assets of CG Smith & Company, together with the Gledhow Sugar Company, are amalgamated with Reynolds Brothers into a single new entity under the name of CG Smith Sugar Limited;
- *1977* CG Smith Sugar acquires the Illovo and Noodsberg sugar mills and estates from Tate & Lyle;
- *1991* The company celebrates its Centenary year;
- *1992* CG Smith Sugar is listed on The Johannesburg Stock Exchange, and the company acquires the Umfolozi sugar mill;
- *1994* The company name is changed to Illovo Sugar Limited to identify with the Illovo brand of sugars and syrups;
- *1995* As a purely South African sugar company with five agricultural estates and seven factories, Illovo cultivates around one million tons of sugar cane and produces an equal amount of sugar. Turnover amounts to R1.6 billion and the share price trades at R6.70 (year-end);

Goals and objectives

PRIMARY OBJECTIVE

- To enhance the wealth of shareholders 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.
- To achieve a balanced and integrated economic, social and environmental performance.

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 maximise usage of bagasse and biomass to generate electricity for own operations and to supply power into national grids.
- 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 40% over the long term and an interest cover of not less than five times.

PRODUCT DEVELOPMENT

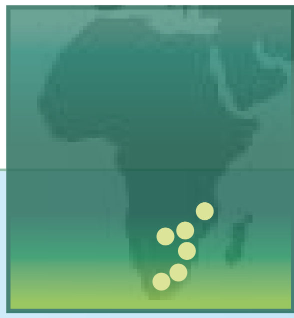
- To be proactive in identifying the needs of our customers.
- To consistently deliver quality products and services to our customers.
- To undertake research and development to improve returns, and develop new products and applications, from its core commodity products using every stick of cane.

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.

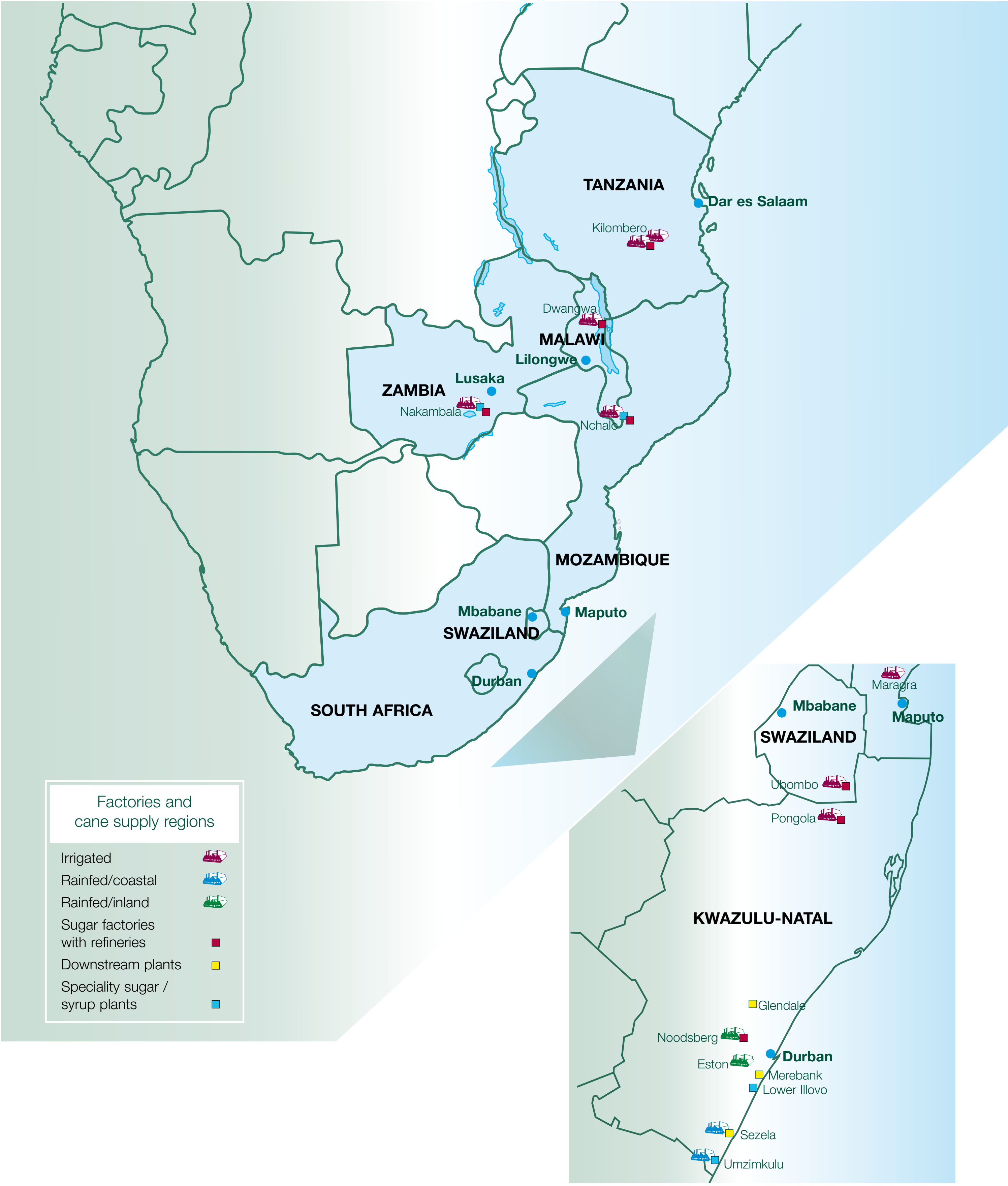
CORPORATE GOVERNANCE

- 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.
- To take cognisance of all stakeholders' interests in the group's business.

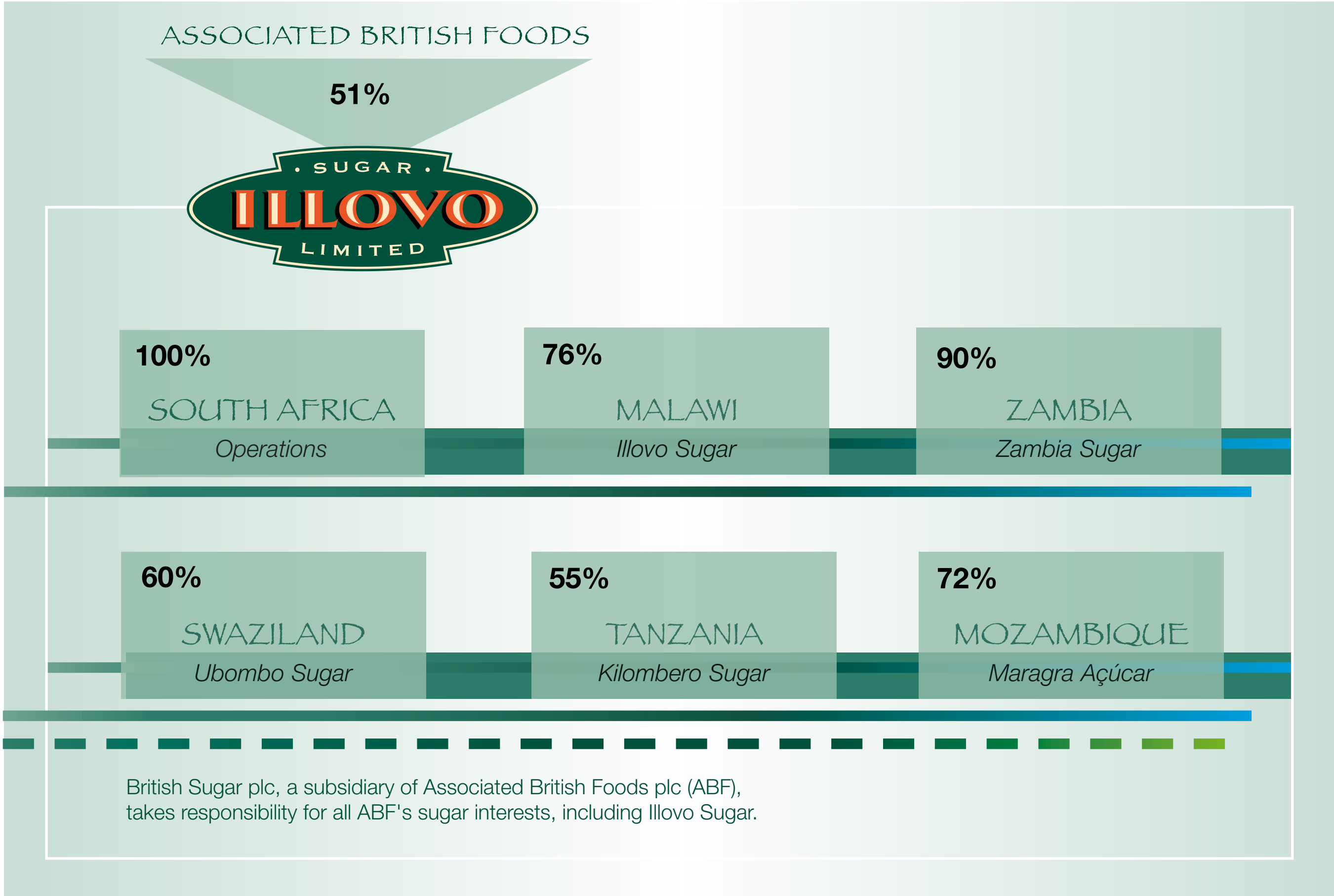


1996	Illovo acquires a 50% stake in Maragra Acucar SARL in Mozambique;
1997	Illovo acquires Lonrho Sugar Corporation Limited, with sugar assets in Malawi, Swaziland, Mauritius and South Africa;
1998	Illovo acquires a 55% stake in Kilombero Sugar Company in Tanzania;
1999	The company acquires Monitor Sugar Company in the United States;
2001	Illovo sells its Mauritian interests and acquires a controlling interest in Zambia Sugar Plc;
2004	The Gledhow sugar mill and estates are sold to a Black economic empowerment company, and the company sells its interests in Monitor Sugar Company;
2006	Associated British Foods plc, a company listed on the London Stock Exchange, acquires a 51% controlling stake in Illovo;
2007	A major expansion of the Zambia Sugar operation is announced, to increase cane production by 50% and annual sugar production to 450 000 tons of sugar. The expansion project is completed 1 April 2009;
2009	Illovo sells the Umfolozi sugar mill and concludes an agreement to sell the Pongola sugar mill; Today, Illovo has extensive agricultural and manufacturing assets in six Southern African countries, with capacity to produce six million tons of cane and two million tons of sugar per annum. Revenue amounts to R8.6 billion and the share price trades at R28.49 (year-end).

Group locations



Group structure



Operations

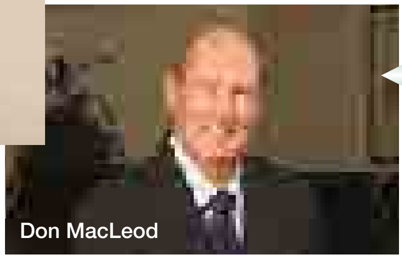
	Operation	Cane growing	Sugar manufacturing	Sugar refining	Speciality sugar / syrup	Downstream production
SOUTH AFRICA	Pongola		▬	▬		
	Noodsberg		▬	▬		
	Eston	▬	▬		▬	
	Sezela	▬	▬			▬
	Umzimkulu	▬	▬		▬	
	Merebank					▬
	Glendale					▬
MALAWI	Nchalo	▬	▬	▬	▬	
	Dwangwa	▬	▬	▬		
ZAMBIA	Nakambala	▬	▬	▬	▬	
SWAZILAND	Ubombo	▬	▬	▬		
TANZANIA	Kilombero	▬	▬	▬		
MOZAMBIQUE	Maragra	▬	▬			

Directorate

NON-EXECUTIVE INDEPENDENT CHAIRMAN

R A Williams (68) * #
BA, LLB
Chairman of Nomination Committee
Director of companies
Appointed to the Board 1985

NON-EXECUTIVE DEPUTY CHAIRMAN



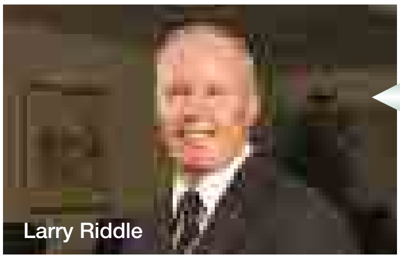
D G MacLeod (62) # ^
BCom, AMP
Previous Managing Director of Illovo Sugar Limited
Joined the sugar industry 1971
Appointed to the Board 1983

EXECUTIVE DIRECTORS

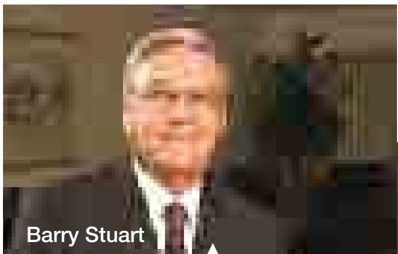
MANAGING DIRECTOR

G J Clark (Australian) (53) ^ + ø
BAcct(Hons), FCA(Aust)
Joined the sugar industry 1980
Appointed to the Board 1997

D L Haworth (60) + ø
BSc(Hons).
Business Development Director
Joined the sugar industry 1999
Appointed to the Board 2009



L W Riddle (49) + ø
BCom, CA(SA)
Commercial Director
Joined the sugar industry 1986
Appointed to the Board 2009

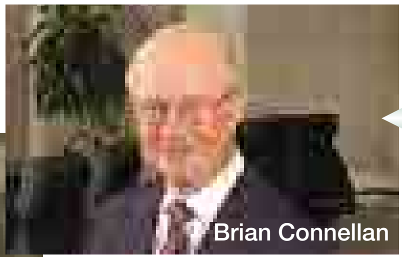


B M Stuart (61) ^ + ø
BCom, DipSugarTech, SEP
Operations Director
Joined the sugar industry 1968
Appointed to the Board 1994

K Zarnack (36) ^ + ø
CA(SA)
Financial Director
Joined the sugar industry 2005
Appointed to the Board 2005

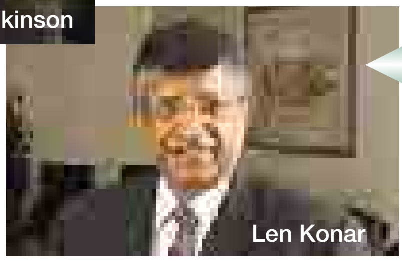
*	Member of Audit Committee
#	Member of Remuneration / Nomination Committee
^	Member of Risk Management Committee
+	Member of Group Executive Committee
ø	Member of Corporate Executive Committee

NON-EXECUTIVE INDEPENDENT DIRECTORS



B P Connellan (68)
CA(SA)
Director of companies
Appointed to the Board 1993

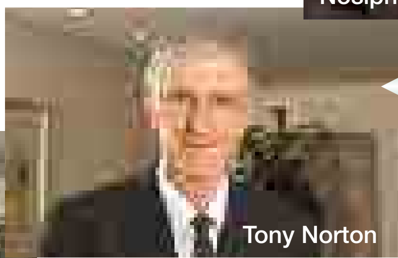
M J Hankinson (60) * # ^
BCom, CA(SA)
Director of companies
Appointed to the Board 2008



D Konar (Dr) (55) *
CA(SA), MAS, DCom
Chairman of Audit Committee
Director of companies
Appointed to the Board 1995

P M Madi (45) #
BProc, EDP
Director of companies
Appointed to the Board 2002

C W N Molope (44) *
BSc, BCompt(Hons), CA(SA)
Director of companies
Appointed to the Board 2008



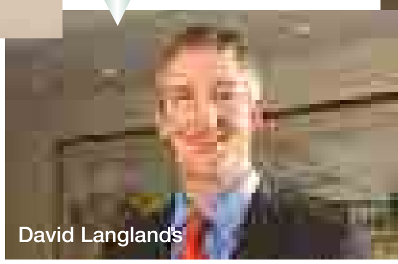
R A Norton (70) * #
MA
Chairman of Remuneration Committee
Director of companies
Appointed to the Board 1997

M J Shaw (70) * # ^
CA(SA), SEP
Chairman of Risk Management Committee
Director of companies
Appointed to the Board 2001

NON-EXECUTIVE DIRECTORS

M I Carr (Dr) (46) # +
BSc, PhD, MBA, CEng, MIMechE
Chief Executive Officer - British Sugar
Appointed to the Board 2006

D R Langlands (43) ^
BScMaths, ACA
Financial Director - British Sugar
Appointed to the Board 2006



P A Lister (45)
LLB
Director of Legal Services and Company Secretary - Associated British Foods
Appointed to the Board 2006

Senior management

Name	Qualifications	Joined the group	Operational responsibility
GROUP			
R Botha (Mrs) (40) ^	CA(SA)	2003	Internal audit
G R Brown (44) ø	BScAgric	2008	Procurement
P H Canter (Dr) (62) ^	MBChB, DTM&H	1990	Medical services
D G Coates (58) + ø	HNDipMechEng, GCOC	1983	Operations
S J M Collet-Serret (54)	HNDipElecEng	1978	Project management
M S Edwards (57) ø	GCOC, ABP	2007	Export sugar marketing
N M Hawley (52) + ø	BCom(Hons)	1978	Human resources
W L Jackson (Ms) (35) ø	CA(SA)	2005	Corporate finance
G D Knox (60) ^ + ø	BCom	1984	Administration
X Magojo (46)	BJourn, MBL	2008	Corporate services
N T Moor (Ms) (37) ø	BCompt(Hons), BCom(Hons)	1998	Financial management
N C Morris (48)	BAMaths&CompSc, DipCorpFin	2009	Project evaluation
J M Moult (60) ^ ø	BScEng, NatDipTech	1995	Technical services
D A Schaller (45)	BCom, ACMA	1999	Information technology
G S Trott (41) ø	BScAgricEng	2007	Agriculture
G Van Schoor (41)	NDipElec, GCOC	1997	Technical services (Projects)
D W H Cousens (60) +	MScEng, MBL	1988	General manager - Mali
J A Blumberg (49)	BCompt, MBL	1996	Finance - Mali
SOUTH AFRICA OPERATIONS			
D E Howells (45) +	CA(SA)	1995	General manager
H R Hackmann (50)	BCom	2000	Marketing
S Hlela (50)	BA	1995	Human resources
J J R Lyle (34)	CA(SA)	2006	Finance
G F Mann (55)	DipSugarTech	1979	Refined sugar production/Pongola
S Rau (57)	BScAgric	1981	Raw sugar production
L Bachan (55)	BSc, MBL, DipSugarTech	1978	Sezela
B R Cornish (55)	BCom, HNDipMechEng	1983	Merebank/Glendale
J P M de Robillard (63)	DipSugarTech	1974	Gledhow (Managed operation)
B V Holmes (54)	GCOC, MDP	1999	Umzimkulu
E W Lucht (43)	GCOCMechEng, MBA	1985	Noodsberg
V Pillay (54)	BSc, BCom, DipSugarTech	1978	Eston
MALAWI OPERATIONS			
I G Parrott (42) +	BCom, CIA	1997	Managing director
W A Cowden (30)	CA(SA)	2006	Finance
D P R Davies (54)	DipMktMgt(IMM)	2003	Marketing
C H Kyle (59)	BCom, HDPM	1998	Human resources
G M Mkandawire (62)	BScEcon, MComMkt	2003	Commercial
K M J Tembo (46)	DipIndustrialEng	1992	Dwangwa
E I Williams (62)	CertEng, SMSAIEE	1984	Nchalo

Name	Qualifications	Joined the group	Operational responsibility
ZAMBIA OPERATIONS			
S D Langton (48) +	PrEng, BScEng	1996	Managing director
D Kabunda (Mrs) (46)	BAPubAdmin, MBA	1986	Human resources
R M L Katowa (Mrs) (48)	BA, MBA, MCIM	1997	Marketing
J M Mukukwa (44)	MScChemEng	1990	Factory
S S Munsamy (54)	BTechMgt, MDP	1982	Operations director
L M Sievu (46)	BAcc, ACMA, ACIS	2004	Corporate affairs
H Veenstra (52)	MAgricMgt	1990	Agriculture
D S Watson (47)	BScElecEng, DipBusMgt	2006	Expansion project
M D Wellington (53)	BAcc, CA(Zim)	2008	Finance
SWAZILAND OPERATIONS			
S J M Cleasby (50) +	BScEng(Chem), MBA	2009	Managing director
C R Crebo (55)	BCom, DipSugarTech	1984	Factory
A H Domleo (49)	BCom	1983	Agriculture
J P Hulley (49)	DipMechEng, MDP	1978	Operations
J Mashwama (46)	MScSoilSc, DipIR	1993	Human resources
G H Williams (41)	CA(SA)	1996	Finance
TANZANIA OPERATIONS			
D H Carter-Brown (59) +	BScAgricEng	1978	Managing director
C M Bennie (59)	CA(SA)	2006	Commercial
L A Elkington (59)	BCompt	1984	Finance
Z E Mshechu (57)	MSc Agric	1998	Agriculture
C J van Den Berg (59)	BA(Law)	1974	Human resources
P J van Greunen (44)	HNDipMechEng, GCOC	1983	Factory
MOZAMBIQUE OPERATIONS			
W M A Buchanan (59) +	BTechMkt, SEP	1981	General manager
M Cotter (53)	RCE, GCOC	1989	Factory
R Giblot-Ducray (53)	CertLabour, CertSugarCaneAgric	2002	Agriculture
P Streng (59)	BA(Law), FIPM	2001	Human resources
M A Walsh (61)	BCom, CA(SA)	1988	Finance

^ Member of the Risk Management Committee
+ Member of Group Executive Committee
ø Member of Corporate Executive Committee

Chairman's statement

Robbie Williams

The group achieved sound results for the year ended 31 March 2009 with headline earnings increasing by 24% to R742 million, whilst headline earnings per share rose by 23% to 211.6 cents. Group operating profit increased by 30% to R1 386 million. The group's profits benefited from a number of factors, most notably, improved domestic market sales, higher world and regional market sugar prices, weaker exchange rates and good results from downstream operations. Lower sugar production in Zambia, Swaziland and Tanzania partly offset these benefits.

Net financing costs of R184 million reflect a small increase compared to the previous year, whilst taxation at R239 million remained relatively low mainly due to the Zambian subsidiary being granted expansion-related tax allowances. The group's effective tax rate was 19.9% (2008: 15.7%).

The contributions to operating profit were sugar production 52%, cane growing 36% and downstream 12%. By country, contributions were South Africa 19%, Malawi 45%, Zambia 12%, Swaziland 9%, Tanzania 9% and Mozambique 6%.

Strong cash operating profit of R1 207 million was achieved. However, group borrowings increased substantially from R1 168 million to R2 411 million as a result of the expansion projects during the year, with the debt : equity ratio rising from 40% to 70%.

The agricultural operations generally performed satisfactorily with cane production in the 2008/09 season amounting to 5.1 million tons. Adverse weather conditions in Swaziland and Tanzania impacted negatively on output in those countries, whilst in Zambia the difficulties experienced during phase 1 of the factory expansion resulted in a significant tonnage of cane being carried over to the next season. Group sugar production of 1.824 million tons was 2% above the previous season despite a 40 000 ton reduction in sugar production compared to the previous year in Zambia following the delayed start to the season and the disappointing mechanical performance of the plant after phase 1 of the factory expansion. Phase 2 of the project was completed as planned in April 2009. The performance levels of the other factories throughout the group were generally good. The downstream plants have operated well, with output being similar to last year. World prices of furfural and lactulose were strong during the year.

Domestic market sugar sales across the group were encouraging with all operations achieving an improvement in offtake. Marketing initiatives and improved distribution, particularly in the rural areas, together with efforts of the authorities to control illegal imports were the main factors affecting the growth in sales. Exports into premium-priced markets are very important to the group's business and sugar sales into these markets were around 220 000 tons. Demand from the group's regional markets remained at a satisfactory level although slightly less than the prior year.

The world sugar price, although continuing to be very volatile, adjusted upwards during the past year. The improvement in this price also resulted in a firming of sugar revenue realisations in the regional markets supplied by Illovo. The world price rose in the early part of the year as a result of a forecast deficit in production, but then weakened in line with other commodities. However, in recent months the price has increased strongly, driven by a significant production decline in India, the success of the European Union (EU) Sugar Regime reform in reducing output in that region, and capital constraints within the sugar industry in Brazil. These factors have resulted in a material global deficit in production being anticipated, thereby creating a platform for higher sugar prices.

Reform of the EU Sugar Regime has been completed via a process of structural reform which has seen the reduction of EU export subsidies and the lowering of domestic farm support for European beet farmers. Annual domestic sugar production in the EU has reduced by nearly six million tons as a result of these measures which were also accompanied

Cane production in 2008/09 amounted to 5.1 million tons with the agricultural operations generally performing satisfactorily.

by a restructuring grant to affected EU producers. The price payable to suppliers of sugar into the EU was also reduced as part of the reform.

The net result of the reform will be to move the European sugar market from surplus into deficit. This will enable traditional exporters of sugar to the EU, mainly Least Developed Countries (LDCs) and member states of the African, Caribbean and Pacific (ACP) trade group, to continue to export to the EU on preferential terms such that the EU sugar market maintains equilibrium. Imports into the EU from these traditional suppliers are projected to reach 3.5 to 4.0 million tons by 2015, with new market access arrangements coming into force from 1 October 2009. These arrangements provide duty-free, quota-free access to the EU sugar market for qualifying LDC/ACP suppliers on the basis of unrestricted access for LDCs, with ACP access being limited by a safeguard ceiling of 3.5 million tons. Previous quality restrictions which limited imports to bulk raw sugar for refining will also be relaxed from 1 October 2009, and exporters to the EU will in future be entitled to supply sugar of various qualities as required by different customers. The new EU sugar arrangements have been incorporated into the terms of new Economic Partnership Agreements (EPAs) currently being negotiated between the EU and the supplying regions. These market access changes are positive for the Illovo group, although the lower prices received in these markets have impacted on export revenues. The company has concluded an investment in a United Kingdom-based joint venture with British Sugar which will provide an effective route to the EU market for Illovo's export sugars from 1 October 2009.

Illovo has embarked on a major drive to significantly increase its cane and sugar productive capacity. The first step was the Zambian expansion project, with phase 2 of the project being completed as planned on 1 April 2009. The project increases the capacity of the Nakambala sugar mill to 450 000 tons of sugar per annum. The expanded factory is settling down and is operating at design capacity.

The group has, subject to approval by the Zambia Competition Commission and other regulatory authorities, acquired a majority stake in a cane growing company currently producing 325 000 tons of cane per annum with the potential to further increase output. This operation delivers its cane to the Nakambala sugar mill. A rights offer has been announced by Zambia Sugar Plc, the group's Zambian subsidiary, to secure the future financing requirements of the Zambian business.

The Mali project continues to progress, albeit slowly, particularly in respect of the social and environmental impact studies which are required in respect of the concessional funding for the agricultural development. The commercial planting of sugar cane is expected to commence in the first quarter of 2010, with sugar production anticipated to start in December 2011.

The expansion of the group's sugar factory at Maragra in Mozambique, which will result in output from that operation doubling to 150 000 tons of sugar per annum over the next three years, is progressing well with phase 1 completed in April 2009. The group has entered into a joint venture with the local community at Maragra to develop 4 000 hectares of land to cane over the next two years at a site located on the east bank of the Inkomati River approximately 40 kilometres from the mill. The joint venture will produce 400 000 tons of cane per annum and the project is linked to the factory expansion. The company has also acquired an option to purchase a 90% shareholding in the Búzi sugar estate situated near Beira, which provides the opportunity to erect a sugar factory capable of producing 150 000 tons of sugar per annum in the future.

In Malawi the marginal factory expansion and increase in cane land area at Nchalo was successfully completed prior to the commencement of the new sugar season.

Illovo plans to transfer its South African business to a wholly owned subsidiary with effect from 1 April 2010. In addition, it has undertaken a number of disposals and investments in South Africa which will result in a more streamlined business. The sale of the Umfolozi sugar mill to a grower consortium was completed on 31 March 2009, with payment received in full. An agreement to sell the Pongola sugar mill to TSB Sugar RSA Limited has been concluded, subject to approval by the Competition Commission. The company has acquired a 30% shareholding in and will provide technical services to a new business entity which has purchased the Gledhow sugar mill which was previously wholly-owned by Ushukela Milling (Pty) Limited (Ushukela). The other shareholders in this new business entity comprise Ushukela, a consortium of supplying cane growers and Sappi Manufacturing (Pty) Limited.

The group continues on its path to become self-sufficient in respect of power requirements for its operations as well as supplying power into the national electricity grids in the various countries in which it operates. Illovo's sugar factories utilise bagasse to generate sufficient power for ongoing factory operations, whilst in most countries, additional power is produced in order to supply energy to the agricultural operations, particularly irrigation. Illovo continues to progress its bio-mass initiative which utilises residue leaves and tops from harvested cane as supplementary fuel for the factory boilers.

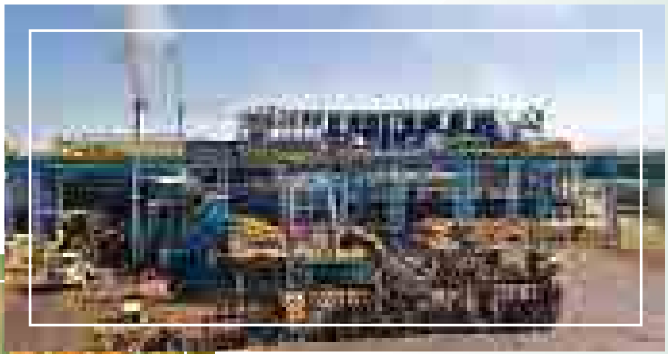
The group remains focused on being the leading low cost sugar and downstream products producer in Africa. Benchmarking techniques to measure and implement best practice methods, as well as in house technical expertise, are used to optimise returns on installed capacity. Despite significant increases in input costs, such as fertilizer and steel, the group has continued to ensure that its factories and field operations are well maintained and that factory offcrop maintenance programmes and field ratoon management and replant programmes are carried out in line with best practice.

Risk management is an integral part of Illovo's business. The safety, security and preservation of our people are essential for the group's sustainable growth. The NOSA Integrated Five Star System covering safety, health and environmental management is implemented at all the cane growing and factory operations. The Disabling Injury Frequency Rate (DIFR) measurement of safety performance is used in all the group's operations, and is included as one of the line-of-sight targets for the performance related bonus scheme. It is pleasing that the DIFR measurements reflect a significant improvement over the past year.

In order to meet the ongoing financial requirements of the group, existing facilities have been renewed. In addition it is intended that a rights issue be undertaken by the company to raise fresh capital to provide for current and longer term growth plans. This initiative has the full backing of the holding company which has indicated a willingness to support a rights offer to shareholders at or around the prevailing share price. Shareholders will be advised further as this matter is progressed.

Outlook

In the current year, own cane and sugar production are anticipated to exceed the levels achieved in the last season, whilst downstream production is expected to be at similar levels to those of last year. World sugar prices are anticipated to remain above last year's average levels but



The performance levels of factories were generally good with group sugar production amounting to 1.824 million tons, 2% above that of last year.

Domestic market sales across the group were encouraging with all operations achieving an improvement in offtake.

to continue to be volatile. Provided they remain at current levels, it will be favourable for revenues from both world and regional markets. Domestic market offtake is expected to remain positive. The results for the current year will however be affected by the level of the rand compared to other currencies. Financing costs as a result of increased borrowings related to the major expansion projects, are anticipated to increase significantly. The effective tax rate is expected to normalise at around 30%.

Directorate

I would like to congratulate Graham Clark on his appointment as Managing Director with effect from 1 April 2009. Mr Clark has extensive operational, commercial and financial experience in the sugar industry throughout Africa and internationally. He joined the sugar industry in 1980 and the Illovo board in 1997.

My congratulations also go to David Haworth and Larry Riddle who have been appointed as executive directors, both of whom have considerable experience within the group's operations.

I am pleased to welcome Nosipho Molope as an independent non-executive director. Mrs Molope has experience in the corporate sector and is a director of other listed companies.

Imogen Mkhize, who has been a non-executive director of the company since November 2005, resigned from the board due to increasing demands on her time and I thank her for her contribution during her tenure on the board.

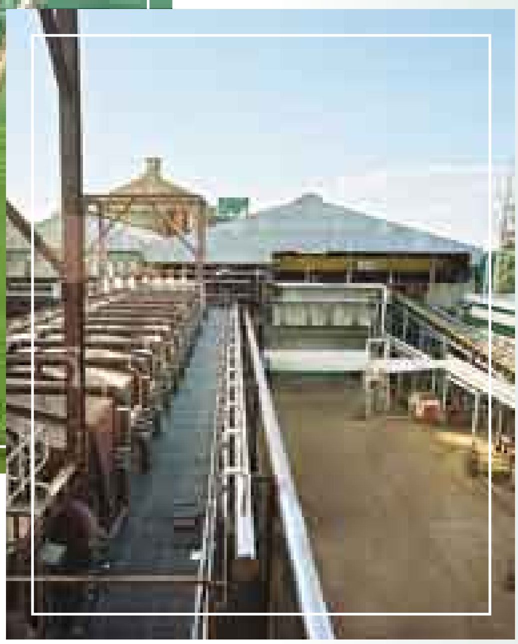
John Russell, who has been an executive director of the company since 1993, and Don MacLeod who was Managing Director from 1992, both retired on 31 March 2009. I would like to thank them both for their meaningful contribution to the company over a long period of time. Mr MacLeod became a non-executive director and Deputy Chairman on 1 April 2009 and the company will continue to benefit from his experience.

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 year ahead has many opportunities and challenges for the people of the group.

R A Williams
Chairman

Mount Edgecombe
26 May 2009



The Zambian expansion project, increasing sugar production to 450 000 tons of sugar per annum, was completed as planned on 1 April 2009, marking the first step in Illovo's major drive to significantly increase its cane and sugar productive capacity.

Review of operations

Graham Clark

OVERVIEW

Whilst financial performance was generally good during the past year, production across the group was variable. Record cane and sugar was achieved in Malawi, and sugar output continued to increase in Mozambique. In South Africa, Illovo's share of industry sugar production increased, whilst less sugar was produced in Swaziland, Tanzania and Zambia compared to last year. The downstream operations in South Africa performed very well, including record lactulose production being achieved at Merebank and the Sezela downstream plant operating ahead of expectations. A highlight during the year was the completion of the major capacity expansion in Zambia, as planned, on 1 April 2009.

Domestic sugar markets remain the group's most important outlet and very good volume growth, coupled with well-timed price adjustments, drove domestic market sales performance to new highs. Advantage was taken of the evolving new market access arrangements into the European Union (EU) and export revenue was also boosted by firm regional pricing and world sugar prices which continued on an upward trend. Export demand for the group's downstream products was strong and prices were higher than anticipated throughout the year. Effective cost control remained critical to improving operating margins for the year.

Group cane production was driven by higher yields in Malawi and Zambia, offset by the impact of dry weather conditions which negatively affected crop growth in South Africa, Swaziland, Tanzania and Mozambique. Overall, the agricultural operations performed well, with record cane production achieved at both estates in Malawi, and increased sucrose content recorded in all countries of operation except South Africa. Cane production across the group amounted to 5.1 million tons for the year. During the past season, additional irrigated cane land was developed in Malawi and in Zambia as part of the expansion programme. In Swaziland, a project to convert under-performing areas to centre-pivot irrigation was commenced as part of a broader initiative to upgrade irrigation systems and increase future cane yields.

Aggregate sugar production, including Umfolozi which has now been sold, amounted to 1.824 million tons for the year, compared to 1.792 million produced last year. Factory performance in Malawi and Mozambique was excellent, with a number of production-related records achieved by these operations, whilst disappointing factory performance in Zambia had a negative impact on overall group sugar production. The raw sugar factories in South Africa also performed well. During the past offcrop period, the Nchalo mill in Malawi was further expanded to accommodate increased cane supply from recently developed cane fields, as was the Maragra mill in Mozambique as the first part of a phased capacity expansion project in advance of projected increased cane availability from a number of new irrigated cane developments. It is pleasing to note that since the commencement of the 2009/10 season, the performance of the newly expanded factory in Zambia has continually improved which augurs well for the coming year.

Domestic sugar sales in Malawi, supported by effective rural distribution and ongoing marketing initiatives, reached a new high during the past year, ending 11% above the previous season. Local market sales in Mozambique continued to grow and increased by 8% compared to last year's record, whilst those in South Africa increased by 6%. Domestic sales of sugar from Swaziland into the South African Customs Union (SACU) region also increased to new levels year-on-year. In Zambia, domestic market sales were constrained by lower production but still recorded growth of 2% to also reach a new high. Local sales in Tanzania were steady throughout the year and stable market conditions assisted sales generally. Local market prices across the group were maintained at levels that effectively countered inflation in each country of operation.

1. The agricultural operations performed well, with record cane production achieved at both estates in Malawi, and increased sucrose content recorded in all countries of operation except South Africa.

2. Domestic market sales improved across the group, most notably in Malawi, Mozambique and South Africa whose local sugar offtake compared to last year increased by 11%, 8% and 6% respectively.

3. Factory performance in Malawi and Mozambique was excellent, with a number of production-related records achieved by these operations, whilst the raw sugar factories in South Africa also performed well. Total sugar production amounted to 1.824 million tons.

Export sales revenue grew by 9% in 2009/10, due to higher average world and regional market prices during the year. The group also benefitted from preferential premiums for tonnages sold into the EU which granted the last tranches of increased quota to Least Developed Countries (LDC's), including Malawi, Mozambique, Tanzania and Zambia, before the advent of unrestricted EU market access in October 2009. Favourable quota re-allocations made available by other quota holders not being in a position to supply to the EU market also improved export sales. Export logistics and volatile freight rates were well managed and good Euro premiums were earned. Regional export demand remained buoyant and pricing reflected tight supply conditions resulting from lower production in Zambia and Zimbabwe, together with firm world market prices. World market exposure in South Africa was generally well-hedged against a rising world market price. Revenue benefits also arose from favourable currency weakness during the year.

Rising costs of production were a challenge during the past year as all operations faced escalating costs in respect of fuels, fertilisers, packaging, steel and other inputs that were affected by the general surge in commodity pricing early in the year. Stringent cost control and timeous pricing as commodity values fell during the latter part of the year enabled operating cost to be well controlled across the group. This, combined with a strong revenue performance, sustained the group's growth in operating profits and enabled the operating margin to strengthen year-on-year.

All three downstream plants in South Africa operated well and good factory performance was maintained throughout the season. Against the background of a global product shortage in 2008, furfural and furfuryl alcohol prices were driven to new levels, whilst Merebank achieved record lactulose production and export sales. Export alcohol sales also benefited from higher international prices.

Total capital expenditure in 2008/09 amounted to R1 866 million, of which expansion capital for projects aggregated R1 697 million. Ongoing capital expenditure ensures that the group's factories are kept in sound condition, that strategic plant is adequately protected against breakdown, and that product quality meets global standards.

STRATEGIC REVIEW

The group's goals and objectives are detailed on page four of this report. Progress towards achieving these targets is monitored on a regular basis through performance reviews and strategic assessments, which take account of ongoing developments both within and outside of the organisation. Interventions are made through the processes of medium-term strategic planning and annual budgeting for capital and operating expenditure. The group's primary objectives of enhancing shareholder wealth, being world-class and an efficient, low cost producer, whilst achieving a balanced and integrated economic, social and environmental performance, have largely been achieved over the past five years. The share price has risen over this period on a compounded basis by some 29% per annum and during the past year, outperformed its peer groupings on the JSE Limited. Production growth has been significant since the group first embarked on its expansion outside South Africa and strong cash flows have been maintained enabling dividends to be paid consistently, twice covered by annual earnings. The development and commercialisation of downstream products remains ongoing and the group's commitment to employee development and equal opportunity is strong. High standards of corporate governance are demanded from all group operations and compliance is regularly reviewed.

All three downstream plants in South Africa operated well and good factory performance was maintained throughout the season.

The group strives to achieve and surpass its goals and objectives on an ongoing basis, guided by the principles incorporated within the group strategic intent. All entities within the group are aligned to Illovo's common goals and objectives, and annual strategic plans and budgets are prepared with these aspects in mind. Company culture endeavours to ensure that the expectations of all stakeholder communities are addressed on an ongoing basis.

Growth philosophy

The group continues to consolidate its South African operations, recognising the potential for superior returns elsewhere in Africa. Accordingly, the group seeks to establish a profitable, stand alone South African entity with the capacity to maintain acceptable group returns. Major investment outside South Africa will be undertaken in areas that display positive and stable social, political and economic fundamentals, have adequate water and land resources, favourable climatic and agronomic conditions, strong local sugar markets and good export potential.

Strategic update

In line with the above philosophy, the following initiatives have either been completed or are underway :-

SOUTH AFRICA

- The sale of the Umfolozi sugar mill to a grower consortium has been completed effective 31 March 2009, with payment received in full;
- An agreement to sell the Pongola sugar mill to TSB Sugar RSA Limited has been concluded, subject to approval by the Competition Commission;
- The company has acquired a 30% shareholding in and will provide technical services to a new business

The major expansion of Zambia Sugar was completed as planned on 1 April 2009. In addition, the group has, subject to approval by the Zambia Competition Commission, acquired a majority stake in Nanga Farms PLC, a cane growing company which currently produces 325 000 tons of cane per annum.

entity which has purchased the Gledhow sugar mill unencumbered, previously wholly-owned by Ushukela Milling (Pty) Limited (Ushukela). The other shareholders in this new business entity comprise Ushukela, a consortium of supplying cane growers and Sappi Manufacturing (Pty) Limited;

- The company plans to transfer its remaining South African business to a wholly-owned subsidiary with effect from 1 April 2010.

MOZAMBIQUE

- The group has entered into a joint venture with the local community at Maragra to develop 4 000 hectares of land to cane over the next two years at a site located on the east bank of the Inkomati River approximately 40 kilometres from the Maragra sugar mill. The joint venture will produce 400 000 tons of cane per annum and the project is linked to the doubling of the capacity of the Maragra factory, to 150 000 tons of sugar per annum;
- The company has acquired an option to purchase a 90% shareholding in the Búzi sugar estate situated near Beira, which provides the opportunity to erect a sugar factory in this area in the future.

ZAMBIA

- The final phase of the major expansion project, which increases the capacity of the Nakambala sugar mill to 450 000 tons of sugar per annum, was completed as planned on 1 April 2009;
- The group has, subject to approval by the Zambia Competition Commission and other regulatory authorities, acquired a majority stake in Nanga Farms PLC, a cane growing company, located adjacent to the Nakambala estate, and currently producing 325 000 tons of cane per annum. Nanga has the potential to further increase cane production. This operation delivers its cane to the Nakambala sugar mill.

SWAZILAND

- Expansion of the Ubombo factory to increase sugar production to in excess of 300 000 tons per annum is being progressed, linked to the completion in early 2009 of a major new dam and canal system funded by the EU and Swaziland Government, which will facilitate expansion of cane growing in the area. The new area under cane is likely to cover some 5 000 hectares of land in the medium-term, with further potential for development available in the longer-term.
- Associated with the factory expansion, plans are underway to increase power generating capacity at Ubombo utilising biomass, in the form of residue leaves and tops from harvested cane, as supplementary fuel for the factory boilers. This will enable the factory and surrounding estates to be self-sufficient in electricity for 48 weeks of the year and also provide the ability to export power into the national grid.

MALI

- The proposed greenfields project in Mali is progressing in pre-project mode. Necessary financial approvals are expected by November 2009 and thereafter cane development will commence in the first half of 2010. Construction and commissioning of a new factory is anticipated by December 2011.
- The Malian operation will ultimately produce 195 000 tons of sugar and 15 000 kilolitres of ethanol for fuel blending, and generate sufficient electricity for the agricultural and factory operations, with additional capacity to export power into the national grid.

In Swaziland, the completion of the Lubovane Dam under the auspices of the Lower Usuthu Smallholder Irrigation Project will facilitate major expansion of cane growing in the area. As a consequence, the expansion of Ubombo's productive capacity to in excess of 300 000 tons of sugar per annum is being progressed.

Karin Zarnack

FINANCIAL REVIEW

Group Performance

Group revenue increased by 27% from R6 794 million to R8 602 million in the current year and operating profit increased by 30% to R1 386 million. This was achieved mainly by the continued growth in domestic market sales, higher world and regional sugar prices and weaker exchange rates. Aggregate operating margins were slightly higher at 16.1% (2008: 15.7%).

Net financing costs of R184 million were slightly higher than last year's R170 million. This increase resulted from the group's continued capital investment in projects at all its operations, together with the increase in the cost of funding. The interest cover has however improved to 7.5 times (2008: 6.2 times).

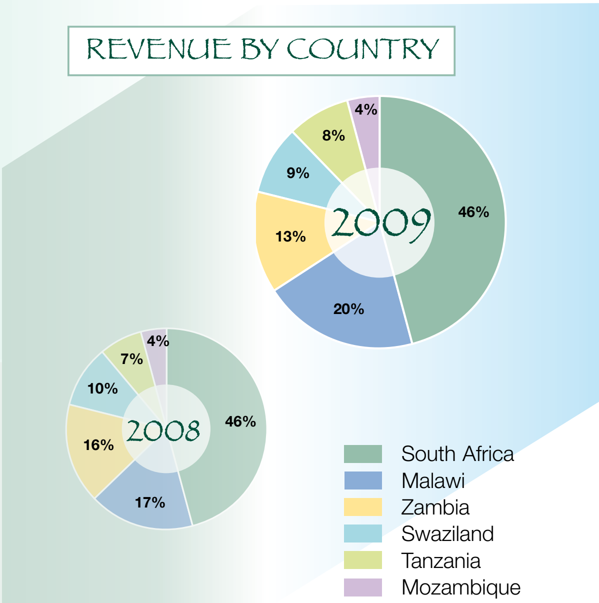
The tax charge of R239 million included current tax of R196 million, deferred tax of R10 million and secondary tax on companies of R33 million, resulting in an effective tax rate of 19.9% for the year. This is still lower than the average statutory tax rate due to expansion-related tax allowances granted to the Zambian operations.

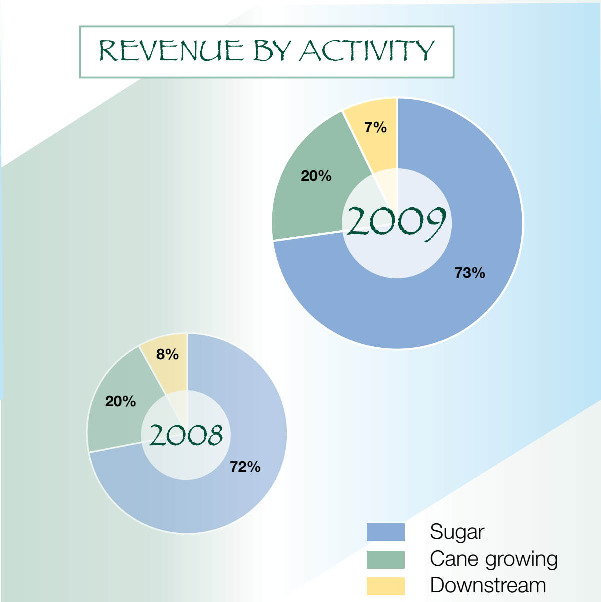
Earnings and dividends

Headline earnings have increased by 24% to R742 million (2008: R600 million) and the weighted average number of shares in issue has increased slightly from 349.4 million to 350.5 million. Headline earnings per share increased by 23% from 171.6 cents to 211.6 cents.

An interim dividend of 41.5 cents was paid and a final dividend of 64.5 cents has been declared which represents an overall increase of 24% for the year. In accordance with

SEGMENTAL ANALYSIS





International Financial Reporting Standards, no liability has been raised for the final dividend, however the cost of the proposed dividend of R226 million has been transferred from retained surplus to a separate dividend reserve. The strength of the balance sheet and results achieved have made it possible to maintain the dividend at twice covered by earnings.

Balance sheet

Shareholders' equity increased from R2 373 million to R2 774 million. Return on average shareholders' equity was 29% (2008: 30%). This slight decline is largely as a consequence of the level of investment made this year in capital projects which have yet to yield a return, as well as the lower profitability of the Zambian operations.

Non-current assets increased by 37% to R5 370 million which included property, plant and equipment of R4 088 million and cane roots of R1 132 million. This increase is mainly due to the completion of the factory and agriculture expansion in Zambia.

Net borrowings at year-end were R1 243 million higher than last year at R2 411 million reflecting expansion projects invested in during the year. Debt : equity increased from 40% to 70% in the current year.

Cash flow

The group continued to achieve strong cash operating profit of R1 207 million, compared to R1 055 million last year. Better working capital management resulted in a cash inflow of R363 million for the year. Major investment in the group's expansion projects resulted in cash outflows of R1 697 million with R170 million spent on replacing existing property, plant and equipment. Other cash outflows included taxation of R230 million, dividends of R449 million and finance costs of R184 million. This resulted in cash outflow before financing activities of R1 127 million.

Financing

At year-end, the group had total committed bank facilities amounting to R2 699 million of which R2 364 million was drawn-down. R1 386 million of these facilities expire within the next year with the remainder maturing between 2011 and 2015. The group also had access at year-end to uncommitted facilities of R2 580 million of which R47 million was drawn-down.

A treasury risk management committee, consisting of senior executives in the group, meets regularly to analyse currency and interest rate exposure 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. Forecasts have been prepared which take into account the group's capital commitments, available facilities and cash resources, and this still indicates a strong liquidity position over the medium-term.

Foreign currency exposure

In the normal course of business, the group enters into transactions denominated in foreign currencies and hence is exposed to fluctuating exchange rates. Exchange rates exposures are managed within approved policy parameters utilising forward exchange rates.

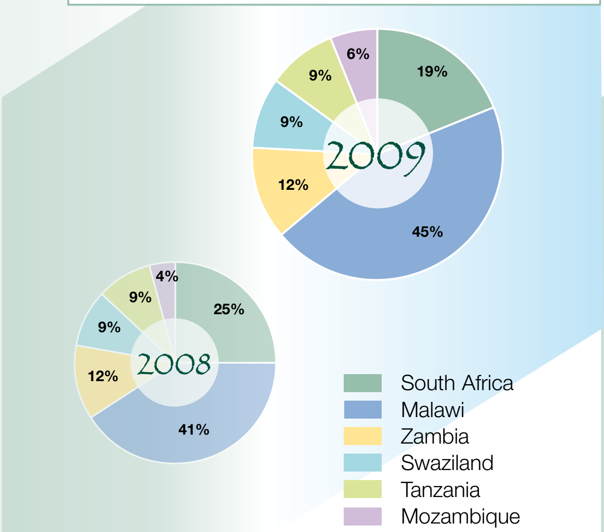
At year-end, the company had a US$120 million loan from its holding company. In order to minimise the interest rate and exchange rate risk on this loan, the company entered into a three-year cross-currency interest rate swap which fixes the exchange rate on the capital and swaps out the LIBOR interest rate to a Rand-based JIBAR interest rate.

Accounting policies

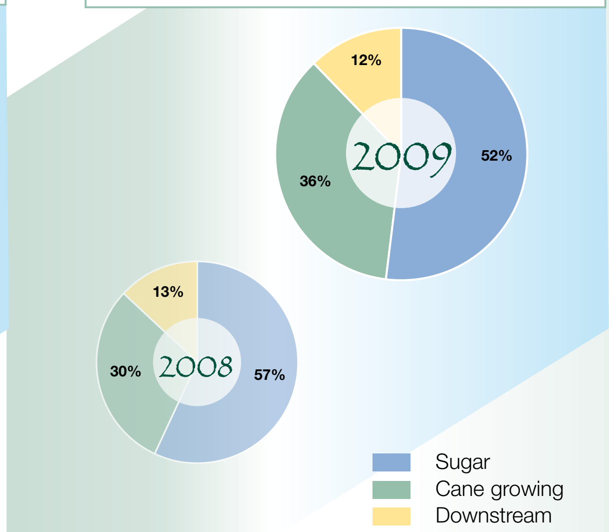
The annual financial statements comply with International Financial Reporting Standards, Schedule 4 of the Companies Act, 1973 and the disclosure requirements of the JSE Limited's Listings Requirements.

The accounting policies are consistent with those applied in the prior year.

OPERATING PROFIT BY COUNTRY



OPERATING PROFIT BY ACTIVITY



Cane production in South Africa in 2008/09 amounted to 464 000 tons.

OPERATIONS

SOUTH AFRICA

Illovo is South Africa's largest sugar producer, with its operations strategically located across the eastern section of KwaZulu-Natal. The operations presently consist of three agricultural estates, five sugar factories, two of which incorporate refineries and three downstream plants all of which are wholly owned by Illovo. Currently, annual cane production by Illovo amounts to approximately 450 000 tons and together with cane supplied by private growers, approximately 900 000 tons of sugar are produced annually. Furfural, furfuryl alcohol, Agriguard products, diacetyl, 2.3-pentanedione, ethyl alcohol and lactulose are produced at the various downstream plants.

Agriculture

Cane production in 2008/09 amounted to 464 000 tons. Cane yields at Sezela and Umzimkulu were impacted negatively by below average rainfall for most of the season, whilst those at Eston showed a slight increase over the previous season. There was a reduction in sucrose content across all three areas.

Cane supplied by medium-scale Black cane growers increased in 2008/09 by 11% to 425 000 tons. Deliveries from small-scale growers amounted to 438 000 tons, including cane deliveries by small-scale growers at Umfolozi. The company provides ongoing support to the small-scale grower sector, and cane re-development initiatives continued at Sezela and Umzimkulu, co-ordinated by Illovo and local cane growing associations. At Umzimkulu, 340 hectares of land has been developed with forecast deliveries by small-scale growers of 17 000 tons of cane in 2009/10, increasing by a further 3 000 tons in the following season. At Sezela, 460 hectares of land was planted to cane with approximately 14 000 tons of cane to be delivered in 2009/10.

To date, of the total land area supplying cane to Illovo mills, 55% has been the subject of land claims in terms of the Restitution of Land Rights Act. Thus far, of the areas claimed, only 9% has been transferred to claimants. The company is working with the affected growers, the claimants and the relevant Government authorities to ensure that farms transferred in terms of the restitution process continue to be cultivated productively.

Sugar production

The raw sugar mills experienced successful seasons with good overall recoveries of sugar from cane and high levels of factory efficiency achieved at Sezela, Umzimkulu, and at Eston, which also recorded improved cane throughput levels. However, factory and refinery performance at Pongola and Noodsberg was disappointing, with operating difficulties affecting production at both factories during the season. Remedial action to address these performance issues was undertaken during the offcrop period. Including Umfolozi, total sugar production amounted to 922 000 tons. Illovo's share of industry production increased from 38% to 41% in 2008/09.

The raw sugar mills experienced successful seasons with good recoveries of sugar from cane. High levels of factory efficiency were achieved at Sezela, Umzimkulu and Eston, which also recorded improved cane throughput levels. Total production amounted to 922 000 tons.

The company provides ongoing support to the small-scale grower sector, and cane re-development initiatives continued at Sezela and Umzimkulu during the year, resulting in increased cane supplies from these growers.

Widespread rains were received at the beginning of 2009, providing good conditions for cane growth. However, generally drier conditions in March and April have impacted upon the cane crop and therefore sugar production is expected to be only slightly higher than last year, excluding Umfolozi.

Downstream

The furfural plant operated well throughout the season with a marginal increase in production compared to last year. Improved furfural yields largely offset the negative impact of reduced cane supplies to the Sezela factory. Both alcohol distilleries at Merebank and Glendale continued to perform well, and maintained consistent quality and good throughput levels throughout the year. Record lactulose production was achieved at Merebank with the plant having benefited from the expansion of its operations during the season.

Marketing

Illovo sells raw, brown and refined sugar, speciality sugars, syrup, furfural and its derivatives, potable and denatured alcohols, and lactulose into local and international markets. In 2008/09, Illovo's overall domestic market sales of sugar increased by 6%. The group remains the major supplier of sugar to the South African industrial market and increased sales to this sector were achieved during the year under review, particularly to soft drink manufacturers. Retail market sales were strategically reduced due to the presence of significant quantities of duty-paid imports in this sector of the domestic market. Regional market sales into SACU, which were traditionally supplied by Zimbabwe, increased during the year due to that country's current sugar production difficulties.

Illovo's share of raw sugar exports to the world market, undertaken by SASA, amounted to 335 000 tons for the year. The average price realised by the industry, including hedging activities undertaken by SASA, was US12.77 cents/lb, representing an increase in price compared to the previous year's lower level, due to the higher average world market price experienced during 2008/09. In respect of the 2009/10 season, around 350 000 tons of world market sugar have been priced to date on behalf of the industry by SASA, at an increased average price of US14.69 cents/lb.

The downstream operations enjoyed a very successful performance in 2008/09. Strong global demand for furfural and furfuryl alcohol, combined with China's restricted production as the result of increased manufacturing costs in the first half of the year, drove international furfural prices to record highs. Whilst prices in the first quarter of 2009 have since fallen, the impact on Illovo in the year under review was marginal, with the majority of the company's production already having been committed and sold by this time. In addition, export alcohol prices were good, whilst the lactulose business capitalised on record production to supply

The downstream plants performed well throughout the year, with record production being achieved at the newly expanded lactulose plant at Merebank.

A combination of ideal weather conditions, increased cane yields and higher sucrose content in cane contributed to excellent agricultural performances at both Nchalo and Dwangwa. Combined cane production amounted to 2.1 million tons.

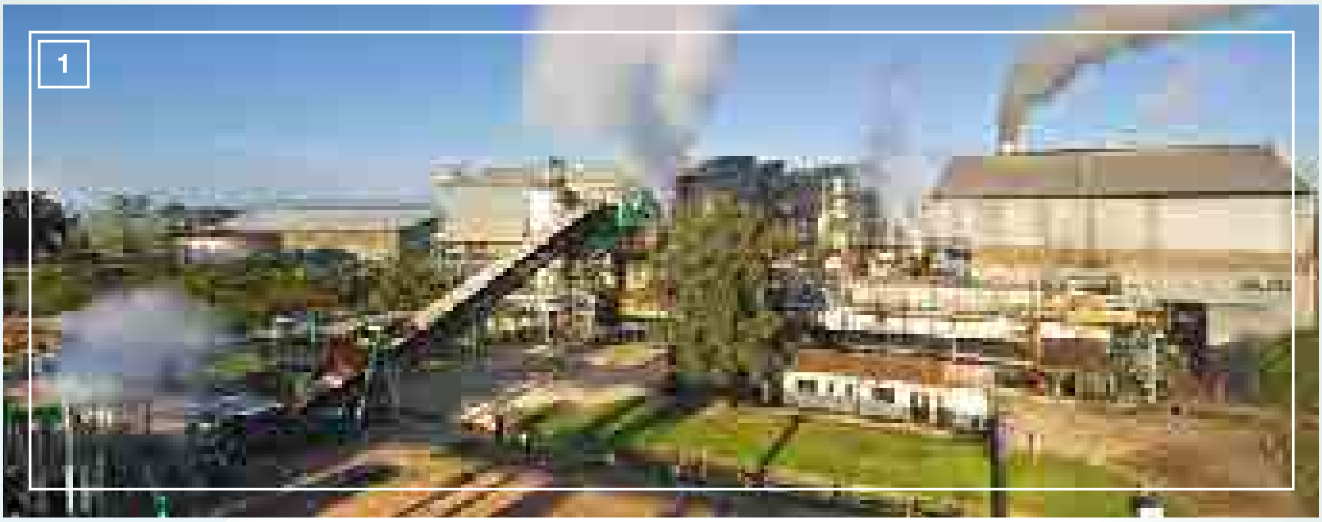
increased export volumes at a time of very strong demand, thereby benefiting from higher international prices.

The Agriguard business continued to expand gradually as further regulatory access was gained during the season and sales into new markets and for new crops commenced. In South Africa, Crop Guard achieved registration for use on tobacco crops, whilst registrations for its use on grapes and deciduous fruit are presently being reviewed by the Department of Agriculture. MultiGuard Protect remained under review at the USA Environmental Protection Agency in respect of its use on terrestrial non-food applications. A similar application has been submitted to the United Kingdom Pesticide Safety Division for MultiGuard Protect's access to the UK and European Markets. BioMass Sugar, a liquid organic fertiliser derived from sugar cane, showed good initial international growth during 2008/09, and expansion and sales into new geographic locations is expected to continue during the 2009/10 year.

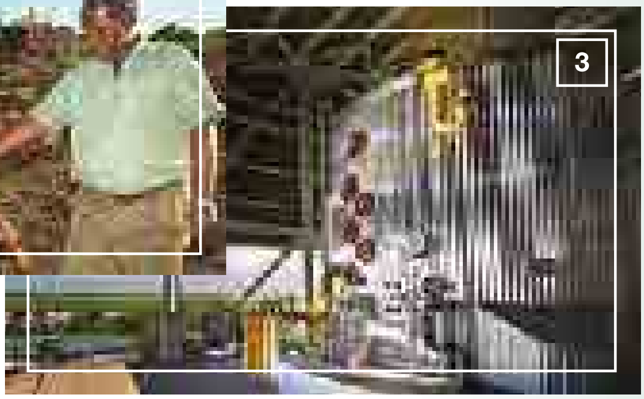
MALAWI

Illovo Sugar (Malawi) Limited is Malawi's sole sugar producer with two operating locations, Dwangwa situated in the centre of the country and Nchalo in the south. On average, the two estates together produce more than two million tons of cane from fully irrigated fields and around 300 000 tons of sugar. Both mills have refineries, and speciality sugars are produced at Nchalo. Illovo Sugar (Malawi) is listed on the Malawi Stock Exchange. The Illovo group has a 76% shareholding, with the balance of shares held by institutional and private investors.

Both Nchalo and Dwangwa have been the focus of various agricultural and milling capacity expansion projects. At Dwangwa, factory capacity was increased by 15% and new areas of company and outgrower land continued to be developed to cane, through which cane supplies to the Dwangwa mill will increase by about 110 000 tons per annum. At Nchalo, 720 hectares of new land were developed to cane in the past year and a further 480 hectares will be developed in the coming year. Factory capacity at Nchalo was increased during the past offcrop period by 10% in order to accommodate the increase in future cane supply. The production of cane by Malawian local indigenous farmers continues to gain momentum and areas being farmed by outgrowers at both Nchalo and Dwangwa are expanding. The Kasinthula small-grower scheme, which currently supplies cane to the Nchalo mill, became the beneficiary of a wide-ranging support package from the EU, including the provision of management services



1. Both Nchalo and Dwangwa have been the focus of various agricultural and milling capacity expansion projects with the factories having recently been expanded by 10% and 15% respectively.
2. The production of cane by Malawian local indigenous farmers at both estates continues to gain momentum and during the year the Kasinthula small-grower scheme, which currently supplies cane to the Nchalo mill, became the beneficiary of a wide-ranging support package from the EU.



3. Record production of sugar was achieved at both the Nchalo and Dwangwa factories, resulting in a production record of 304 000 tons for Malawi.

and financial backing for an expansion of this scheme by a further 500 hectares. The African Development Bank remains a major concessional funder and supporter of outgrower initiatives at Dwangwa.

Agriculture

A combination of ideal weather conditions, increased cane yields and higher sucrose content contributed to excellent agricultural performances at both Nchalo and Dwangwa. Combined production of cane from the two estates amounted to 2.1 million tons. Harvesting and haulage operations ran smoothly throughout the season and were completed ahead of the onset of summer rains. Post-harvest activity and general crop husbandry has been of a high standard and another very good cane crop is expected in the coming season. Combined outgrower production in 2008/09 increased slightly to 209 000 tons.

Sugar production

Record production of sugar was achieved at both the Nchalo and Dwangwa factories, resulting in a production record of 304 000 tons for Malawi. The factories performed well throughout the season, and in addition to good recoveries of sugar from cane, a new annual cane throughput record was set at Dwangwa. Nchalo completed a very successful year, with record recoveries of sugar from cane, good throughput and very good operating efficiencies.

Both estates received abundant rainfall during the first quarter of 2009. This rainfall, interspersed with hot sunny periods provided excellent growing conditions which, combined with increased cane deliveries from recently completed estate and outgrower developments, will increase cane production in the coming year. Sugar production is therefore expected to increase further in 2009/10.

Marketing

The Malawian economy enjoyed another year of strong growth, increased domestic demand and improved purchasing power, stimulated by good agricultural production throughout the country. Against this background, record domestic sales volumes were sustained throughout the year. Compared to last year, overall domestic market sales increased by 11%, supported by effective rural distribution and ongoing company marketing initiatives. Continuation of an incentive programme amongst sugar agents and distributors proved highly successful, evidenced by good sales through to the end of the season. Preferential exports to the EU and USA continued to benefit from improved transport logistics to the ports of Beira and Nacala in Mozambique, and efficient handling at both ports enabled record volumes to be shipped. There was strong demand for sugar throughout the region as a result of general market shortages and prices were higher than last year.

ZAMBIA

Zambia Sugar Plc, which is listed on the Lusaka Stock Exchange, is the country's leading sugar producer, with an 87% share of industry production. The Illovo group owns 90% of the issued share capital, with the remaining shares held by private and institutional investors. Zambia Sugar has announced a rights offer, to secure the future funding of business. The operation is based at Nakambala, adjacent to Mazabuka in the south of the country. Zambia Sugar syrup and speciality sugars are also produced.

The major phased expansion at Zambia Sugar, involving the development of an additional 10 500 hectares of irrigated cane fields by the company and its supplying growers, and the expansion of the factory's milling capacity to increase annual sugar production to around 450 000 tons, was successfully completed, as planned, on 1 April 2009. Given normal operating conditions, it is forecast that in the coming year, combined cane production by the company and the growers will increase to 3.3 million tons, whilst sugar production will more than double from the current base.

The past year has been a difficult one with poor factory performance and an exceptionally wet end to the season negatively affecting operations. The result was a decline in sugar production of around 40 000 tons. A significant area of cane could not be harvested before the early onset of the summer rains and the factory was re-started in March 2009 to process some of this cane ahead of the new season.
The newly expanded factory is settling down well and a much better year is anticipated.

Agriculture

Good agricultural conditions were experienced for most of the growing season, and average cane yields increased by 14%. However, the early onset of heavy summer rains in mid-November disrupted harvesting and haulage activities to such an extent that the season was ended earlier than anticipated. Total cane deliveries from the Nakambala estate amounted to just over 722 000 tons, whilst outgrowers delivered a further 903 000 tons in what was best described as a disrupted season.

In Zambia, good agricultural conditions were experienced for most of the growing season, and average cane yields increased by 14%. However, cane deliveries of 722 000 tons were constrained by the early onset of heavy rains.

Sugar production for the year amounted to 194 000 tons, with factory operations impacted negatively by heavy rains, and operational and mechanical problems during the season. However, since the commencement of the 2009/10 milling season, the newly expanded factory is settling down well and a much better year is anticipated.

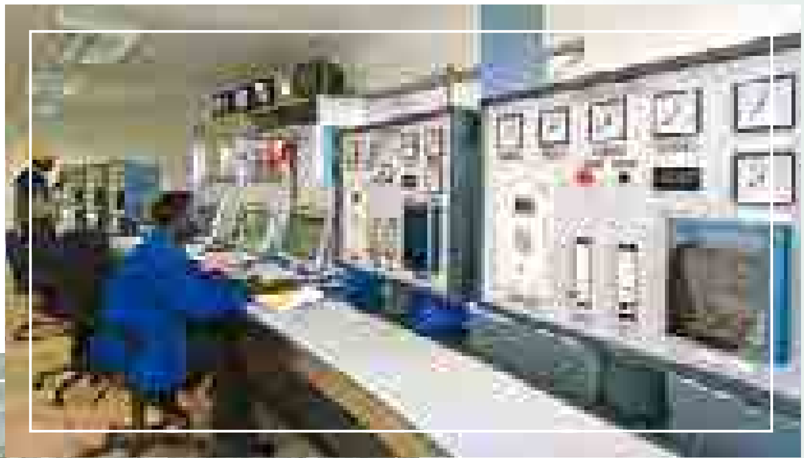
Sugar production

The late commissioning of the first phase of the expansion project in May 2008, following unusually heavy rainfall at the peak of construction in January and February 2008 delayed the start of the 2008/09 season. Sugar production for the year amounted to 194 000 tons, with factory operations impacted negatively by operational and mechanical problems during the season. This was compounded by late commissioning of new equipment and protracted electricity interruptions from the national grid, and also by wet weather at the end of the year which brought factory operations to a premature close. Factory operations re-commenced for a short milling period in March 2009.

In the forthcoming season, a very large cane crop is expected as a result of the expansion and the carry-over of cane which could not be harvested last season.

Marketing

Domestic market sales, supported by better distribution and promotions, continued to show growth with a 2% increase in sales volumes compared to last year. Ongoing support from the Government to curtail the illegal entry of imported sugar into Zambia also supported domestic volumes. Preferential exports to the EU were constrained by lower production, although all EU quota entitlements were retained for the year. Zambia has received additional EU quota for the coming year, following the re-allocation of quota that could not be supplied by other country-suppliers, together with additional quota awarded to Zambia following its accession to the new Economic Partnership Agreement with the EU. This will provide the opportunity to accelerate EU exports at the commencement of the 2009/10 season, ahead of the final price cut in the EU on 30 September 2009. Duty-free and quota-free market access from 1 October 2009 will provide a secure destination for all available sugar thereafter. Regional export volumes were affected by reduced production. Sugar availability in the region was also affected by lower production in Zimbabwe and prices have remained firm, providing good prospects for the coming season.



In line with the group's objective to become self-sufficient in power requirements, the electricity generating capacity of the Nakambala factory has been increased to the extent that it is now capable of producing enough electricity for all of its agricultural and factory activities.

SWAZILAND

The group has a 60% share in Ubombo Sugar Limited, with the balance of shares held on behalf of the Swazi nation by Tibiyo Taka Ngwane (Tibiyo). The operation is situated at Big Bend, in the south-east of the country and annually produces about 775 000 tons of cane and 220 000 tons of sugar.

Completion of the Lubovane Dam, which is now filling and currently at 75% of its water-holding capacity, and the scheduled planting from September 2009 of the first area of new small-holder land to irrigated cane, are major steps forward in the future expansion of the Ubombo factory, underpinned by the independent Lower Usuthu Smallholder Irrigation Project (LUSIP). The LUSIP project involves the establishment of up to 12 000 hectares of irrigated agricultural land over a period of six to seven years, a large proportion of which will be developed to cane and delivered to the Ubombo factory where milling capacity is to be increased to match future cane development. Under the current development plans, it is envisaged that an additional 1 900 hectares of cane will be available for milling at Ubombo by the 2011/12 season, growing to 5 000 hectares thereafter and ultimately up to 9 000 hectares of cane in the longer-term. Proposals to increase the Ubombo factory capacity by over 20% to accommodate the increased cane supply are being undertaken.

Agriculture

Estate cane production at Ubombo in 2008/09 amounted to 740 000 tons. A further one million tons of cane was produced by outgrowers, including nearly 230 000 tons from an area owned by Tibiyo but managed by Ubombo. Aside from early rains at the commencement of the season, the agricultural operations were characterised by exceedingly dry weather which impacted negatively on cane yields. This was offset slightly by increased sucrose content. A project to convert a portion of Ubombo's irrigation to centre pivot has made good progress with approximately 680 hectares of cane land converted to centre-pivot irrigation during the season. A total of 2 740 hectares of land will be converted under this project, with the primary aim being to improve water usage at Ubombo and to increase cane yields. Results from the first phase were most encouraging.

Sugar production

A reduced cane crop from Ubombo's own estates and the supplying growers resulted in sugar production for the year of nearly 210 000 tons, compared to 222 000 tons produced in the previous season. Sugar recoveries were similar to last year, but production was impacted negatively by outgrower cane supply delays and industrial action which affected a large independent cane haulier towards the end of the season. The factory also encountered several other operating difficulties during the season which have been addressed in the offcrop maintenance period. Ubombo continued to pioneer use of biomass - residue cane tops and leaves, combined with bagasse which is used by the factory to generate electricity. The initiative impacted positively on coal usage and costs, and will be further expanded in order to potentially make Ubombo self-sufficient in terms of power requirements, and also enable the export of electricity to the national grid.

Above average rains received in the first quarter of 2009 have replenished soil moisture profiles in Swaziland and lifted significantly the levels of Ubombo's two major irrigation storage dams. Conditions for cane growth have generally been good and a bigger cane crop is anticipated in the coming year. A slight increase in sugar production in 2009/10 is therefore expected.

In Swaziland, additional agricultural activities during the year included the establishment of seed cane plots to facilitate the small-scale grower cane development objectives of LUSIP, together with the conversion of a portion of Ubombo's existing cane land to centre-pivot irrigation to improve cane yields.

Sugar production in 2008/09 amounted to 210 000 tons . A new sugar drier was installed at Ubombo during the year.

Marketing

All sugar produced in Swaziland is marketed by the Swaziland Sugar Association, with sales to the domestic SACU market, preferential markets in the EU and USA, as well as regional markets. Demand for Swazi sugar in the SACU market remained strong and sales ended the season above the levels achieved in 2008/09. Bulk shipments to the EU via Maputo went very smoothly and Swaziland has positioned itself well to take advantage of additional quota opportunities in the EU, prior to 1 October 2009.
In addition, regional shortages of sugar resulted in increased sales to these markets at higher returns due to improved world sugar prices.

TANZANIA

Illovo's shareholding in Kilombero Sugar Company Limited represents 55% of the issued share capital, with 20% held by ED&F Man, the London-based commodities group, and 25% by the Government of Tanzania. Kilombero is situated in the Morogoro region in the centre / south of the country and comprises two adjacent agricultural estates and sugar factories - Msolwa and Ruembe - on either side of the Great Ruaha River, strategically linked by a low-level bridge. The estate produces annually around 600 000 tons of sugar cane with outgrowers supplying the balance to support annual production of around 135 000 tons of sugar.

Agriculture

Rainfall at Kilombero measured less than 50% of the long-term average for the past season. As a result, cane production at Kilombero amounted to 555 000 tons for the year which, due to these very dry conditions throughout the season, was around 10% below that produced in the previous season. An increase in sucrose content helped offset these lower cane yields. There was a similar decrease in cane produced by Kilombero's outgrowers who delivered a further 526 000 tons of cane for the year. A project to upgrade Kilombero's irrigation and drainage systems is due to commence in 2009/10, designed to improve irrigation and drainage efficiency and cane yields thereafter.

Sugar production

Sugar production in 2008/09 totalled 118 000 tons, compared to 127 000 tons produced in the previous year. The Msolwa mill operated satisfactorily with marginal improvements in sugar recoveries and operating efficiency, however, reduced cane supplies and a generally disappointing milling performance at the Ruembe mill, impacted negatively upon final sugar production for the season.

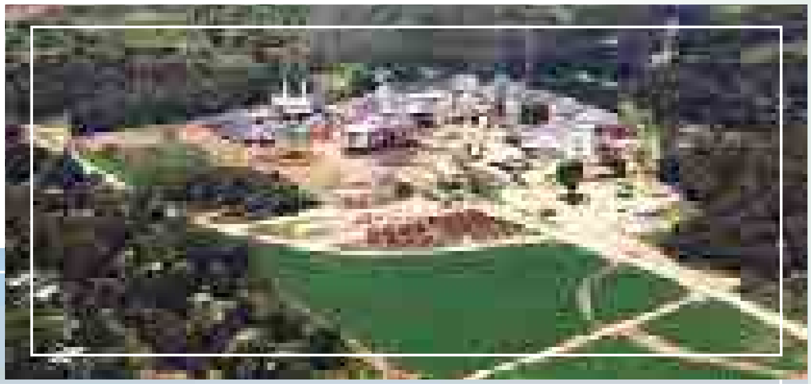
Good rains, which have been well distributed across all growing areas, have fallen since the end of January 2009 and weather conditions, including temperatures and sunshine hours, have been conducive to improved growth of the crop. A better cane crop is thus expected in 2009/10 and sugar production is forecast to increase by at least 10%.

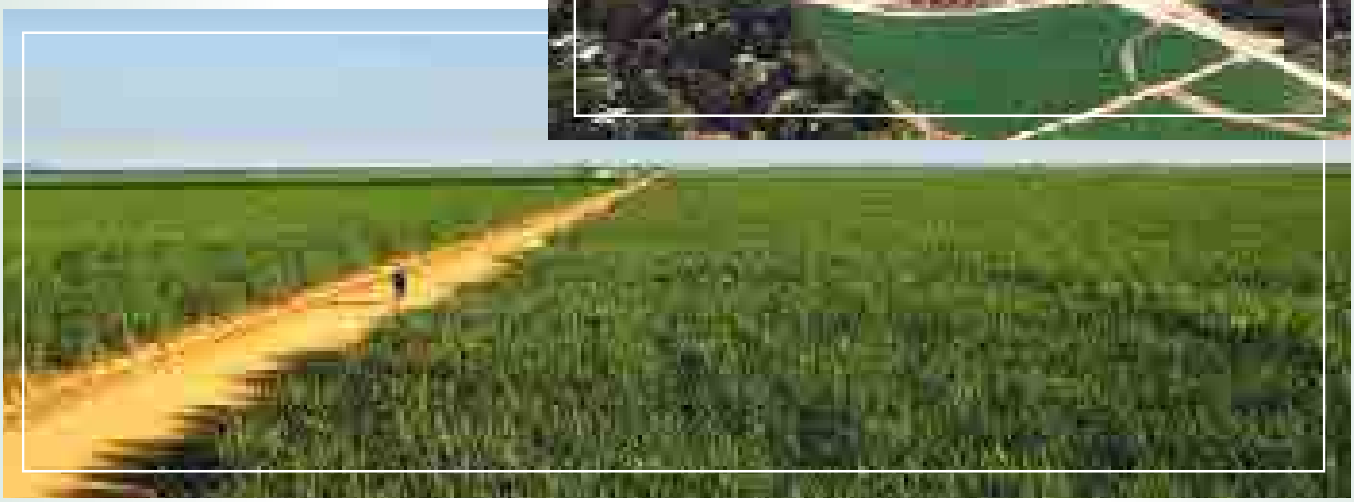
Marketing

There are three sugar producers in Tanzania, with production in 2008/09 amounting to approximately 282 000 tons. This is less than current domestic requirements of around 320 000 tons, with the shortfall provided by duty-paid imports from the world market. Kilombero's share of total industry production was 42% for the past year, all of which was sold domestically. No exports to preferential markets in Europe were made because of higher local prices and good levels of demand. Market conditions during the season were more settled compared to last year due largely to the Government's improved management of controlled imports also impacting positively on illegal smuggling activities. Market prices were also strong.

Sugar production in 2008/09 totalled 118 000 tons.

Cane production of 555 000 tons at Kilombero was negatively impacted by dry weather, with rainfall for the year measuring less than 50% of the long-term average.





In Mozambique, the Maragra agricultural operations performed well during the year with increased sucrose content achieved.

Consistent operations combined with efficient factory performance resulted in a second year of record sugar production totalling 76 446 tons.

MOZAMBIQUE

The Illovo group owns 72% of the equity in Maragra Açúcar Sarl, with the balance held by a private investor. The operation is situated on the eastern coast-line of Mozambique, some 70 kilometres to the north of Maputo. Maragra currently produces around 450 000 tons of cane and just over 76 000 tons of sugar per annum. Outgrowers supply approximately 250 000 tons of cane at present. A phased expansion of factory capacity has commenced which is designed to increase factory throughput by 40% over two years. Cane supply will increase pursuant to a joint venture between Illovo and the local community to develop 4 000 hectares of new cane land. In addition, local independent growers are planting a further 1 100 hectares adjacent to Maragra. Overall these developments provide the potential to double sugar production at Maragra over the next three years.

Agriculture

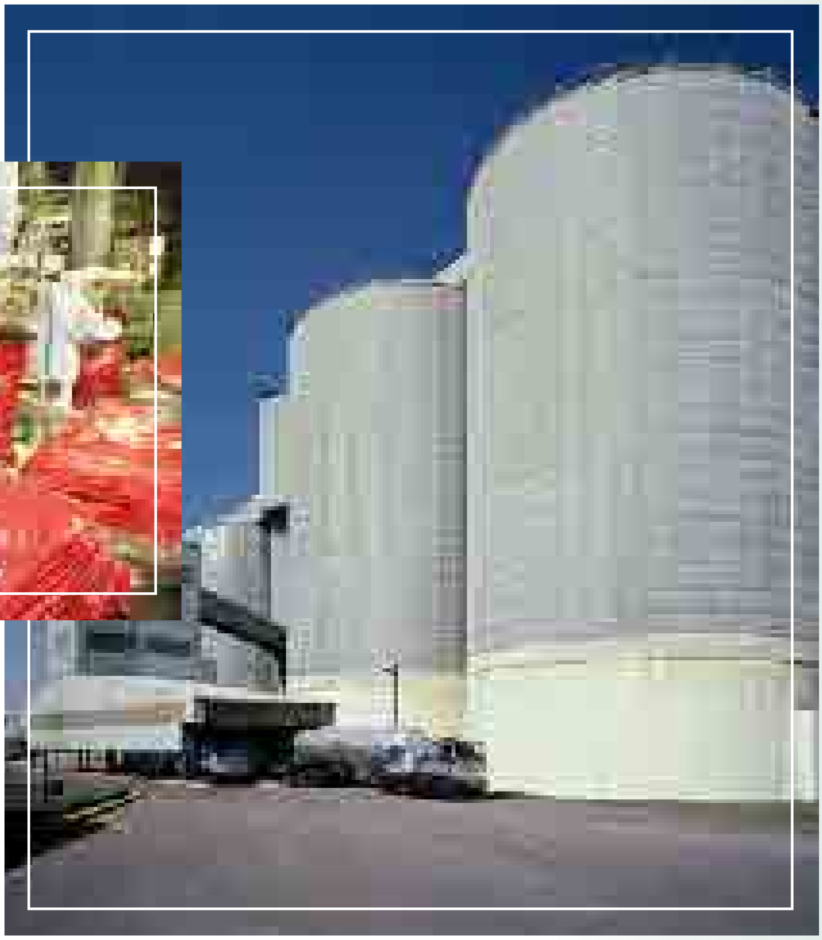
The Maragra agricultural operations performed well during the year with increased sucrose content achieved. Efficient cane harvesting and haulage operations continued throughout the crushing season. Drier conditions compared to the previous year impacted marginally upon cane yields, resulting in a slight reduction in cane production to 450 000 tons.

Sugar production

The factory operated consistently throughout the year. Excellent cane quality combined with efficient factory performance, including improved sugar recoveries and an increase in overall cane throughput, resulted in a second year of record sugar production at Maragra, totalling 76 446 tons. The Maragra expansion project is progressing well and the completion of phase one of the factory capacity expansion has been completed.

Marketing

The domestic market in Mozambique continues to grow and industry sales volumes ended more than 8% above the previous season. Whilst there has been steady growth in the southern region around Maputo, consumer demand surged in the central and northern regions of Mozambique due largely to the absence of illegal sugar imports from Zimbabwe. Cash was also more readily available in these areas following two seasons of good crop production. There was also an increase in demand from the industrial sector which continued to grow due to expansion of the brewing, soft drink and food processing sectors. A successful performance from the industry logistics operation resulted in Mozambique being able to take advantage of EU sugar export opportunities as they arose. The country benefited from EU quota re-allocations, from countries unable to supply and also from an increased LDC quota ahead of duty-free, quota-free access to the EU market from 1 October 2009. The EU market is targeted to receive the major portion of future expanded sugar production in Mozambique. The ports of Nacala, Beira and Maputo are all operating well and are well positioned to handle increased export volumes to the EU.



During the year, the group's preferential exports from Malawi, Swaziland, Mozambique and Zambia amounted to approximately 211 000 tons.

Through dedicated storage and delivery facilities, the group remains the major supplier of sugar to the South African industrial market and increased sales to this sector were achieved during the year under review, particularly to soft drink manufacturers.

MARKETS

The group supplies sugar and downstream products to domestic, regional and world markets. Sales to the domestic markets in the countries in which the group operates contributed 69% to total revenue, whilst exports to 88 countries contributed the balance. A significant strength of the group was that 76% of sugar production by volume and 91% by value was sold into domestic or premium-priced export markets.

Domestic markets

Sugar

The SACU market is of major significance for both the South African and Swaziland sugar industries. During the season, total sales into SACU amounted to 1.926 million tons, about 80% being refined sugar and the balance brown sugar. The South African sugar industry supplied 1.427 million tons, Swaziland 320 000 tons and Zimbabwe and other Southern African Development Community (SADC) sugar producing countries 51 000 tons. Duty-paid imports amounted to 132 000 tons of sugar.

In South Africa, approximately 56% of Illovo's total production was sold into the domestic SACU market. Illovo Sugar is Malawi's sole sugar producer and in the 2008/09 season, domestic sales comprised approximately 67% of total sales. About 87% of Zambia's sugar output is produced by Zambia Sugar with domestic sales comprising 61% of total sales. In Swaziland, Ubombo is one of three producers and its production constitutes about 33% of the country's total output. Swaziland's domestic sales in 2008/09, undertaken by the Swaziland Sugar Association into the SACU market, represented 51% of total sales. Tanzania has three sugar producers but is a net importer of sugar, with annual domestic demand being about 320 000 tons. During 2008/09, all sugar sales in Tanzania were to the domestic market where net returns were higher than those that could have been achieved from the export market. Sugar production in Mozambique, which has four sugar producers, currently amounts to about 250 000 tons, with Maragra's share of industry production being 31%. Around 67% of Maragra's total sugar sales in 2008/09 were sold domestically.

Syrup and speciality sugars are produced in South Africa and Zambia for domestic consumption, whilst speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi also in the US.

Downstream

Whilst the group's range of downstream products is primarily aimed at export markets, the Merebank and Glendale distilleries remain important suppliers of ethyl alcohol to the South African liquor, pharmaceutical and industrial chemical industries. Relatively small volumes of furfural and its derivatives, including Agriguard, a furfural-based agricultural nematicide, as well as lactulose, are traditionally sold in the local South African market.

Export markets

Sugar

Preferential markets

The group has significant access to high-priced preferential markets in the EU and the USA which are supplied by producers with export entitlements to those destinations. During the year, the group's preferential exports from Malawi, Swaziland, Mozambique and Zambia amounted to approximately 211 000 tons. Malawi and Zambia together supplied around 6 000 tons of sugar into the SACU market in terms of the SADC Sugar Protocol. In Malawi, speciality sugars are produced for markets in the EU and the USA, whilst Zambia also currently produces speciality sugars for the EU market.

World markets

More than 100 countries produce sugar, 80% 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 mainly in the temperate zones of the northern hemisphere. Generally, the costs of producing sugar from sugar cane are lower than those in respect of processing sugar beets. Currently, 70% of the world's sugar is consumed in the countries of origin, whilst the balance is traded on world markets. Because of the residual nature of the world market, the free market price has historically been one of the most volatile of all commodity prices.

The five largest exporters in 2008/09, Brazil, Thailand, Australia, SADC and Guatemala, are expected to supply approximately 85% of all world free market exports. South Africa is currently ranked as the 8th largest exporter to the world market. None of the other countries in which Illovo operates export sugar to the world market.

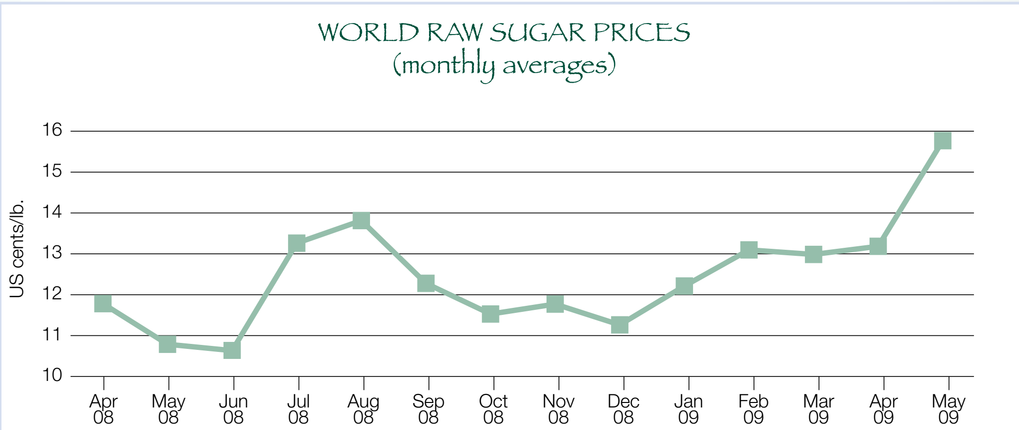
The world sugar price, although continuing to be very volatile, adjusted upwards during the past year, from an average of US11.84 cents/lb in April 2008 to above US13.00 cents/lb in March 2009. The improvement in this price also resulted in a firming of sugar revenue realisations in the regional markets supplied by Illovo. The world price rose in the early part of the year as a result of a forecast deficit in production, but then weakened in line with other commodities. However, in recent months the price has increased strongly, driven by a significant production decline in India, the success of the EU sugar regime reform in reducing output in that region, and capital constraints within the sugar industry in Brazil. These factors have resulted in a material global deficit in production being anticipated, thereby creating a platform for higher sugar prices.

As a major exporter to the world market in 2008/09, the South African Sugar Association (SASA) exported 822 000 tons of raw sugar on behalf of the producers. Exports achieved an average price of US12.77 cents/lb, compared to US10.48 cents/lb in 2007/08, and realised around R2 billion in export proceeds.

Bulk sugar exports to the world market from Illovo's South African operations were above those of last year, representing 44% of production. South Africa, Malawi, Zambia and Swaziland exported sugar during the year to a number of regional markets in Africa, where selling prices are related to the world market price. In all instances, premiums above the world price were achieved as a result of various competitive advantages. Demand was strong and prices benefited from higher average world market prices in 2008/09.

Downstream

The group is a material player in most of the world markets in which it participates, and exports furfural, furfuryl alcohol, diacetyl, 2.3-pentanedione, ethyl alcohol and lactulose to 81 countries. In addition, BioMass Sugar, a liquid organic fertiliser derived from sugar cane is being sold to a growing number of international markets. During the year under review, downstream product sales contributed R638.6 million to group revenue.



A material global deficit in sugar production is anticipated in the current 2008/09 international sugar season, creating a platform for higher sugar prices

Corporate governance

The directors and employees of Illovo Sugar strive to ensure that the company is managed in an efficient, accountable, responsible and moral manner. The board of directors (the board) endorses the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 (the King II Report), and believes that in all material respects the group complied with the principles contained in such Code throughout the year under review. The company complies with all the requirements concerning corporate governance contained in the Listings Requirements of the JSE Limited.

THE BOARD AND BOARD COMMITTEES

The company has a unitary board of directors which comprises a majority of non-executive directors (presently eight non executive independent directors, four non-executive directors, three of whom are nominated by the holding company, and five executive directors). 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 functions in terms of a formal Board Charter which requires that there is an appropriate balance of power and authority on the board. 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.

New appointments to the board are subject to the recommendation of the Remuneration / Nomination Committee and formal approval by the board. At each annual general meeting of shareholders, not less than one-third of the directors must retire, being those directors longest in office since their appointment or last re-election, and may, if available, be proposed for re-election. The appointments of new directors are subject to confirmation by shareholders at the next annual general meeting following their appointment.

Members of the board have access to the advice of the company secretary, and may, in appropriate circumstances, take independent professional advice at the company's expense.

The board previously had five, but in future will have six, 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 the past year, six meetings were held, attendance at which is reflected in a table on page 32 of this report.

Audit Committee

For the year under review, the group Audit Committee comprised four non-executive independent directors, one of whom is the chairman of the Committee. The members of the Committee, appointed by the board for the year ending 31 March 2010, are indicated on pages 6 and 7 of this report. In addition, Messrs D R Langlands and D G MacLeod, being precluded from membership in terms of the Corporate Laws Amendment Act, 2006, attend the meetings of the Committee on a regular basis. The Committee is chaired by Dr D Konar.

The Committee has formal terms of reference approved by the board. Its main task is to ensure the maintenance of and, where necessary, the review of the effectiveness of internal financial controls in the group, along with the maintenance of adequate accounting records. It oversees the financial reporting process and is also concerned with the review of important accounting issues, pending litigation, specific disclosures in the financial statements and a review of the major audit recommendations.

For the year under review, the Committee confirmed the appointment of both Deloitte & Touche as the independent auditors and Mr C A Sagar as the registered auditor responsible for the audit, and further satisfied itself that the independent auditors were independent of the company. The Committee approves any non-audit services undertaken by the independent auditors in terms of a formal policy which has been adopted in this regard.

The independent and internal auditors have unrestricted access to the Committee and its chairman. The Committee chairman is available at the annual general meeting.

The Committee has satisfied itself of the appropriateness of the expertise and experience of the Financial Director, Ms K Zarnack.

The Committee has three regular meetings a year which are also attended by the independent and internal auditors, two non-executive directors, one of whom is nominated by the holding company, and appropriate members of executive and senior management. In the past year, three meetings were held, attendance at which is reflected in a table on page 32 of this report. For the year under review, the Committee satisfied its responsibilities in compliance with its terms of reference.

Audit committees are also established and operational at each of the operating subsidiaries.

Remuneration / Nomination Committee

The responsibilities and activities of the Remuneration / Nomination Committee are covered in the Remuneration Report on page 34 of this report.

Risk Management Committee

The company's Risk Management Committee presently comprises four non-executive directors, two of whom are independent and one of whom is the chairman of the Committee, three of the executive directors and five members of senior management. Members of the

Committee are indicated on pages 6, 7 and 8 of this report. The Committee is chaired by Mr M J Shaw.

The Committee has formal terms of reference approved by the board. 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 gives particular focus to operational risks, including health and safety.

The Committee meets at least twice a year. In respect of the past year, two meetings were held, attendance at which by the director members is reflected below. For the period under review, the Committee satisfied its responsibilities in compliance with its terms of reference.

Attendance at board and committee meetings during the year ended 31 March 2009

		Board		Audit Committee		Remuneration/ Nomination Committee		Risk Management Committee		Annual General Meeting	
		A	B	A	B	A	B	A	B	A	B
	Carr M I	6	4			5	3			1	0
	Clark G J	6	6					2	2	1	1
	Connellan B P	6	6							1	1
	Hankinson M J	6	4	1	1			2	1	1	1
#	Haworth D L	0	0							0	0
	Konar D	6	5	3	3					1	1
	Langlands D R	6	4					2	1	1	1
	Lister P A	6	3							1	0
	MacLeod D G	6	6					2	2	1	1
	Madi P M	6	6			5	5			1	1
^	Mkhize I N	6	5					2	1	1	0
ø	Molope C W N	3	3							0	0
	Norton R A	6	6	3	3	5	5			1	1
#	Riddle L W	0	0							0	0
•	Russell J T	6	6							1	1
	Shaw M J	6	6	3	3	5	5	2	2	1	1
	Stuart B M	6	5					2	1	1	1
	Williams R A	6	6	3	3	5	5	2	2+	1	1
	Zarnack K	6	6					2	2	1	1

Column A indicates the number of meetings held during the period the director was a member of the board / committee
Column B indicates the number of meetings attended during the period the director was a member of the board / committee

\# Appointed with effect from 1 April 2009
^ Resigned with effect from 31 March 2009
ø Appointed on 16 September 2008
• Retired with effect from 31 March 2009
\+ Participation in his capacity as chairman of the board as an attendee

Executive Committees

The executive directors along with the human resources executive and the company secretary 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 and functional executives ensures the interactive nature of the overall management reporting structure.

A Group Executive Committee, comprising the executive directors, one non-executive director, and certain senior members of management, meets on a regular basis, particularly to share and discuss the group's key strategies and issues. The members of this Committee are indicated on pages 6 to 9 of this report. The Committee presently meets at least five times a year.

A Corporate Executive Committee, comprising the executive directors and certain senior members of corporate management meets monthly to discuss and agree implementation processes in respect of corporate strategies and policies. The members of this Committee are indicted on pages 6 to 8 of this report.

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 on-going 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 International Standards on Auditing and reporting their findings.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated, in which case full disclosure is made.

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

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 the internal audit department; and
- adherence to performance standards.

The purpose, authority and responsibility of the internal audit department are defined in a formal Charter approved by the Audit Committee and the board. The department functions as an independent appraisal activity established to conduct reviews of operations and procedures, and to report findings and recommendations to company management, the Audit Committee or the board as may be appropriate. The head of the department reports administratively to the financial director, but has unrestricted access to the chief executive, the Audit Committee and the chairman of the board.

The independent auditors, through the audit work they perform, confirm that the abovementioned monitoring procedures have been implemented.

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. The company has established a Code of Conduct and Business Practices, determining the minimum standards required of all staff, which is disseminated throughout the group and reviewed annually by the executive directors. The Code prescribes, inter alia, that the company shall not make political contributions. All managers are required to give written agreement to this Code. In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive. "Crimeline" facilities, inviting people from within and outside the company to anonymously report any wrongdoings are operated by independent forensic accountants, and all matters arising are then appropriately investigated and reported upon.

INSIDER TRADING

The company has a code of conduct for dealing in securities issued by any of the group's listed companies. Directors and officers of the group who have access to unpublished, price-sensitive information in respect of any of these 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 and periods during which cautionary announcements are operative. Directors and the company secretaries of both Illovo Sugar Limited and its major subsidiaries are required to obtain clearance from either the chairman or the chief executive before dealing in company shares.

Remuneration report

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.

Apart from fixed remuneration, and in line with the company's remuneration philosophy, both short and longer-term incentive schemes are used to reward employees for the achievement and out performance of specified targets and objectives, as well as being a means to attract and retain key personnel. A performance related bonus scheme is extended to all employees at every level across the group, and is designed and implemented on a financial year basis. The targets set are both of a financial and 'line-of-sight' operational nature, directly relevant to the performance expectations for each operation in the ensuing year. In respect of the latter, the targets are readily measured and progress towards achievement thereof is communicated on an ongoing basis.

Longer-term schemes include share purchase schemes and a performance-related phantom share scheme, the latter being extended to key senior staff members, which are aligned to the company's share performance. These schemes are more fully described under Statutory Information on pages 63 and 64 of this report.

REMUNERATION / NOMINATION COMMITTEE

For the year under review, the company's Remuneration/ Nomination Committee comprised five non-executive directors, four of whom are independent. Two additional non-executive directors, one of whom is independent, have recently been appointed as members of the Committee.

The members of the Committee are indicated on pages 6 and 7 of this report. The Committee is chaired by Mr R A Norton, except when it meets to consider nomination matters it is chaired by Mr R A Williams as chairman of the board.

The Committee has formal terms of reference approved by the board. It is responsible for the assessment and approval of a broad remuneration strategy for the group, and is also 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. It 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 three times a year at which meetings appropriate members of executive management are in attendance. In the past year, five meetings were held, attendance at which is reflected in table on page 32 of this report. For the period under review, the Committee satisfied its responsibilities in compliance with its terms of reference.

COMPENSATION OF DIRECTORS

The remuneration of executive directors for the year ended 31 March 2009 was as follows -

Name	**Salary** R000	**Bonus** R000	**Retirement and medical contributions** R000	**Other benefits** R000	**Option gains** R000	**Total** R000
G J Clark	**2 177**	**2 368**	**268**	**123**	**1 078**	**6 014**
D G MacLeod	**3 890**	**4 259**	**441**	**183**	**1 747**	**10 520**
J T Russell	**1 818**	**1 973**	**222**	**195**	**–**	**4 208**
B M Stuart	**1 930**	**2 126**	**234**	**196**	**–**	**4 486**
K Zarnack	**1 603**	**1 740**	**189**	**176**	**–**	**3 708**
Total	**11 418**	**12 466**	**1 354**	**873**	**2 825**	**28 936**

The remuneration of executive directors for the year ended 31 March 2008 was as follows -

Name	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits R000	Option gains R000	Total R000
G J Clark	1 887	1 764	232	123	–	4 006
D G MacLeod	3 383	3 214	390	183	–	7 170
J T Russell	1 687	1 518	205	156	–	3 566
B M Stuart	1 716	1 531	208	179	–	3 634
K Zarnack	1 460	1 307	172	176	–	3 115
Total	10 133	9 334	1 207	817	–	21 491

The fees paid to non-executive directors were as follows -

	2009 Fees R'000	2008 Fees R'000
B P Connellan	**150**	135
M J Hankinson #	**229**	–
D Konar	**268**	242
P M Madi	**220**	199
I N Mkhize	**210**	189
C W N Molope *	**84**	–
R A Norton	**314**	286
M J Shaw	**367**	334
R A Williams	**1 640**	1 505
M I Carr +	**–**	–
D R Langlands +	**–**	–
P A Lister +	**–**	–
Total	**3 482**	2 890

Appointed 20 May 2008

* Appointed 16 September 2008. Fees due to 31 December 2008, amounting to R43 614, were paid to the Financial Services Board

\+ These directors, nominated by the holding company, have each elected not to receive the payment of the fees due to them as non-executive members of the board and the board committees upon which they serve

Benefits paid to past directors amounted to R40 794 for the year (2008: R36 133).

SHARE OPTIONS

Illovo Sugar 1992 Share Option Scheme

This option scheme is covered under Statutory Information on page 63 of this report.

The table below reflects options previously granted to directors, any options exercised during the year under review, and options unexpired and unexercised as at 31 March 2009.

	Options as at 31 March 2008	Option price (cents)	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2009	Expiry date
Clark G J	13 100	443	13 100	2 400	–	
	44 100	650	44 100	2 400	–	
	53 800	805	3 102	2 400	50 698	20.05.2012
	68 500	680	–		68 500	20.05.2013
	46 000	770	–		46 000	01.06.2014
					165 198	
MacLeod D G *	40 800	805	40 800	2 515	–	
	114 300	680	57 200	2 515	57 100	20.05.2013
	105 300	770	–		105 300	01.06.2014
					162 400	
Riddle L W	5 700	680	5 700 #	3 120	–	
	10 700	770	7 100 #	3 010	3 600	01.06.2014
					3 600	
Stuart B M	17 900	805	–		17 900	20.05.2012
	45 700	680	–		45 700	20.05.2013
	46 000	770	–		46 000	01.06.2014
					109 600	
	611 900		171 102		440 798	

* Options granted to Mr MacLeod whilst an executive director.
# Options exercised prior to Mr Riddle's appointment as a director.

Illovo Sugar Phantom Share Scheme

This share scheme is covered under Statutory Information on pages 63 and 64 of this report.

The table below reflects options previously granted to directors, options granted during the year under review, any options exercised during the year under review, and options unexpired and unexercised as at 31 March 2009.

	Options as at 31 March 2008	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2009	Expiry date
Clark G J	92 500	829	–	–		92 500	12.07.2015
	50 000	1 634	–	–		50 000	29.10.2016
	90 000	2 364	–	–		90 000	23.07.2017
		2 867	70 000	–		70 000	09.07.2018
						302 500	
Haworth D L	45 000	829	–	–		45 000	12.07.2015
	26 000	1 634	–	–		26 000	29.10.2016
	12 000	2 364	–	–		12 000	23.07.2017
		2 867	30 000	–		30 000	09.07.2018
						113 000	
MacLeod D G *	225 000	829	–	–		225 000	12.07.2015
	115 000	1 634	–	–		115 000	29.10.2016
	100 000	2 364	–	–		100 000	23.07.2017
		2 867	140 000	–		140 000	09.07.2018
						580 000	
Riddle L W	80 000	829	–	22 000 #	2 595	58 000	12.07.2015
	20 000	1 634	–	–		20 000	29.10.2016
	33 500	2 364	–	–		33 500	23.07.2017
		2 867	25 000	–		25 000	09.07.2018
						136 500	
Stuart B M	92 500	829	–	–		92 500	12.07.2015
	45 000	1 634	–	–		45 000	29.10.2016
	42 500	2 364	–	–		42 500	23.07.2017
		2 867	51 500	–		51 500	09.07.2018
						231 500	
Zarnack K	125 000	829	–	–		125 000	12.07.2015
	70 000	1 634	–	–		70 000	29.10.2016
	80 000	2 364	–	–		80 000	23.07.2017
		2 867	34 500	–		34 500	09.07.2018
						309 500	
	1 344 000		351 000	22 000		1 673 000	

* Options granted to Mr MacLeod whilst an executive director.
# Options exercised prior to Mr Riddle's appointment as a director.

Sustainability report

Illovo Sugar subscribes to the principles of sustainable development as incorporated in the King II Report, and the process for reporting on non-financial matters within the group is the subject of ongoing development. The focus is on the care and development of both employees and the communities in the areas in which the group's operations are based.

Illovo qualified for inclusion in the JSE's 2008 Socially Responsible Investment (SRI) Index, and was rated as one of the 21 best performers amongst the qualifying companies.

ECONOMIC IMPACT

Value added statement

Rm	**March 2009**	March 2008
Wealth created		
Revenue	**8 602**	6 794
Dividend income	**2**	1
Paid to growers for cane purchases	**(2 735)**	(2 394)
Manufacturing costs	**(2 737)**	(2 029)
	3 132	2 372
Wealth distributed		
To employees as salaries, wages and other benefits	**1 481**	1 111
To lenders of capital as interest	**185**	172
To shareholders as dividends	**449**	387
To governments as taxation	**277**	168
	2 392	1 838
Wealth reinvested		
Retained profits in holding and subsidiary companies	**515**	367
Depreciation	**215**	152
Deferred taxation	**10**	15
	3 132	2 372

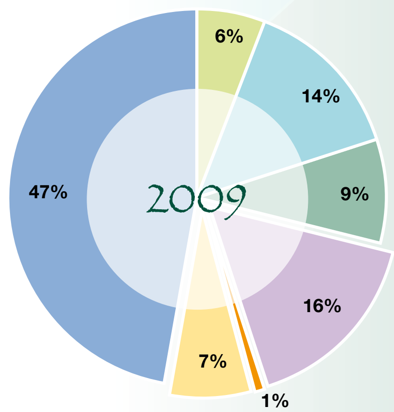
Analysis of taxes paid to and collected on behalf of government

Central and local governments		
Current taxation (including secondary tax on companies)	**229**	126
Rates and taxes paid to local authorities	**6**	4
Customs duties, import surcharges and excise taxes	**42**	38
Net contribution to central and local governments	**277**	168
The above amount contributed excludes the following -		
- Employees' taxation deducted from remuneration paid	**215**	177
- Net Vat amount collected on behalf of government	**126**	90
- Non-residents' shareholders' tax	**23**	17
	364	284

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, R3 132 million was created, which is 32% more than in 2008. Of this amount, R2 392 million was distributed to employees, providers of capital and to the government. Of the wealth created, 47% 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.



WEALTH DISTRIBUTED

Employee costs	47%
Finance costs	6%
Dividends	14%
Government	9%

WEALTH REINVESTED

Retained profits	16%
Deferred taxation	1%
Depreciation	7%

The group invested approximately R32 million in training and employee development in 2008/09.

SOCIAL IMPACT

Human Resources

Human resource management and operational strategies are determined by the business needs of the group's operating entities with direction from the corporate office. These strategies appropriately embrace the macro-environment prevailing in each country of operation, and alignment is achieved through the group's strategic intent. Underpinning this, and to ensure that the operational strategies are met, is a work ethic of continuous improvement which encourages focused, skilled employees to realise their full potential and to 'make a difference' in their areas of operation.

As a multi-national company with diverse and widespread senior management teams in several operating countries, regular communication forums and executive-led site visits are undertaken. This is reinforced through the group's Business Understanding Programme which all employees attend on an annual basis, promoting an understanding of the prevailing business climate at both operational and group levels.

Key areas of human resource focus include best practice benchmarking; targeted manpower succession planning; talent and performance management; the maintenance of collaborative industrial relations; human resource development and business understanding; BEE-linked employment equity and localisation programmes; and the health and welfare of employees and their dependants. To this end specific attention is given to –

- the staffing of all operations within effective organisational structures, with competent personnel both from an operational and managerial perspective, in order to ensure that goals and objectives are achieved. Manpower benchmarking exercises are undertaken to ensure that structures are efficient;
- continuing to place high focus on talent management and manpower succession planning, to both develop and retain managerial and technical skills, especially within the group's identified key disciplines and positions;
- being the employer of choice. To this end, remuneration packages which are merit-based and market-competitive in all countries of operation are constantly reviewed. Similarly, incentives such as performance-related bonuses, share purchase and phantom share schemes are utilised and are continually up-dated to cater for specifically targeted outcomes;
- complying with internationally recognised labour practices as legislated in the various countries of operation and ensuring that sound employee relations prevail. Trade union involvement is a normal part of this process and some 80% of permanent employees are unionised. Collective bargaining forums, which determine the levels of wage rates and other substantive employment conditions via negotiated collective agreements, are established and supported by existing legislation in all countries of operation;
- training and employee development, which remains an important pillar for harnessing the group's human resource talent and potential. 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 R32 million in this area over the period under review, representing 2.8% of payroll, of which some 12% was used for business alignment workshops, 40% for technical-type training, 32% for management, supervisory and leadership development, 10% for safety and health awareness and training, and the balance on education issues, including adult basic education type programmes. Employee development initiatives include -
    - the implementation of internationally accepted safe working practices and health care programmes;
    - the building of employees' understanding of the prevailing business context within Illovo. Approximately 19 000 employees attended the group-facilitated Business Understanding Programme;

- the continued development, refinement and implementation of performance management systems, along with ongoing technical competency training, which are linked to ISO standards, along with individual career-pathing and operational excellence;
- the delivery of group-based management development programmes, aimed at both first-line and upper management. Some 350 managers completed these programmes during the reporting period;
- group co-ordinated engineer–in–training and management trainee programmes, presently involving some 70 graduates. The large majority of these employees are graduate engineers who provide a pool of critical skills;
- 18 students, mainly from the engineering discipline, furthering their tertiary education supported by Illovo bursaries following which they will be bridged into the Management Trainee Programme upon successful completion of their studies;
- structured formal technical apprenticeships, with 71 employees presently enrolled across the group;
- in South Africa, the Training Outside Public Practice programme, allowing graduate accountants to continue their studies towards qualifying as Chartered Accountants, whilst in full-time employment by the company;
- the leveraging of operational best practice across the group.

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 annual Employment Equity and Income Differential reports, covering progress made with the company's Employment Equity Plan, a key pillar of its Black economic empowerment programme, have been submitted to the Department of Labour and the Employment Equity Commissioner respectively. Progress continues to be monitored through a group Central Co-ordinating Forum which includes representation from local consultative forums which are in place at the various operations.

Relevant statistics in respect of designated employees, as defined in legislation, are shown in the table below. They generally reflect a good performance.

Representative areas	% designated	
	2009	2008
Management level	**59**	58
Skilled level	**97**	87
Promotions (management/skilled)	**80**	91
External recruitments (management/skilled)	**78**	80
Promotions (all levels)	**92**	97
External recruitments (all levels)	**92**	91
Combined recruitments & promotions (all levels)	**92**	93
Combined recruitments & promotions (management/skilled)	**79**	84
Skills development initiatives (permanent employees)	**89**	90
Management trainees	**95**	91

Overall focus continues to be given to designated appointments in the more senior levels of management.

During the year, a cross-section of senior managers from throughout the group, attended the company's university-accredited Group Leadership Development Programme.

Complement

The group's overall permanent manpower complement as at 31 March 2009 stood at 12 457. The focus remains one of right-sizing operations to ensure that the correct organisational structures are in place, staffed by competent people with appropriate skills to meet the group's operational objectives. Employment was in the following categories –

- Sugar manufacture 6 657
- Agriculture 5 454
- Downstream 346

In addition to the permanent complement, approximately 29 000 seasonal employees were engaged in agricultural operations at the peak periods during the year.

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. Where no other public medical facilities exist, these services are extended to members of surrounding countries. The group operates 28 primary health care clinics and four hospitals. These facilities are staffed by 18 doctors, 150 nurses and other qualified medical staff, and 135 auxiliary personnel, and provide a service to approximately 39 000 employees and 70 000 dependants. In South Africa, the health facilities are clinic-based, and focus on occupational health, primary health care and HIV/AIDS, whilst in the operations in the rest of Africa, the facilities are hospital-based, and focus on primary and secondary health care, occupational health, HIV/AIDS and malaria and other tropical diseases. During the past year, there were approximately 575 000 patient visits to the group's healthcare facilities.

In support of the overall medical activities, the group attempts to ensure the health of employees and their dependants by addressing public health services not provided by governments, such as the provision of potable water, sanitation and refuse removal, where deficient.

Occupational health is an important facet of the medical services delivered at every site. Qualified nursing practitioners perform duties that include regular job-related medical examinations, along with medical surveillance, such as hearing and lung-function testing and biological monitoring of employees, in line with the health and safety regulations of the respective countries of operation.

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

Strategies towards controlling the spread of HIV/AIDS include preventative awareness programmes along with an established in-house Wellness Programme for those afflicted. These programmes continue to be developed in accordance with appropriate 'best practice' aligned to international standards. They involve ongoing high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted infections, use of peer counsellors in the process of preventative activities and education, voluntary counselling and testing (VCT), use of prophylactic antibiotics, effective screening for tuberculosis, and the promotion of a healthy lifestyle.

Occupational health is an important facet of the medical services delivered at every site. In addition to providing health care to employees and their dependants, the group also provides these services to surrounding communities where no such facilities exist.

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 group recognises the importance of VCT as it enables individuals to become aware of their HIV status, empowering people to act safely and responsibly, and is therefore key to controlling the spread of the disease. To this end, the group continues to campaign for employees and their dependants to 'get to know their status' and in this regard, has set a target to test 50% of all employees annually. A further target has been set to ensure that at least 50% of HIV positive employees join the Wellness Programme. During the year 5 175 employees, representing 58% of the permanent complement, excluding those employees who have previously been identified as HIV positive, underwent VCT, whilst 60% of those who tested HIV positive joined the group's Wellness Programme.

Government interventions relative to the provision of anti-retroviral treatment (ART) are being closely monitored in all countries of operation. Where the group is being asked to assist in the process, it is particularly important to ascertain the long-term sustainability of intended programmes and the role that the government medical facilities are expected to play –

- in South Africa, formal facilitation partnerships have been developed with those local government hospitals designated as HIV-ART centres, to allow employees and dependants on the Wellness Programme to be bridged into the government ART programme as and when their status for this treatment is medically necessitated;
- in Malawi, Zambia and Swaziland, the group assists in implementing the government-funded ART programmes at its mill-based medical facilities. Affected employees and dependants in Tanzania and Mozambique are presently being referred to government facilities.

In respect of malaria, the group subscribes to the African continent's recognised 'Roll Back' malaria programme, with mosquito control spray programmes and the distribution of insecticide treated bed nets, being undertaken in the areas most affected. This, together with established laboratory testing facilities, enables early detection and prompt commencement of effective treatment. Close liaison is maintained with national malaria control units and in some cases the group's health centres are recognised sentinel sites for the collation of malaria statistics and research.

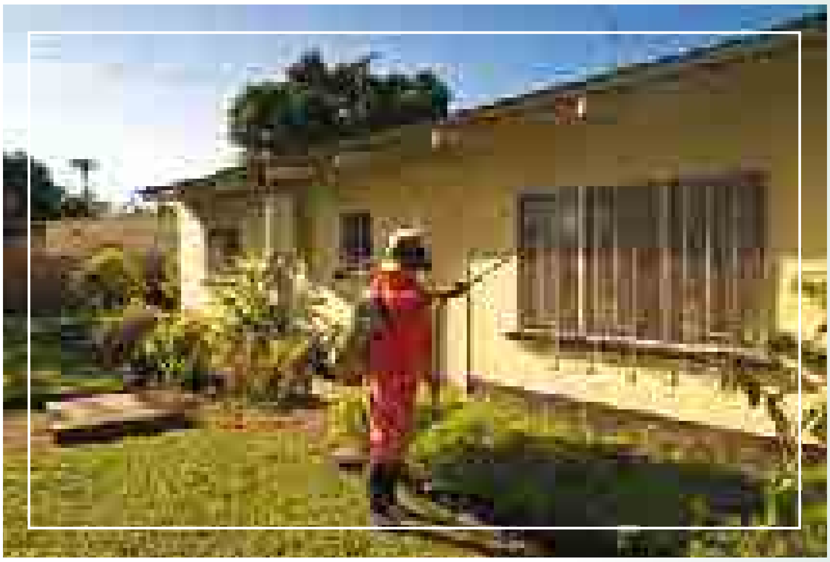
In the case of tuberculosis (TB), the group works closely with national programmes in this regard, and assists with the diagnosis, treatment and follow-up of TB cases where appropriate.

Employee benefits and welfare

The group offers a diverse range of benefits to its employees, including –

- 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 which 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;
- upliftment of life skills of employees through the provision of Adult Basic Education and Training (ABET), retirement planning, HIV/AIDS education and counselling.

In respect of malaria, the group undertakes mosquito control spray programmes and the distribution of insecticide treated bed nets, in the areas most affected.



Black Economic Empowerment

The group is conscious of its responsibility to progress Black Economic Empowerment (BEE) in South Africa and local economic empowerment in the host countries of Illovo's sugar operations outside South Africa. In this regard, the group has adopted an integrated approach which encompasses meaningful and sustainable participation of Black people at all operations of the company and promotes participation of communities in the value chain of the sugar industry.

In South Africa, relative to the Codes of Good Practice on Black Economic Empowerment (the Codes), which were issued in February 2007 in terms of the Broad-Based Black Economic Empowerment (BBBEE) Act, 2003, for the year ended 31 March 2008, the company was audited by an external verification agency and was rated as a Level 5 Contributor, having attained an aggregate score of 59.20%; comprising the component scores as reflected in the table below -

Element	Score (%)
Ownership Equity	6.88
Management Control	2.54
Employment Equity	5.12
Skills Development	8.63
Preferential Procurement	16.03
Enterprise Development	15.00
Socio-Economic Development	5.00

In the 2009 Financial Mail / Empowerdex Top Empowerment Companies report, the company was ranked 47th overall and 3rd in the food and beverages sector. In terms of the various BBBEE elements, Illovo was ranked 1st on enterprise development. Against the background that rural development constitutes one of the major national priorities and given that the bulk of the company's enterprise development initiatives were geared towards support for emergent Black growers, this is a significant achievement.

Particular attention is given to preferential procurement from and outsourcing to Black enterprises and service providers, including the development and support of outgrower schemes. During the 2008/09 season, revenue paid to small, medium and large-scale Black farmers for their cane supplies in South Africa amounted to R194 million.

Since the initiation of the programme for the sale of the company's farms to Black people in 1996/97, Illovo has sold 58% of its cane lands to BEE companies and commercial farmers. Another farm sale is expected to take place in the current year.

To-date, in terms of the Restitution of Land Rights Act, 1994, land claims covering approximately 55% of the total areas under cane which supply cane to the company's mills in South Africa, have been gazetted. Most of these claims have been made on behalf of local communities which reside in the relevant areas. The process has been particularly protracted and many of the affected growers remain uncertain of their futures. Many of the claims are being contested by the growers. However, where such claims are successful or where growers willingly agree with the Department of Land Affairs and / or the Commission on Restitution of Land Rights to make their farms available to the local communities, the company is actively involved in seeking to ensure that the properties concerned can continue to be farmed on a long-term sustainable basis.

Society

The group operates in diverse environments many of which are predominantly rural, with limited infrastructure and significant development needs. These challenges are most evident in the countries of operation outside South Africa, four of which are classified by the United Nations as Least Developed Countries.

In line with the group's strategic intent as a long-term investor and a major player in these communities, an active social investment programme is in place at each of the operations and is structured to address the specific needs of the respective communities. During the year under review, the group contributed over R134 million towards the provision of housing, including water, electricity, road maintenance and sanitation; hospitals and clinics; and education and community outreach programmes, for the benefit of both employees and local communities.

This amount was directed as follows –

	Rm
Housing and related infrastructure	62
Hospitals and clinics	38
Education	16
Community programmes	13
Environmental initiatives	5
	134

Community projects are considered on the basis that they are motivated by members of the local communities and designated company representatives. To gain company support, projects must be shown to be meaningful and sustainable, with significant community reach and participation. Given the immense challenges faced by communities in the areas of health care, education, access to clean water and meaningful development, the majority of the projects undertaken are focused on addressing these needs.

The group continues to actively promote the development and support of small and medium-scale growers, with dedicated offices established across all six countries of operation.

Stakeholder engagement

Illovo is cognisant that its long term sustainability rests in engaging its stakeholders to address matters of mutual interest. The nature of the interaction and the type of stakeholders which the company interacts with are effected by the operating environment and consequently vary from country-to-country, but typically the company interacts with government departments, communities, traditional and civic leaders, civil society organisations, customers, public and institutional shareholders, financial analysts and providers of capital, sugar industry representative structures, suppliers, service providers and employees, and trade unions, amongst many others.

The forms of interaction are diverse, but specific to each stakeholder. For example, the group's annual investor relations programme incorporates -

- Annual results presentations to the investment community;
- Market and media dissemination of results, trading updates and other announcements, over and above that which is required by the Listings Requirements of the JSE Limited;
- Placement of investor information on the company's website, including results presentations and other pertinent financial and operational information;
- Ongoing contact with major investors, institutions and analysts, including one-on-one meetings with the company's managing and financial directors;
- Ongoing site visits to the group's various countries of operation, for example, to Zambia Sugar where the operation has recently been the subject of a major expansion programme to increase its cane and sugar productive capacity.

Other forms of interaction include focus groups, labour bargaining forums, visiting or hosting government representatives and issue specific structures such as land reform forums in South Africa.

As an example, in South Africa, in addition to the land redistribution programmes which the company initiated in the mid-1990s, a high proportion of the land, including the company's own land, from which the company receives the cane supplies for its mills, is subject to land claim. To ensure the sustainability of cane supply from land that faces being transferred to historically disadvantaged first-generation sugar cane growers, the company participates in multiple stakeholder land reform forums. These forums are made up of representatives from the relevant government departments and agencies (i.e. the Commission on Restitution of Land Rights, Department of Land Affairs, Department of Agriculture and Environmental Affairs and local governments associated with the various mill cane supply areas) as well as industry stakeholder organisations, such as the South African Cane Growers' Association and the Inkezo Land Company.

In Swaziland, in the case of the Lower Usuthu Smallholder Irrigation Scheme, which will supply additional cane supplies to the Ubombo sugar mill, the relevant agricultural development necessitated the relocation of some communities. However, before this was done, extensive consultation though the government was undertaken with local community members. This ensured that the relocation was carried out with due sensitivity to the communities' material, social and cultural considerations and with the communities' approval.   This is in line with the company's commitment to ensuring that its operations are considered to have a positive impact by the affected communities.

The company participates in public policy development through sugar industry structures, tripartite business, labour and government public policy development structures and other business associations. Its involvement in the facilitation of broader national strategic objectives continues through participation in organisations such as the National Business Initiative and the Business Trust (in South Africa).

In its employment practices, the company remains committed to human rights and fair treatment of its employees in line with International Labour Organisation Conventions on employment, which in some countries of operation are also enshrined in the employment-related legislation. The company's employment policies are explicit in their commitment to equity and the practices ensure that forced and child labour do not take place in any of its operations. Where there could have been a threat that these might be undermined by some of its partner enterprises in the value chain, the enterprises concerned have been formally sensitised to the fact that the relationship with them is contingent on them complying with these standards and norms.

As a consequence of this commitment to human rights and fair employment practices, the group has not had to pay any fines for not complying with legislation in any of the countries in which it operates.

Community and enterprise development

In Malawi, Zambia, Swaziland, Tanzania and Mozambique, the group participates in the upgrading of schools and assists in their administration and management in an effort to improve education delivery. There are 27 schools in five countries currently benefiting from this type of support. In South Africa, the company undertakes local community projects to improve facilities at schools in the communities in which Illovo has agricultural and manufacturing operations. It also supports education-related initiatives, such as Rally to Read, a literacy-based development programme co-ordinated by the National READ Educational Trust. Through the South African sugar industry, the company supports the Sugar Industry Trust Fund for Education which sponsors education projects across both the KwaZulu-Natal and Mpumalanga provinces, and also provides ongoing financial support for tertiary educational institutions.

In addition to providing financial and other support for community-based welfare and fund-raising organisations, Illovo also contributes to the South African sugar industry's community development programme which operates in the northern region of the Eastern Cape, KwaZulu-Natal and Mpumalanga, and continues to contribute to the Business Trust and the National Business Initiative (NBI).

The group annually undertakes a wide-range of community-based projects. For example; in national feeding schemes in Malawi, and the construction at Big Bend in Swaziland of new police offices which were handed over to the Swaziland police services during the past year.

Job creation and poverty alleviation initiatives in the communities in which the group operates are actively pursued. This is achieved through the outsourcing of support

During the year, R16 million was spent on education-related activities across the group.

The group annually undertakes a wide-range of community-based projects including for example, its involvement in national feeding schemes in Malawi.

services and other requirements which can be procured from local entrepreneurs.

The group continues to actively promote the development and support of growers, mainly first-generation Black growers. Dedicated offices have been established across all six countries of operation to provide agronomic expertise and advice on optimal ratoon management practice, together with ongoing training to build technical, financial and administrative competence in order that these growers are able to take charge of their own agricultural businesses. Illovo also assists in facilitating access to grant and other types of funding for both new and existing cane agriculture developments.

The Kaleya Smallholders Company (KASCOL) in Zambia is a good example. Fundamental to a long-standing partnership between local cane growers represented by the Mazabuka Sugar Cane Growers Trust (MSCGT) and Zambia Sugar, is the development of indigenous cane growers in Zambia. Following Illovo's donation of its shareholding in KASCOL to the MSCGT in 2005, and pursuant to the recent major expansion of Zambia Sugar's productive capacity, KASCOL, through the MSCGT, stands to bring material benefits to its members in general, but particularly the nearby Magobbo community.

As a significant community project, around 400 hectares of land is being developed to irrigated cane which will provide annual production of about 50 000 tons of cane by this community, thereby bringing about permanent employment and a sustainable income for approximately 80 households. The MSCGT has played a major role by financing various start-up costs of the project, by assisting in its management and implementation, and using its offices to secure €3 million in funding from the EU under the EU Accompanying Measures scheme. Central to the development, was Zambia Sugar's extension of the existing canal system, bringing water from the Kafue River about 30 kilometres away, to irrigate the new development. The Magobbo growers have subsequently formed their own trust and stand ready to become a viable entity in the local sugar industry.

General staff support and development

In addition to the community and enterprise development initiatives, and to the employee development activities covered elsewhere in this report, there is a range of other types of support that the group makes available to its staff.

Illovo provides assistance to employees who wish to further their studies, where such further study is beneficial to both the employee and the group. The group also assists employees to undertake studies which might enable them to establish outsourced small and medium-sized enterprises. Permanent employees of the group are assisted with the costs associated with secondary and tertiary education for their dependants.

On the basis of academic ability and suitability as future employees, children of employees may also benefit from bursary schemes which the group offers to enable students to study at universities or equivalent institutions.

Enhancement of the employees' life skills is carried out through the provision of adult basic education and training, retirement planning, and HIV/AIDS education and counselling and wellness programmes.

In South Africa and Swaziland, the facilitation of employee home ownership is on-going, thereby allowing employees to have a stake in the community in which they live and work.

This involves the sale of company-owned houses as well as other initiatives to assist home ownership, including the provision of home loan subsidies.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The group continues to benefit from well-established in-house resources which 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. A centralised core of expertise exists to ensure technical standards are maintained for both existing equipment and new agricultural and factory installations, and to keep abreast with technical innovations. This in-house function is also involved in investigating opportunities to expand the group's operations, and in the planning and implementation of approved projects. In addition, collaboration between the group's technical team and British Sugar plc, the subsidiary of Associated British Foods plc with responsibility for Illovo, is now an ongoing function, with research and development projects expected to benefit the group in the longer-term.

The group benefits on an ongoing basis from research and development undertaken by the South African Sugar Milling Research Institute and the South African Sugarcane Research Institute. These organisations are funded by the member sugar industries which are represented on the respective boards of the institutes.

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

RISK MANAGEMENT

Risk management is an integral part of Illovo's business. The safety, security and preservation of our people and property are essential for the group's sustainable growth.

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 and their relevant mitigating and management strategies are the subject of the ongoing attention of the board and are given particular consideration in the annual strategic plan which is approved by the board.

Business continuity plans for all sites have been developed through a procedure of considering and assessing all possible major risks which may impact the business.

The management of financial risk is covered under note 40 to the financial statements on pages 99 to 102.

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 the cane growing and factory operations. During the year under review, the cane growing and sugar factory operations in South Africa (excluding Umfolozi), Zambia and Swaziland were graded on the NOSA platinum star system, whilst the operations in Malawi, Tanzania and the sugar factory in Mozambique were graded on the NOSA green star system. Those operations on the NOSA green star system are in the process of migrating to the NOSA platinum system.

The Disabling Injury Frequency Rate (DIFR) measurement of safety performance is used at all the group's operations, and is included as one of the 'line-of-sight' targets for the performance related bonus scheme. The target for the year under review was a DIFR of 1.5; equivalent to a NOSA 4-star grading. This was achieved by all operations.

Regretably, two employees were fatally injured in work-related incidents during the past year. Both unfortunate incidents were the subject of thorough investigation and appropriate remedial action was taken so as to prevent a recurrence. In addition, a security guard was murdered on the estate in Mozambique whilst on duty.

All of the South African factory operations have been certificated under the ISO 9001:2000 quality management system. The cane growing and factory operations in Malawi, Zambia, Swaziland and Tanzania, and the factory operation in Mozambique are also ISO 9001:2000 certificated. Implementation at the cane growing operation in Mozambique is due to be completed during 2009. In addition, the Swaziland factory operation as well as the Merebank distillery have attained the environmental management ISO 14001:1996 accreditation, whilst Merebank and the Glendale distillery have achieved OHSAS 18001 certification for health and safety.

In South Africa, the factories at Pongola and Umzimkulu and the syrup plant at Lower Illovo have been certified under the Hazard Analysis and Critical Control Point (HACCP) food safety system. Certain of the other factory operations in South Africa, Malawi, Zambia and Tanzania are making progress towards this accreditation.

During the year under review, there were no health and safety, or environmental penalties imposed on any of the group's operations, other than one minor environmental penalty incurred in Zambia.

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.

Agriculture

In respect of its agricultural operations, the group has adopted farming practices based on field conservation guidelines as advocated by the South African Sugarcane Research Institute, so as to ensure agricultural production on a sustainable basis with minimum impact on the environment. This includes the implementation of land use plans when developing new and re-establishing existing cane fields; the optimal placement of fields and access roads; the most suitable method of field establishment so as to conserve soil and water; the protection of existing environmental features such as rivers, wetlands, catchment areas and indigenous forests; and the removal of alien vegetation.

In addition, sugar cane, upon harvesting, immediately recommences another growing cycle from its existing roots. This process is called ratooning, and recurs until the sucrose content of the cane plant reduces below a predetermined level, whereafter replanting is undertaken. This generally takes place every eight to twelve years. The environmental benefit of this ratooning and replanting process is the significant reduction in the frequency of soil disturbance and the exposure to soil erosion.

Agricultural operations in South Africa are mostly rain-fed, thereby minimising the impact on subterranean water supplies, whilst in the group's other countries of operation, water for irrigation is supplied from secure water resources such as major rivers, lakes and dams.

The conventional practice of cane burning immediately prior to harvesting is conducted strictly in terms of industry guidelines. The adoption of "green cane harvesting" practices, without burning, takes place where feasible. This has the benefit of the leaves and the tops of the cane plant being left behind in the harvesting process, providing for moisture retention and nutrients for the soil, and offering potential as a renewable energy source as a feedstock for the sugar factory boilers. The use of the cane leaves and tops as biomass feedstock for the boilers, as a supplement for bagasse, has been successfully integrated into the sugar factory operations in Swaziland and Malawi.

Sugar manufacture

The process used for manufacturing sugar from sugar cane provides a unique sustainable advantage with minimal environmental impact. The fibrous residue remaining after the extraction of sucrose from sugar cane, called bagasse, may be used as a bio-renewable energy source in sugar factory boilers to generate electricity. This electricity is capable of not only meeting the power requirements of the sugar factory, but may also be used for operating the irrigation systems used for cane growing, and for supplying administrative and domestic users and national grids.

Bagasse is used as a boiler fuel at all Illovo's sugar factories, and under normal operating conditions, the factories are self-sufficient in terms of electrical requirements, save that the downstream plant at Sezela relies on power from the national grid. Whilst the factories outside South Africa also supply power for cane irrigation, supplementary electricity supplies are required from external sources, particularly during the factory offcrop maintenance periods. Fortunately, these periods coincide with the rainy seasons, when there is a limited need for irrigation.

The unique process of utilising bagasse and biomass as an energy source also results in the group having minimal reliance on fossil fuels, such as coal, for its energy requirements. Coal usage within the Illovo group comprises approximately 8% of total energy usage.

Emissions from all Illovo's sugar factories are monitored to ensure compliance with the prevailing legal limits in each country of operation.

Water comprises approximately 70% of the content of sugar cane. This water is released in the extraction process and recycled for use within the factory operations, thereby minimising the dependence of the factories on external water resources.

Downstream

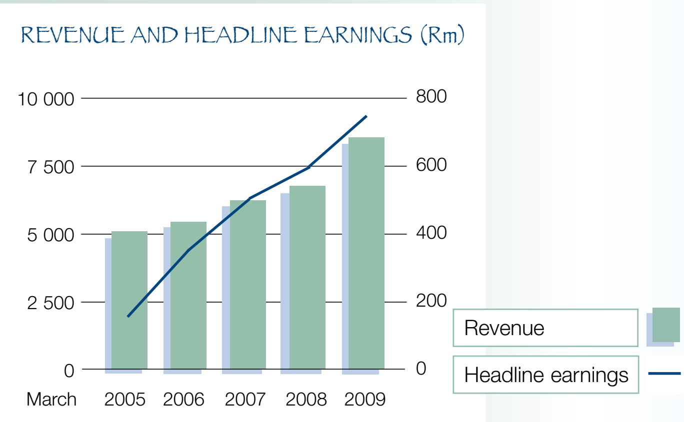
As the major by-product of the sugar manufacturing process, molasses is used in several add value downstream applications. In South Africa generally, the majority of molasses is used as a constituent of animal feeds and by the fermentation industry for the manufacture of ethyl alcohol. Illovo utilises a significant portion of its molasses output in the production of ethyl alcohol at its Merebank plant in Durban and its Glendale distillery near Stanger.

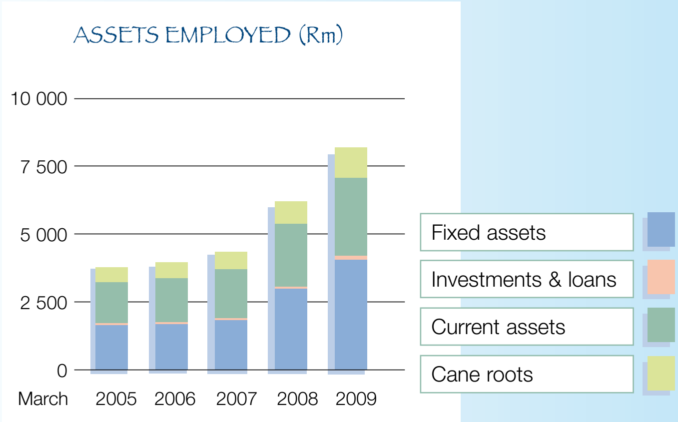
At the Sezela complex on the KwaZulu-Natal south coast, various compounds in the bagasse are reacted to produce the added value downstream products, furfural, furfuryl alcohol and diacetyl. The residual bagasse from this process is then routed back to the sugar factory boilers. The final waste water stream from the downstream plant takes the form of dilute acetic acid. A process for treating this waste water stream has been developed and a plant is presently in operation which has the capacity to treat approximately 40% of this final stream. The balance is currently discharged with permission from the Department of Water Affairs through an off-shore pipeline. It is intended to eventually up scale the treatment facility so as to recover all the water for reuse within the plant.

The unique process of utilising bagasse and biomass as an energy source also results in the group having minimal reliance on fossil fuels, such as coal, for its energy requirements. Coal usage within the Illovo group comprises approximately 8% of total energy usage.

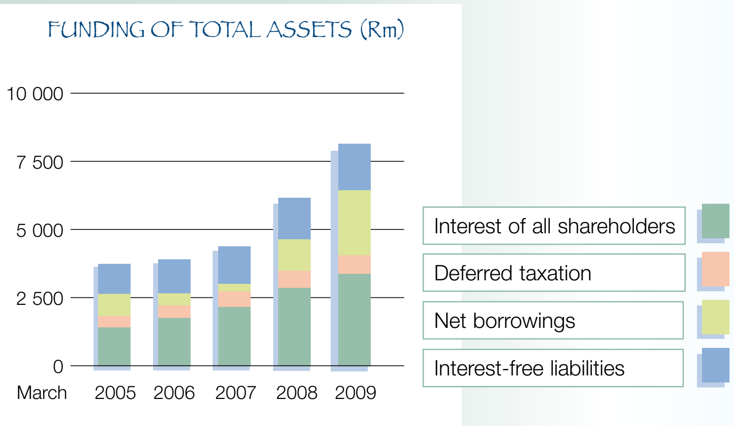
Five year review

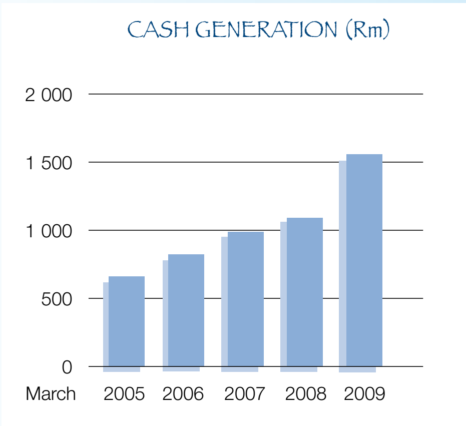
Rm	2009	2008	2007	2006	2005
Consolidated income statement					
Revenue	**8 601.7**	6 794.1	6 263.6	5 468.8	5 102.7
Operating profit	**1 386.2**	1 064.5	1 034.3	751.5	423.7
Net financing costs	**185.4**	171.7	97.8	101.9	156.5
Profit before taxation and material items	**1 202.5**	894.1	937.9	650.6	269.8
Net profit attributable to ordinary shareholders	**739.1**	599.8	516.5	357.7	51.7
Headline earnings	**741.8**	599.6	515.3	352.4	153.8
Reconciliation of headline earnings					
Net profit attributable to ordinary shareholders	**739.1**	599.8	516.5	357.7	51.7
Adjusted for:					
Loss/(profit) on disposal of property, plant and equipment	**2.7**	(0.2)	(1.2)	(5.3)	5.1
Loss on disposal of business	**–**	–	–	–	97.0
Headline earnings	**741.8**	599.6	515.3	352.4	153.8
Consolidated balance sheet					
Property, plant and equipment	**4 087.7**	3 014.5	1 841.0	1 704.9	1 661.6
Cane roots	**1 132.3**	821.7	661.6	589.1	543.7
Investments and loans	**150.2**	90.3	74.2	68.6	86.9
Current assets	**2 894.2**	2 336.3	1 891.4	1 633.5	1 519.7
Total assets	**8 264.4**	6 262.8	4 468.2	3 996.1	3 811.9
Equity attributable to shareholders of Illovo Sugar	**2 773.8**	2 373.3	1 771.7	1 425.5	1 135.0
Minority interest	**671.2**	555.6	456.6	388.0	330.9
Total equity	**3 445.0**	2 928.9	2 228.3	1 813.5	1 465.9
Deferred taxation	**701.1**	639.0	574.3	481.5	430.5
Net borrowings	**2 411.1**	1 168.3	271.7	441.0	801.6
Interest-free liabilities	**1 707.2**	1 526.6	1 393.9	1 260.1	1 113.9
Total equity and liabilities	**8 264.4**	6 262.8	4 468.2	3 996.1	3 811.9



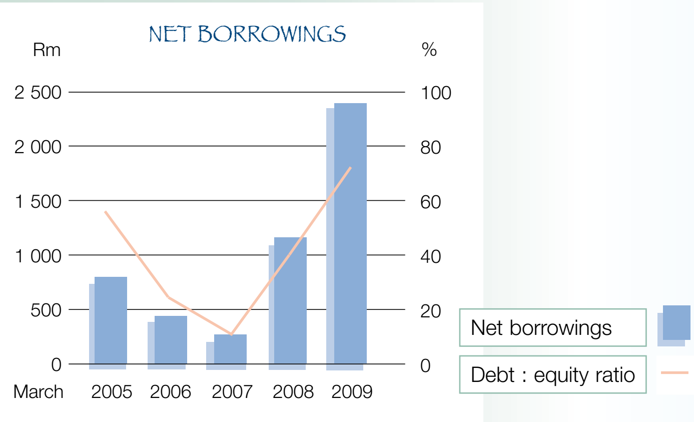


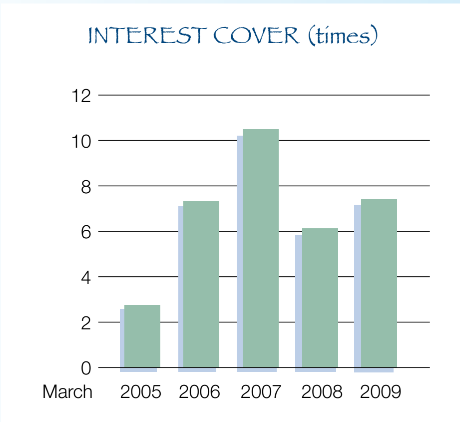
Rm	Notes		2009	2008	2007	2006	2005
Consolidated cash flow							
Operating profit before working capital movements			**1 206.9**	1 055.0	1 058.7	710.5	533.0
Working capital movements			**362.8**	46.2	(61.0)	117.2	134.7
Cash generated from operations			**1 569.7**	1 101.2	997.7	827.7	667.7
Net financing costs			**(185.4)**	(171.7)	(85.2)	(101.9)	(156.5)
Taxation paid			**(230.3)**	(151.6)	(190.4)	(89.5)	(60.1)
Dividend income			**1.7**	1.3	1.4	1.0	2.6
Dividends paid			**(449.2)**	(386.9)	(334.2)	(150.9)	(174.3)
Net cash inflow from operating activities			**706.5**	392.3	389.3	486.4	279.4
Investment in future operations			**(1 745.8)**	(869.5)	(113.2)	(98.7)	(43.2)
Replacement of property, plant and equipment			**(169.5)**	(154.9)	(124.7)	(120.8)	(306.3)
Proceeds on disposal of businesses			**120.0**	–	–	–	429.9
Other movements			**(38.4)**	(13.1)	30.4	43.9	26.6
Net cash (outflow)/inflow from investing activties			**(1 833.7)**	(1 037.5)	(207.5)	(175.6)	107.0
Net cash (outflow)/inflow before financing activities			**(1 127.2)**	(645.2)	181.8	310.8	386.4
Long term borrowings raised/(repaid)			**170.6**	796.4	(16.4)	(15.2)	(133.1)
Short term borrowings raised/(repaid)			**482.0**	(64.5)	130.2	(42.9)	(169.1)
Capitalised finance leases repaid			**–**	(0.6)	(0.8)	(0.2)	(0.5)
Proceeds from issue of share capital			**6.5**	6.5	56.1	15.9	18.2
Net cash inflow/(outflow) from financing activities			**659.1**	737.8	169.1	(42.4)	(284.5)
Net (decrease)/increase in cash and cash equivalents			**(468.1)**	92.6	350.9	268.4	101.9
Earnings and dividends per share							
Earnings	1	cents	**210.9**	171.7	149.5	105.8	15.4
Headline earnings	2	cents	**211.6**	171.6	149.1	104.2	45.9
Dividends (interim - paid; final - declared)		cents	**106.0**	85.5	75.0	62.5	25.5
Dividend cover on headline earnings	3	times	**2.0**	2.0	2.0	1.7	1.8





	Notes		2009	2008	2007	2006	2005
Profitability and asset management							
Operating margin		%	**16.1**	15.7	16.5	13.7	8.3
Return on average shareholders' equity	4	%	**28.6**	29.9	32.0	27.2	3.3
Return on net assets	5	%	**22.0**	24.1	28.5	25.2	11.1
Return on total assets	6	%	**17.1**	18.6	21.3	17.1	8.3
Working capital per rand of revenue	7	cents	**11.7**	11.8	9.4	8.5	9.8
Liquidity and borrowings							
Debt : equity ratio	8		**70.0**	39.9	12.2	24.3	54.7
Total liabilities to total equity	9	%	**160.5**	154.2	144.6	155.6	185.8
Current ratio	10	times	**1.0**	1.3	1.2	1.0	0.9
Interest cover	11	times	**7.5**	6.2	10.7	7.4	2.8
Employee statistics							
Total number of employees at year-end	12		**12 457**	12 266	12 617	12 886	14 598
Average number of employees			**12 362**	12 441	12 752	13 742	15 588
Revenue per average number of industrial employees		R000	**1 249.6**	991.9	894.9	756.4	634.4
Net assets per average number of employees		R000	**278.7**	235.4	174.7	132.0	94.0
Headline earnings per average number of employees		R000	**60.0**	48.2	40.4	25.6	9.9
Note: Agricultural employees are excluded from the calculation of revenue per average number of employees							
JSE Limited statistics							
Ordinary shares in issue		000	**350 924**	349 859	348 868	340 128	337 195
Weighted average number of shares		000	**350 514**	349 424	345 545	338 220	335 019
Net asset value per share	13	cents	**981.7**	837.2	638.7	533.2	434.7
Total volume of shares traded		000	**79 492**	80 160	379 040	190 879	165 848
Total value of shares traded		Rm	**2 126.9**	1 970.2	7 503.5	2 170.2	1 302.1
Ratio of shares traded to issued shares		times	**22.7**	22.9	108.6	56.1	49.2
Headline earnings yield at year-end	14	%	**7.4**	5.8	7.9	6.3	5.7
Dividend yield at year-end	15	%	**3.7**	2.9	4.0	3.8	3.1
Price : headline earnings ratio at year-end	16	times	**13.5**	17.3	12.7	15.9	17.6
Market price per share							
– year-end		cents	**2 849**	2 964	1 900	1 660	810
– highest		cents	**3 500**	3 115	2 100	1 700	930
– lowest		cents	**1 710**	1 850	1 531	725	650





Notes –

1. **Earnings per share**
   Net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
2. **Headline earnings per share**
   Headline earnings divided by the weighted average number of ordinary shares in issue.
3. **Dividend cover on headline earnings**
   Headline earnings per share divided by dividends per share (interim - paid; final - declared).
4. **Return on average shareholders' equity**
   Net profit attributable to ordinary shareholders expressed as a percentage of average shareholders' equity.
5. **Return on net assets**
   Profit before net financing costs and taxation expressed as a percentage of average net operating assets.
6. **Return on total assets**
   Operating profit 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. **Debt : equity ratio**
   Interest-bearing liabilities including preference shares (net of cash) divided by total equity.
9. **Total liabilities to total equity**
   Interest-bearing liabilities and other liabilities expressed as a percentage of total equity.
10. **Current ratio**
    Current assets divided by current liabilities.
11. **Interest cover**
    Operating profit divided by net financing costs.
12. **Total number of employees at year-end**
    The number of employees excludes those employed by associate companies.
13. **Net asset value per share**
    Total assets less total liabilities divided by the number of shares in issue.
14. **Headline earnings yield at year-end**
    Headline earnings per share as a percentage of year-end market price.
15. **Dividend yield at year-end**
    Dividend per share (interim - paid, final - declared) as a percentage of year-end market price.
16. **Price : headline earnings ratio at year-end**
    Year-end 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 but all other years are not restated in the five year review.

World of sugar

More than 100 countries produce sugar, about 80% 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 mainly in the temperate zones of the northern hemisphere. Generally, the costs of producing sugar from sugar cane are lower than those in respect of processing sugar beets. Currently, 70% of the world's sugar is consumed in the countries of origin, whilst the balance is traded on world markets.

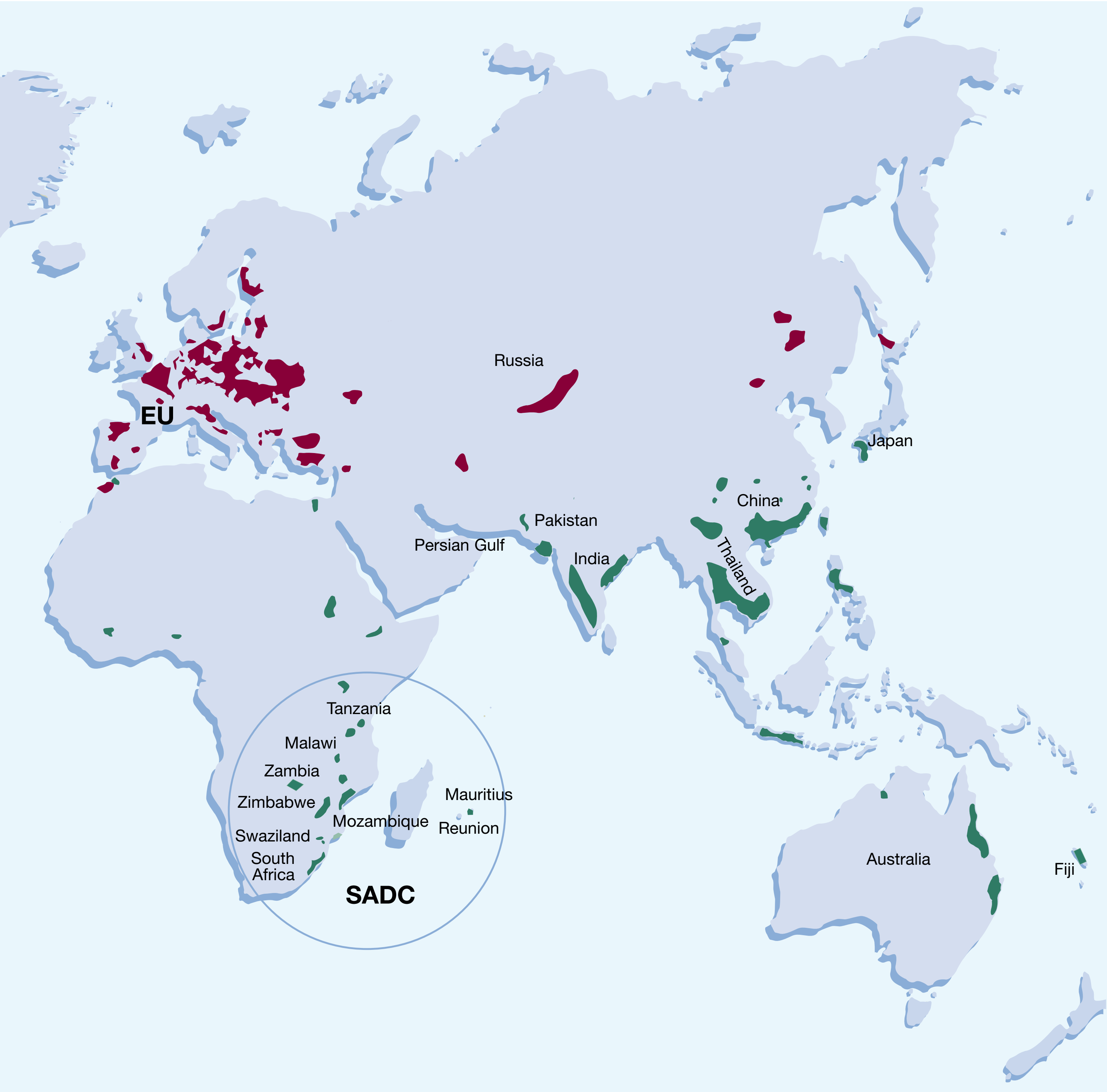
(Source: ED&F Man - 2008/09, Oct/Sep basis.)

Cane

Beet

In the accompanying tables, production and exports are measured in millions of tons (raw value), population in millions and per capita consumption in kilograms. (#) denotes that country's ranking in terms of world exports.

	Production	Exports	Population	Per capita consumption
BRAZIL	38.633	23.685 (1)	198	58
INDIA	16.304	0.237 (15)	1 166	19
EU	14.865	0.707 (9)	500	34
CHINA	13.587	–	1 338	10
THAILAND	7.717	5.004 (2)	66	36



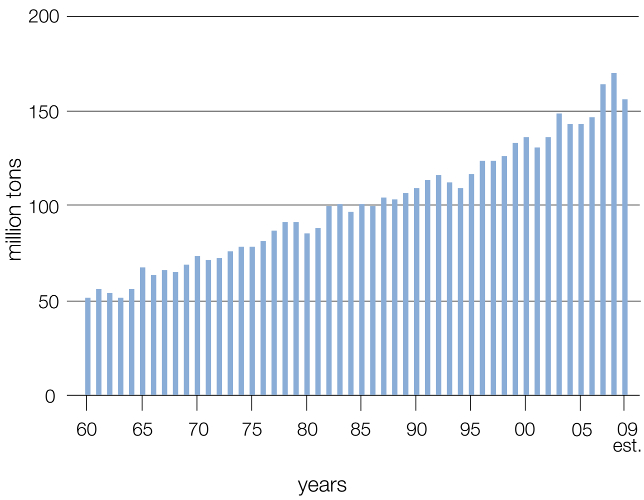
	Production	Exports		Population	Per capita consumption
UNITED STATES	6.924	–		307	29
MEXICO	5.761	0.707	(9)	111	49
SADC	5.309	1.793	(4)	139	19
AUSTRALIA	4.810	4.225	(3)	21	45
PAKISTAN	4.239	–		176	23

2009

INTERNATIONAL STATISTICS

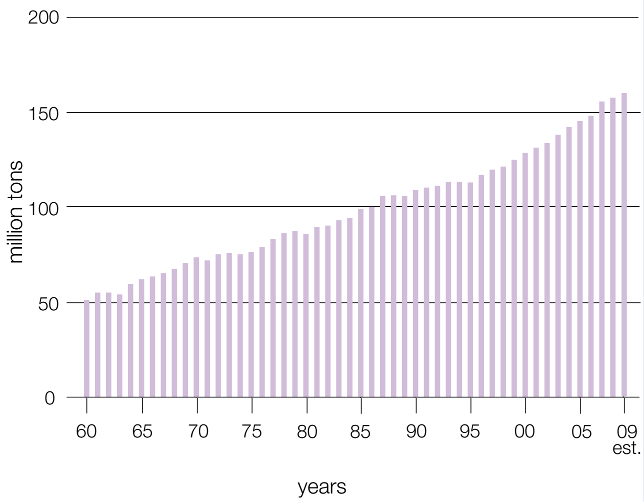
The world sugar year runs fron September to August

WORLD SUGAR PRODUCTION



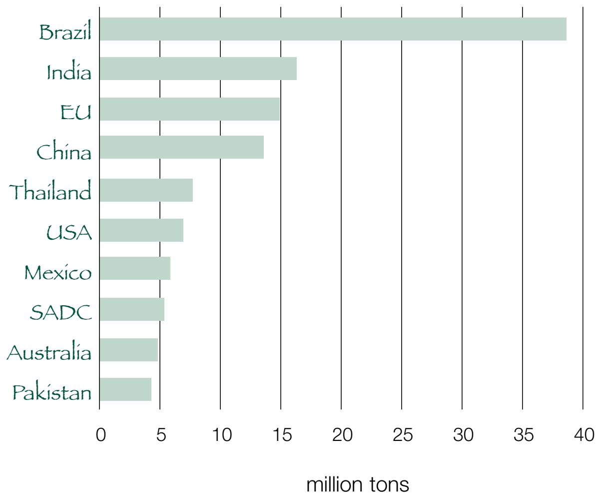
Global sugar production in 2008/09 is forecast at 157 million tons which, compared to the previous season, will represent an 8% production decrease, the largest annual reduction on record. Significant production declines have occurred amongst leading sugar producers, including India and the EU.

WORLD SUGAR CONSUMPTION



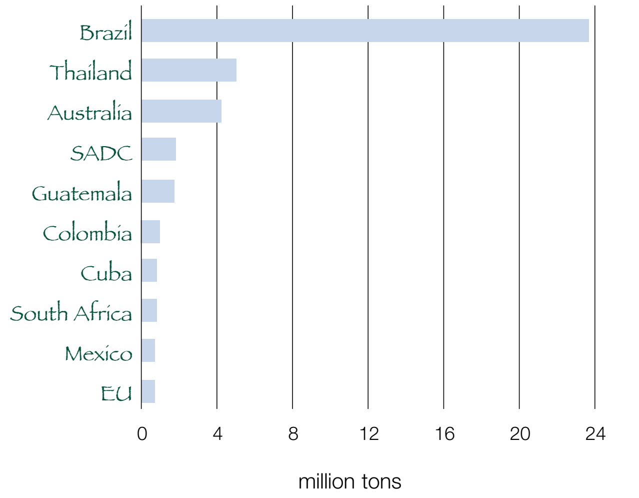
Global sugar consumption growth increases by about 2% per annum and in 2008/09 is forecast to reach 161 million tons.

TOP SUGAR PRODUCERS 2008/09 est.



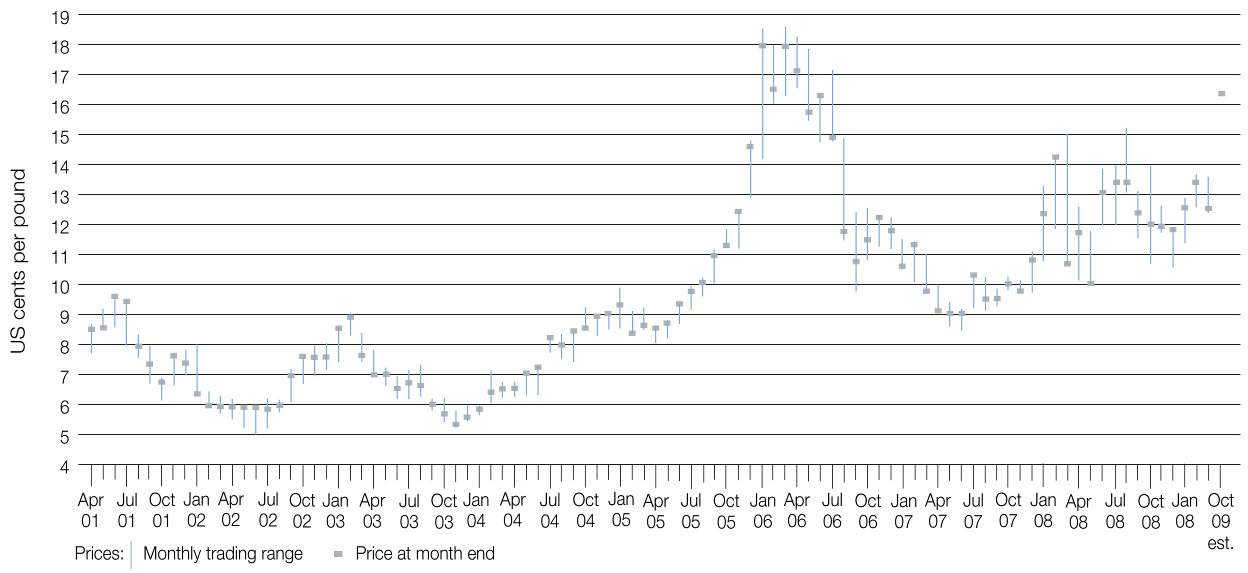
The top ten producers account for around 75% of global production.

TOP SUGAR EXPORTERS 2008/09 est.



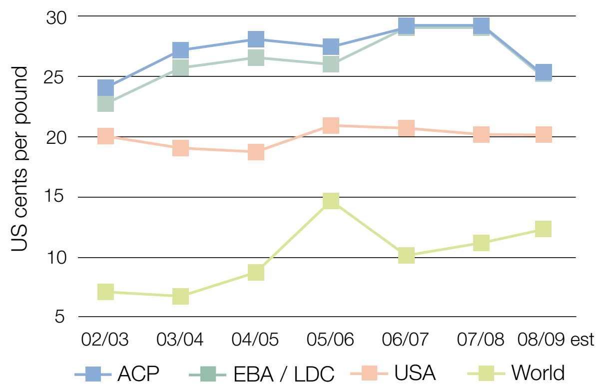
About 70% of world sugar production is expected to be consumed in the countries of origin, with the balance traded on world markets. Brazil remains the world's dominant exporter of sugar and in 2008/09 is forecast to export 23.7 million tons.

WORLD RAW SUGAR PRICE



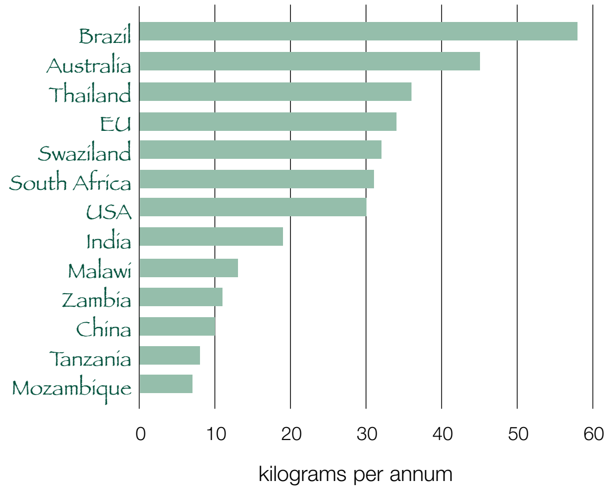
The world sugar price rose in June 2008 as a result of a forecast deficit in global production, but then weakened in line with other commodities. However, in recent months the price increased strongly, driven by significant production declines in major sugar producing countries, most notably India. This has resulted in a material global deficit in production being anticipated, thereby creating a platform for higher sugar prices.

PREFERENTIAL PRICES (FREE ON BOARD)



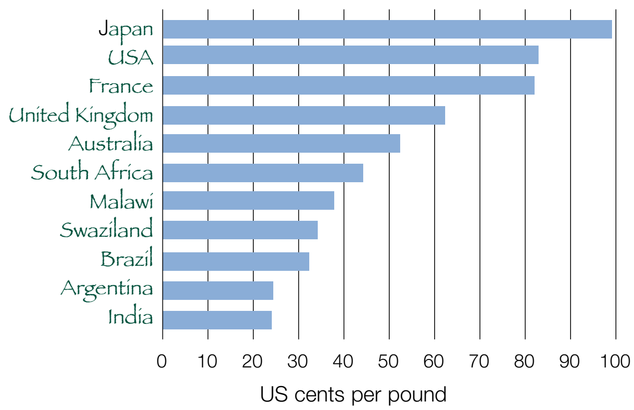
Whilst EU prices have decreased as a result of the recent sugar regime reform in that region, they still remain at a significant premium to the world sugar price. A uniform price is paid for both ACP (African, Caribbean and Pacific) and EBA / LDC (Everything But Arms / Least Developed Country) sugar protocol exports.

PER CAPITA CONSUMPTION 2008/09 est.



Prospects for long-term consumption growth in Southern African countries remain good.

DOMESTIC RETAIL SUGAR PRICES 2008/09 est.



Sugar prices in the South African Customs Union remain substantially below those of some developed nations.

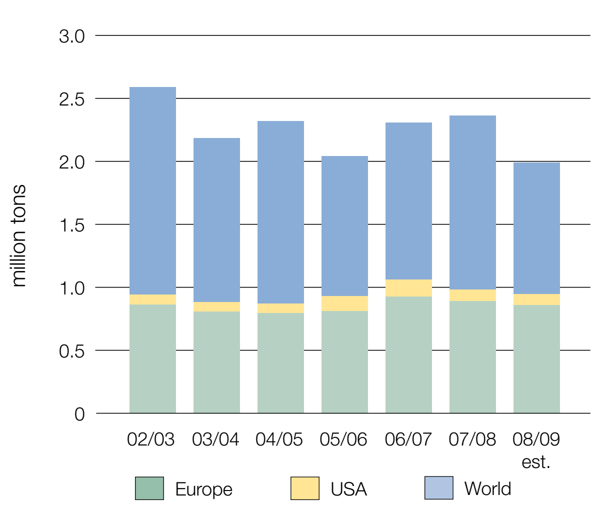
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY STATISTICS

The SADC sugar season runs from April to March

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

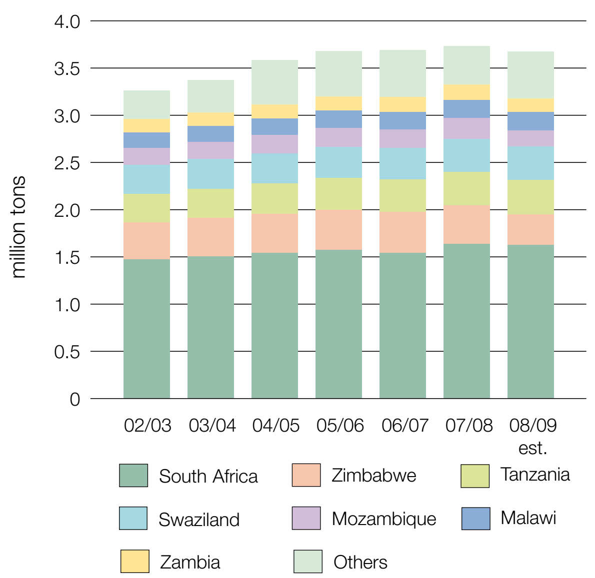
SADC countries	Sugar producers
Angola	
Botswana	
D R Congo	
Lesotho	
Madagascar	
Malawi	
Mauritius	
Mozambique	
Namibia	
Seychelles	
South Africa	
Swaziland	
Tanzania	
Zambia	
Zimbabwe	

EXPORT MARKETS



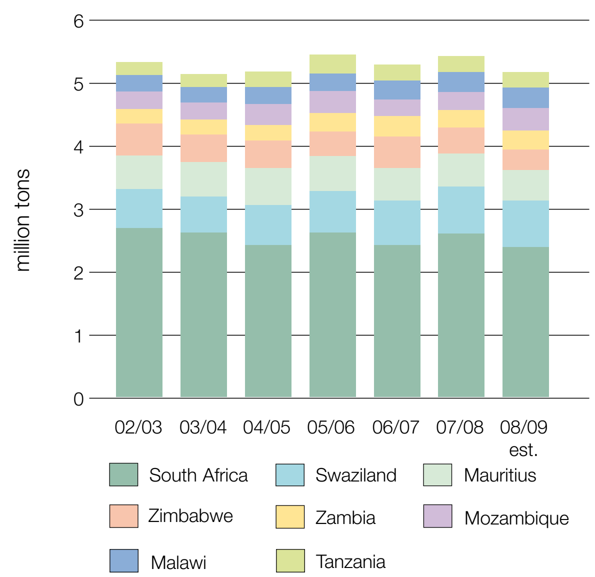
Exports to premium-priced markets in the EU and USA are very important to SADC sugar producing countries.

LOCAL CONSUMPTION



Annual sugar consumption across the SADC region was forecast to remain above 3.5 million tons.

SUGAR PRODUCTION BY COUNTRY

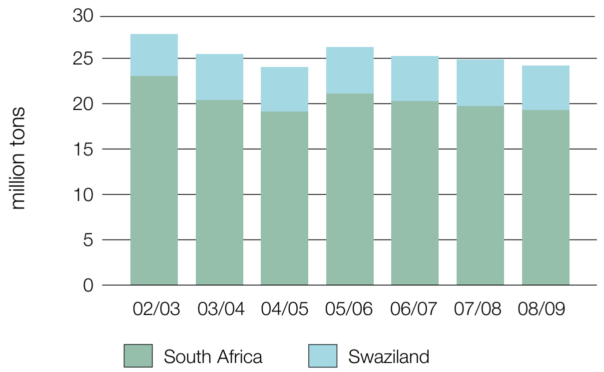


Approximately 5.2 million tons of sugar was estimated to be produced by SADC countries in 2008/09.

SOUTH AFRICAN CUSTOMS UNION STATISTICS

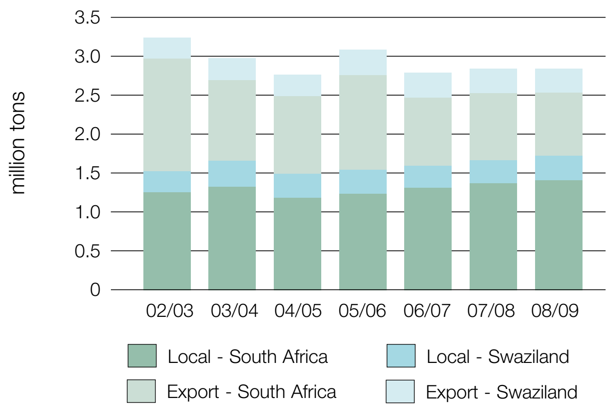
The Southern African sugar season runs from April to March

CANE PRODUCTION



Total cane production in the SACU region amounted to 24.2 million tons, slightly lower than that of the previous season due primarily to weather related factors.

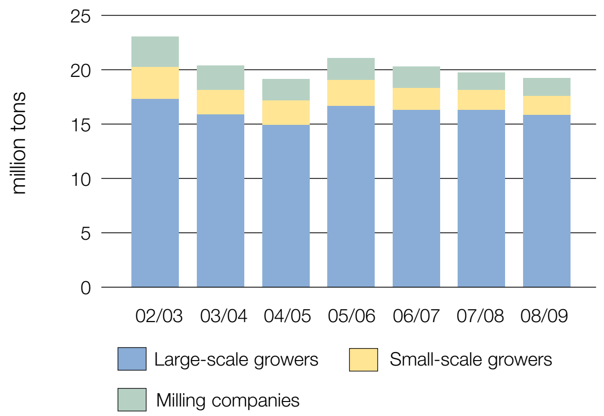
SUGAR PRODUCTION AND MARKETS



The export availability of both Swaziland and South Africa was again marginally reduced due to increased domestic sales.

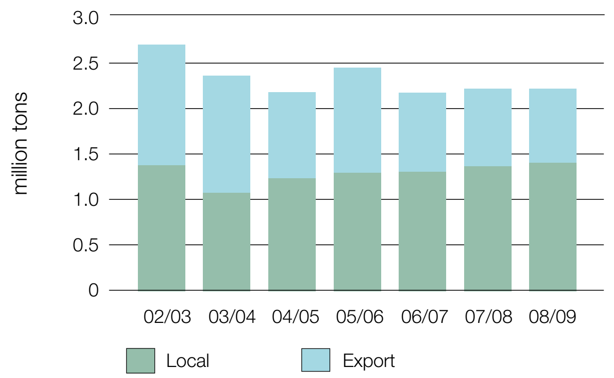
SOUTH AFRICAN STATISTICS

CANE PRODUCTION



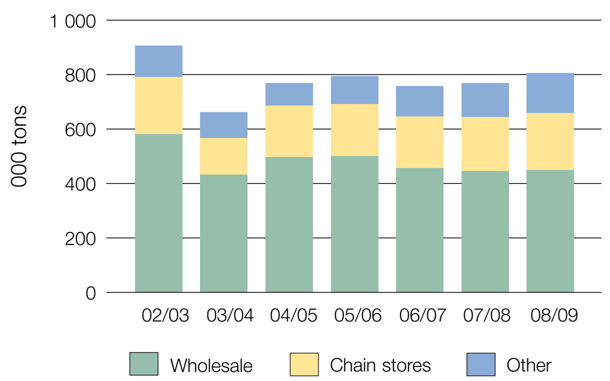
Cane production in 2008/09 amounted to 19.2 million tons, representing a marginal reduction compared to the previous season due to drier growing conditions. However, over the longer term, annual production is also being affected by the employment of traditional cane growing regions for other uses and by the uncertainty created by unsettled land claims.

SUGAR PRODUCTION AND MARKETS



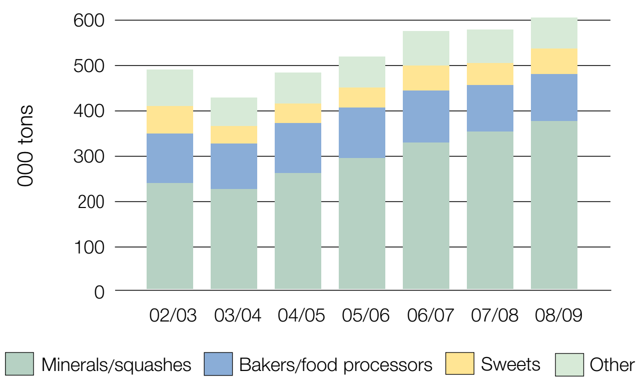
Sugar production of 2.3 million tons in South Africa was similar to last year, benefiting from conducive conditions during the crushing season.

CONSUMER MARKET SALES



Domestic sales growth continued in 2008/09, despite the increased presence of duty-paid imports in this sector of the market.

INDUSTRIAL MARKET SALES

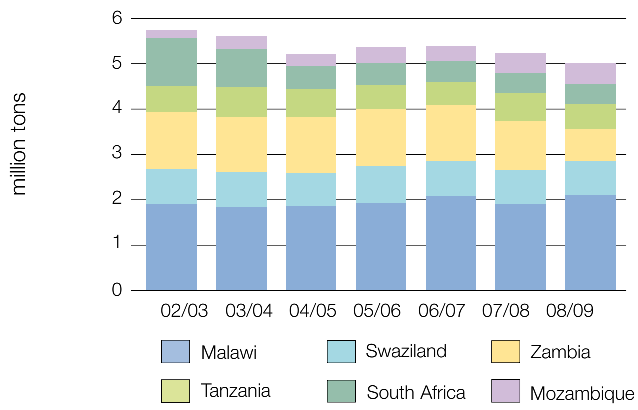


Good demand from manufacturers of sugar-containing products during 2008/09 resulted in increased industrial sales.

ILLOVO GROUP STATISTICS

The group sold its operation in the USA in 2004.

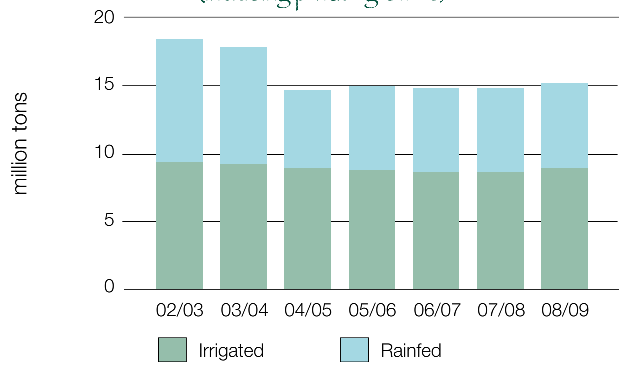
CANE PRODUCTION



Overall, the agricultural operations performed well, with record cane production achieved at both estates in Malawi, and increased sucrose content recorded in all countries of operation except South Africa. Cane deliveries in Zambia were negatively impacted by factory operating difficulties and an exceptionally wet end to the season.

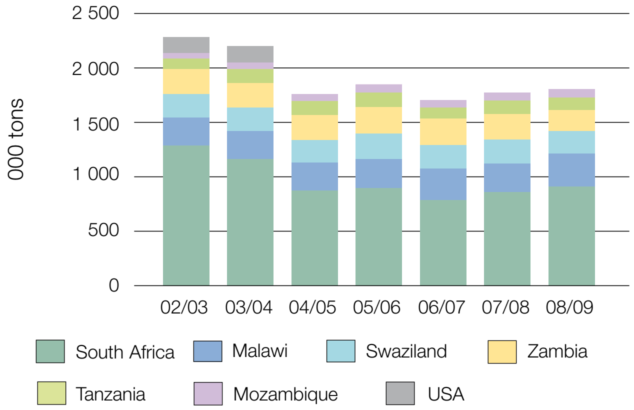
RAW MATERIAL THROUGHPUT

(including private growers)



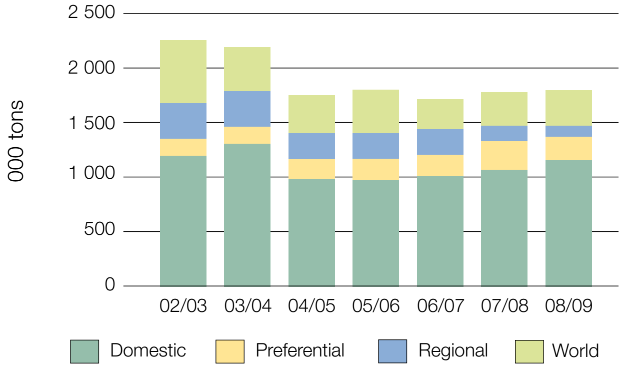
Approximately 55% of cane throughput supplied by the group's own agricultural operations and by private growers is cultivated under irrigation. Excluding South Africa, this percentage increases to 91%.

SUGAR PRODUCTION



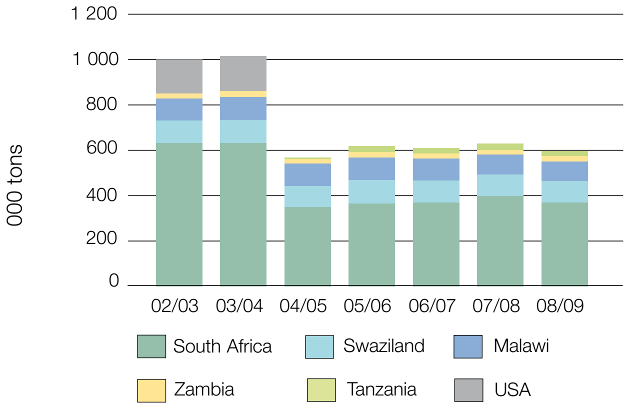
Record sugar production was achieved in Malawi and Mozambique. Unfortunately, disappointing factory performance and very wet weather at the end of the season in Zambia, impacted on overall sugar production of 1.824 million tons.

GROUP MARKETS



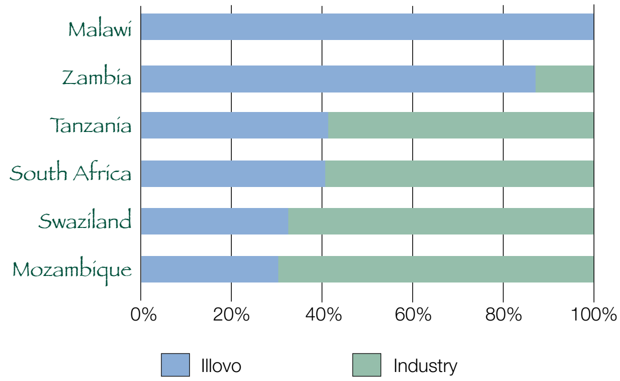
The group supplies sugar products to domestic, preferential, regional and world markets. A significant strength of the group was that 76% of sugar production by volume and 91% by value was sold into the domestic or premium-priced export markets.

REFINED SUGAR PRODUCTION



Group refined sugar production in 2008/09 amounted around 600 million tons, slightly below that of the previous season due to reduced output in South Africa and Tanzania.

ILLOVO SHARE OF INDUSTRY PRODUCTION



Consistant with its Strategic Intent, Illovo commands a significant share of production in each of the countries in which it operates.

Contents

2009

Approval of annual financial statements

for the year ended 31 March 2009

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 International Financial Reporting Standards and the Companies Act, 1973, are examined by independent auditors in conformity with International Standards on Auditing.

An audit committee of the board of directors, chaired by a non-executive independent 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 63 to 103, were approved by the board of directors on 26 May 2009 and are signed on its behalf by -

R A Williams
Chairman

G J Clark
Managing Director

Auditor's report

Independent auditor's report to the members of Illovo Sugar Limited

Report on the financial statements

We have audited the annual financial statements and the group annual financial statements of Illovo Sugar Limited, which comprise the statutory information, the balance sheet and the consolidated balance sheet at 31 March 2009, the income statement and the consolidated income statement, the cash flow statement and the consolidated cash flow statement, the statement of changes in equity and the consolidated statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 103.

Directors' responsibility for the financial statements

The company's directors are responsible for overseeing the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 March 2009 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973.

Deloitte & Touche
Registered Auditors

Per C A Sagar	Durban	2 Pencarrow Crescent
Partner	26 May 2009	La Lucia Ridge Office Estate, Durban

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Tax & Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), C R Beukman (Finance), T J Brown (Clients & Markets), N T Mtoba (Chairman of the Board).

Regional Leader: G C Brazier

Lodgement of returns with the Registrar of Companies

I hereby certify that for the year ended 31 March 2009, 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, and that all such returns are true, correct and up to date.

G D Knox	Mount Edgecombe
Company Secretary	26 May 2009

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 14 to 30.

Acquisitions and disposals

During the year under review, the company sold the Umfolozi sugar mill on the north coast of KwaZulu-Natal to a grower consortium, effective 31 March 2009.

Share capital

Full details of the current authorised and issued share capital are set out in note 24 to the financial statements on page 90.

During the year under review, the issued ordinary share capital of the company increased by 1 065 102 shares to 350 923 902 shares as a result of options being exercised in terms of the Illovo Sugar 1992 Share Option Scheme.

It is intended that a rights issue be undertaken by the company to raise fresh capital to provide for current and longer term growth plans. Shareholders will be advised further as this matter is progressed, and an enabling resolution in this regard is to be considered at the forthcoming annual general meeting.

Shareholders

An analysis of shareholders and their shareholdings is given on page 104.

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 2009 revealed three beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 104.

Illovo Sugar 1992 Share Option Scheme

During the financial year ended 31 March 2006, the introduction of the Illovo Sugar Phantom Share Scheme, which is more fully explained on pages 63 and 64, replaced the further granting of share options in terms of the Illovo Sugar 1992 Share Option Scheme (the option scheme). The option scheme, however, continues to operate relative to share options previously granted.

The Remuneration / Nomination Committee previously approved the granting of all share options in terms of the option scheme. Vesting periods for the share options are one-third after three years, two-thirds after four years, and the full allocation after five years, with the maximum period for the exercising of options being ten years. In terms of the rules of the option scheme, all share options were granted at the closing market price of the shares on the JSE Limited on the trading day immediately preceding the day on which the relevant options were granted.

As approved at the annual general meeting of members held on 17 July 2002, a total of 33 000 000 ordinary shares were reserved and placed under the control of the directors for the purpose of the option scheme.

Options granted to executive directors and senior managers as at 31 March 2009 comprise –

	No. of shares
Options granted and unexpired as at 1 April 2008	27 866 400
Less : Options forfeited during the year under review	(41 300)
Options granted and unexpired as at 31 March 2009	27 825 100

The option scheme, other than the future exercising of existing unexpired options, has been closed.

During the year under review, options were exercised in respect of 1 065 102 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 25 281 002.

The options granted, and unexpired and unexercised as at 31 March 2009 are categorised as –

No. of shares	Expiry date	Option price (cents)
176 600	29 August 2009	562
61 200	11 July 2010	443
88 800	12 September 2010	520
251 200	6 June 2011	650
363 898	20 May 2012	805
841 700	20 May 2013	680
760 700	1 June 2014	770
2 544 098		

Details of options previously granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2009, are provided in the Remuneration Report on page 36.

Illovo Sugar Phantom Share Scheme

The board approved the adoption of the Illovo Sugar Phantom Share Scheme (the phantom scheme) in 2005, and in 2007 introduced certain performance hurdles related to the future earnings of the company.

Whilst the rules of the phantom scheme are modelled on those of the option scheme, the important difference is that options under the phantom scheme are "cash settled" rather than "equity settled". The vesting periods remain unchanged; one-third becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date, with the maximum period for the exercising of options being ten years.

In terms of the rules of the phantom scheme, the grant price of an option is determined as being equal to the average of the closing market prices of Illovo shares on the JSE Limited for the 30 trading days immediately preceding the grant date of the relevant option. The cash settlement amount of an option is equal to the difference between the closing market price of Illovo shares on the date upon which an option is exercised and the grant price. The participants will receive the equivalent net proceeds as under the option scheme, but without incurring broking fees which are payable under the option scheme upon the disposal of shares.

The advantages to the company in adopting the phantom scheme include –

- no necessity to issue new shares when options are exercised, i.e. no share dilution;
- ease of administration; and
- tax effectiveness of expense in the hands of the company (expensing of conventional options not being tax deductible).

The Remuneration / Nomination Committee approves the granting of all share options in terms of the phantom scheme.

Options granted to executive directors and senior managers as at 31 March 2009 comprise –

	No. of shares
Options granted and unexpired as at 1 April 2008	4 187 250
New options granted during the year under review	1 431 250
Less : Options forfeited during the year under review	(229 500)
Options granted and unexpired as at 31 March 2009	5 389 000

During the year under review, 198 600 options were exercised.

The options granted, and unexpired and unexercised as at 31 March 2009 are categorised as –

No. of shares	Expiry date	Option price (cents)
1 773 650	12 July 2015	829
945 500	29 October 2016	1 634
1 081 500	23 July 2017	2 364
1 389 750	9 July 2018	2 867
5 190 400		

Details of options granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2009 are provided in the Remuneration Report on page 37.

Illovo Sugar Employees' Share Purchase Scheme

The Illovo Sugar Employees' Share Purchase Scheme (the purchase scheme) was established in 1996 to give employees the opportunity of sharing directly in the profitability and growth of the company by assisting them to acquire shares in the company. Subject to exchange control regulations, the purchase scheme is available to all permanent employees, except directors and those employees who are participants in the option scheme or the phantom scheme.

Any contribution made by an employee for the purchase of shares is enhanced by a 10% company contribution, and the company pays for any trading costs. Either by means of regular salary deductions or once-off payments, employees may acquire up to 5 000 shares in the aggregate and 1 000 shares in a continuous 12 month period.

The purchase scheme is administered by a trust, the trustees of which are appointed by the board.

During the year under review, the trustees of the purchase scheme undertook net purchases of 12 842 shares in the company thereby increasing the total number of shares held to 113 983. Of these shares, which are all registered in the name of the trustees, 113 981 are held on behalf of 384 participants. All such shares have been fully paid for by the participants.

A similar purchase scheme is operated in Malawi in respect of shares in Illovo Sugar (Malawi) Limited.

Dividends

An interim ordinary dividend (No. 34) of 41.5 cents per share was declared on 12 November 2008, and a final ordinary dividend (No. 35) of 64.5 cents per share was declared on 26 May 2009, making the total distribution for the year 106.0 cents per share.

The interim dividend was paid on 12 January 2009 and the final dividend will be paid on 13 July 2009.

Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 14 to the financial statements on page 86.

Directorate and secretary

The names of the directors in office at the date of this report are set out on page 6 and 7 of this report, whilst the name of the secretary along with the company's business and postal addresses are set out on inside the back cover.

Mrs C W N Molope was appointed as a non-executive independent director on 16 September 2008, whilst Mrs I N Mkhize resigned and Mr J T Russell retired as directors on 31 March 2009. Mr D G MacLeod retired as Managing Director on 31 March 2009 and became a non-executive director and Deputy Chairman on 1 April 2009. Mr G J Clark was appointed as Managing Director with effect from 1 April 2009. Messrs D L Haworth and L W Riddle were appointed as executive directors with effect from 1 April 2009.

The proposal to confirm the appointments of Mrs Molope and Messrs Haworth and Riddle is to be considered at the forthcoming annual general meeting.

Mr R A Norton will retire at the forthcoming annual general meeting, from which date Mr M J Shaw will succeed Mr Norton as Chairman of the Remuneration Committee.

In terms of the company's articles of association, Messrs G J Clark, D R Langlands, P A Lister, B M Stuart, R A Williams and Dr M I Carr retire by rotation at the forthcoming annual general meeting. All these directors are eligible and offer themselves for re-election. The executive directors, including those proposed for re-election, are employed in terms of indefinite period service contracts, with notice periods of less than one year.

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 2009 were as follows –

	2009		2008	
	Direct	**Indirect**	Direct	Indirect
Clark G J	**75 000**		14 698	
Connellan B P	**12 358**	**1 588**	12 358	1 588
Hankinson M J	**3 000**		n/a	
MacLeod D G	**300 000**		300 000	
Stuart B M	**62 908**		62 908	
Williams R A	**18 223**	**3 479**	18 223	3 479
	471 489	**5 067**	408 187	5 067
Total	**476 556**		413 254	

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

There have been no changes in the above interests since the end of the year under review.

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 forthcoming annual general meeting, members will be requested to approve increases in the fees payable to non-executive directors with effect from 1 April 2009 as follows –

	Rands per annum	
	Current	Proposed
Board :		
Chairman *	1 640 000	1 820 000
Deputy Chairman *	–	1 200 000
Other members	150 000	180 000
Audit Committee :		
Chairman	118 000	135 000
Other members	70 000	78 000
Remuneration / Nomination Committee :		
Chairman	94 000	105 000
Other members	70 000	78 000
Risk Management Committee :		
Chairman	77 000	86 000
Other members	60 000	67 000

* Fees inclusive of committee membership fees and payable monthly in arrears. All other fees are paid quarterly in arrears.

Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51% interest in its issued share capital. ABF Overseas Limited is a wholly-owned subsidiary of Associated British Foods plc which is therefore the ultimate holding company of Illovo Sugar Limited. Associated British Foods plc is listed on the London Stock Exchange.

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

A number of special resolutions were passed by certain subsidiary companies during the year under review, but are not considered to deal with material matters which would affect the understanding of the group.

Post balance sheet events

On 9 April 2009, it was announced that –

- an agreement to sell the Pongola sugar mill to TSB Sugar RSA Limited had been concluded, subject to approval by the Competition Commission;
- the company had acquired a 30% shareholding in and would provide technical services to a new business entity which had purchased the Gledhow sugar mill unencumbered, previously wholly-owned by Ushukela Milling (Proprietary) Limited (Ushukela). The other shareholders in this new business entity comprise Ushukela, a consortium of supplying cane growers and Sappi Manufacturing (Proprietary) Limited;
- the group had, subject to approval by the Zambia Competition Commission and other regulatory authorities, acquired a majority stake in a cane growing company currently producing 325 000 tons of cane per annum with the potential to further increase output. This operation delivers its cane to the Nakambala sugar mill of Zambia Sugar Plc.

Income statements for the year ended 31 March 2009

	Notes	Group March 2009 Rm	Group March 2008 Rm	Company March 2009 Rm	Company March 2008 Rm
Revenue	4	**8 601.7**	6 794.1	**3 762.0**	3 033.9
Cost of sales		**5 500.7**	4 401.9	**3 087.4**	2 435.2
Gross profit		**3 101.0**	2 392.2	**674.6**	598.7
Distribution expenses		**540.6**	434.6	**197.7**	184.4
Administrative expenses		**926.7**	694.7	**320.6**	208.8
Other operating expenses/(income)		**247.5**	198.4	**(13.4)**	(0.1)
Operating profit	5	**1 386.2**	1 064.5	**169.7**	205.6
Dividend income		**1.7**	1.3	**15.3**	563.5
Net financing costs	6	**185.4**	171.7	**181.6**	149.4
Interest paid		**230.6**	208.5	**203.8**	155.0
Interest received		**(44.5)**	(37.9)	**(22.2)**	(5.6)
Foreign exchange (gains)/losses		**(0.7)**	1.1	**–**	–
Profit before taxation and material items		**1 202.5**	894.1	**3.4**	619.7
Material items	7	**0.3**	(0.1)	**–**	54.3
Profit before taxation		**1 202.8**	894.0	**3.4**	674.0
Taxation	8	**238.9**	140.7	**32.5**	38.4
Profit/(loss) for the year		**963.9**	753.3	**(29.1)**	635.6
Attributable to:					
Shareholders of Illovo Sugar Limited		**739.1**	599.8	**(29.1)**	635.6
Minority interest		**224.8**	153.5		
		963.9	753.3	**(29.1)**	635.6
Earnings per share (cents)*					
Basic		**210.9**	171.7		
Diluted		**209.8**	170.5		

* See note 10 for headline earnings per share.

Balance sheets at 31 March 2009

	Notes	Group March 2009 Rm	Group March 2008 Rm	Company March 2009 Rm	Company March 2008 Rm
ASSETS					
Non-current assets		**5 424.2**	3 931.9	**2 026.0**	1 960.4
Property, plant and equipment	11	**4 025.9**	2 968.1	**673.6**	656.6
Cane roots	12	**1 132.3**	821.7	**96.6**	84.9
Product registrations	13	**61.8**	46.4	**61.8**	46.4
Investment in subsidiaries	14			**1 165.1**	1 165.1
Investment in associates	15			**–**	–
Investment in joint ventures	16			**0.6**	1.1
Investments	17	**14.8**	10.1	**1.6**	1.2
Loans	18	**135.4**	80.2	**26.7**	5.1
Deferred taxation asset	31	**54.0**	5.4	**–**	–
Current assets		**3 549.8**	3 512.4	**1 318.1**	1 290.4
Inventories	19	**513.8**	407.2	**137.2**	119.6
Growing cane	20	**1 222.9**	948.5	**90.2**	75.5
Trade and other receivables	21	**756.3**	782.7	**447.0**	454.4
Factory overhaul costs	22	**212.0**	197.9	**94.8**	80.3
Derivative financial instruments	23	**189.2**	18.2	**184.2**	18.2
Amounts due by subsidiaries	14			**213.8**	66.0
Cash and cash equivalents		**655.6**	1 157.9	**150.9**	476.4
Total assets		**8 974.0**	7 444.3	**3 344.1**	3 250.8
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Illovo Sugar Limited		**2 773.8**	2 373.3	**1 088.4**	1 428.1
Share capital and premium	24	**367.5**	361.0	**367.5**	361.0
Share-based payment reserve	25	**13.1**	12.6	**13.1**	12.6
Non-distributable reserves	26	**396.5**	412.4	**328.1**	316.3
Dividend reserve	27	**226.3**	183.7	**226.3**	183.7
Retained earnings	28	**1 770.4**	1 403.6	**153.4**	554.5
Minority interest		**671.2**	555.6		
Total equity		**3 445.0**	2 928.9	**1 088.4**	1 428.1
Non-current liabilities		**1 885.6**	1 835.9	**130.5**	129.1
Long term borrowings	29	**1 130.5**	1 191.5	**–**	–
Deferred taxation liability	31	**755.1**	644.4	**130.5**	129.1
Current liabilities		**3 643.4**	2 679.5	**2 125.2**	1 693.6
Short term borrowings	30	**1 803.4**	1 052.0	**1 138.8**	977.3
Trade and other payables	32	**1 310.9**	1 194.1	**615.5**	461.7
Bank overdraft		**132.8**	82.7	**0.5**	–
Taxation		**114.5**	102.3	**–**	–
Provisions	33	**276.6**	239.8	**172.8**	148.2
Amounts due to subsidiaries	14			**192.4**	97.8
Derivative financial instruments	23	**5.2**	8.6	**5.2**	8.6
Total liabilities		**5 529.0**	4 515.4	**2 255.7**	1 822.7
Total equity and liabilities		**8 974.0**	7 444.3	**3 344.1**	3 250.8

Statement of changes in equity

	Share capital and premium Rm	Share based payment reserve Rm	Translation reserve Rm	Other non-distributable reserves Rm
Group				
Balance at 31 March 2007	354.5	10.9	39.8	106.5
Net gains and losses not recognised in the income statement:-	–	1.7	269.5	(3.4)
Change in shareholding				
Adjustments for cash flow hedges				(3.4)
Currency translation differences			269.5	
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	309.3	103.1
Net gains and losses not recognised in the income statement:-	**–**	**0.5**	**(33.0)**	**17.1**
Realised surplus - disposal of land				**0.3**
Change in shareholding				
Adjustments for cash flow hedges				**16.8**
Currency translation differences			**(33.0)**	
Recognition of share-based payments		**0.5**		
Transfer to dividend reserve				
Profit for the year				
Dividends paid				
Issue of share capital	**6.5**			
Balance at 31 March 2009	**367.5**	**13.1**	**276.3**	**120.2**
Company				
Balance at 31 March 2007	354.5	10.9	–	320.1
Net gains and losses not recognised in the income statement:-	–	1.7	–	(3.8)
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Adjustments for cash flow hedges				(3.8)
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	–	316.3
Net gains and losses not recognised in the income statement:-	**–**	**0.5**	**–**	**11.8**
Recognition of share-based payments		**0.5**		
Transfer to dividend reserve				
Adjustments for cash flow hedges				**11.8**
Profit for the year				
Dividends paid				
Issue of share capital	**6.5**			
Balance at 31 March 2009	**367.5**	**13.1**	**–**	**328.1**

Dividend reserve Rm	Retained surplus Rm	Attributable to the shareholders of Illovo Sugar Limited Rm	Minority interest Rm	Total Rm
157.0	1 103.0	1 771.7	456.6	**2 228.3**
299.2	(299.2)	267.8	59.9	**327.7**
		–	3.1	**3.1**
		(3.4)		**(3.4)**
		269.5	56.8	**326.3**
		1.7		**1.7**
299.2	(299.2)	–		**–**
	599.8	599.8	153.5	**753.3**
(272.5)		(272.5)	(114.4)	**(386.9)**
		6.5		**6.5**
183.7	1 403.6	2 373.3	555.6	**2 928.9**
372.0	**(372.3)**	**(15.7)**	**10.6**	**(5.1)**
	(0.3)	**–**		**–**
		–	**3.9**	**3.9**
		16.8		**16.8**
		(33.0)	**6.7**	**(26.3)**
		0.5		**0.5**
372.0	**(372.0)**	**–**		**–**
	739.1	**739.1**	**224.8**	**963.9**
(329.4)		**(329.4)**	**(119.8)**	**(449.2)**
		6.5		**6.5**
226.3	**1 770.4**	**2 773.8**	**671.2**	**3 445.0**
157.0	218.1	1 060.6		
299.2	(299.2)	(2.1)		
		1.7		
299.2	(299.2)	–		
		(3.8)		
	635.6	635.6		
(272.5)		(272.5)		
		6.5		
183.7	554.5	1 428.1		
372.0	**(372.0)**	**12.3**		
		0.5		
372.0	**(372.0)**	**–**		
		11.8		
	(29.1)	**(29.1)**		
(329.4)		**(329.4)**		
		6.5		
226.3	**153.4**	**1 088.4**		

Cash flow statements for the year ended 31 March 2009

	Notes	Group March 2009 Rm	Group March 2008 Rm	Company March 2009 Rm	Company March 2008 Rm
Cash flows from operating activities					
Operating profit before working capital movements	a	**1 206.9**	1 055.0	**237.3**	307.5
Working capital movements	b	**362.8**	46.2	**(24.3)**	(101.7)
Cash generated from operations		**1 569.7**	1 101.2	**213.0**	205.8
Net financing costs		**(185.4)**	(171.7)	**(181.6)**	(149.4)
Taxation paid	c	**(230.3)**	(151.6)	**(40.2)**	(37.7)
Dividends income		**1.7**	1.3	**15.3**	563.5
Dividends paid	d	**(449.2)**	(386.9)	**(329.4)**	(272.5)
Net cash inflow/(outflow) from operating activities		**706.5**	392.3	**(322.9)**	309.7
Cash flows from investing activities					
Replacement of property, plant and equipment		**(169.5)**	(154.9)	**(74.1)**	(41.7)
Expansion capital expenditure		**(1 496.2)**	(837.0)	**(1.9)**	(3.6)
Expansion of area under cane		**(200.3)**	–	**–**	–
Capitalisation of product registrations		**(15.4)**	(11.7)	**(15.4)**	(11.7)
Proceeds on disposal of plant and equipment		**4.0**	2.3	**0.7**	1.5
Proceeds on disposal of properties		**0.6**	–	**0.1**	–
Research expenditure		**(33.9)**	(20.8)	**(30.8)**	(20.8)
Acquisition of investments		**–**	–	**–**	(309.7)
Acquisition of businesses	e	**–**	–	**–**	–
Proceeds on disposal of business	f	**120.0**	–	**120.0**	–
Other movements		**–**	(2.8)	**–**	–
Net movement on investments and loans		**(43.0)**	(12.6)	**(16.6)**	41.7
Net cash outflow from investing activities		**(1 833.7)**	(1 037.5)	**(18.0)**	(344.3)
Net cash outflow before financing activities		**(1 127.2)**	(645.2)	**(340.9)**	(34.6)
Cash flows from financing activities					
Long term borrowings raised		**170.6**	796.4	**–**	–
Short term borrowings raised/(repaid)		**482.0**	(64.5)	**8.9**	2.3
Capitalised finance leases repaid		**–**	(0.6)	**–**	–
Proceeds from issue of share capital	g	**6.5**	6.5	**6.5**	6.5
Net cash inflow from financing activities		**659.1**	737.8	**15.4**	8.8
Net (decrease)/increase in cash and cash equivalents		**(468.1)**	92.6	**(325.5)**	(25.8)
Cash and cash equivalents					
at beginning of the year	h	**1 123.7**	1 065.3	**476.4**	502.2
at end of the year		**655.6**	1 157.9	**150.9**	476.4

Notes to the cash flow statements

	Group		Company	
	2009 **Rm**	2008 Rm	**2009** **Rm**	2008 Rm
a Operating profit movements is calculated as follows:				
Operating profit	**1 386.2**	1 064.5	**169.7**	205.6
Material items	**0.3**	(0.1)	**–**	54.3
Total income	**1 386.5**	1 064.4	**169.7**	259.9
Add back: Depreciation	**215.2**	151.7	**63.2**	56.1
Change in fair value of cane roots	**(134.3)**	(80.1)	**(11.7)**	(7.1)
Change in fair value of growing cane	**(297.2)**	(101.4)	**(14.7)**	(24.0)
(Profit)/loss on disposal of properties	**(0.3)**	0.1	**–**	–
Loss/(profit) on disposal of plant and equipment	**2.6**	(2.2)	**(0.5)**	0.1
Research expenditure	**33.9**	20.8	**30.8**	20.8
Share-based payments expense	**0.5**	1.7	**0.5**	1.7
Operating profit before working capital movements	**1 206.9**	1 055.0	**237.3**	307.5
b Working capital movements comprise the following:				
Inventories	**(122.8)**	(29.8)	**(17.5)**	(6.6)
Trade and other receivables	**(113.7)**	(99.8)	**(219.7)**	(26.6)
Factory overhaul costs	**(21.3)**	(15.7)	**(15.6)**	(7.6)
Trade and other payables	**620.6**	191.5	**228.5**	(60.9)
Working capital movements	**362.8**	46.2	**(24.3)**	(101.7)
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	**(77.7)**	(96.0)	**12.4**	9.5
Translation rate adjustment	**(8.7)**	(7.5)		
Per income statements (excluding deferred taxation)	**(229.2)**	(125.8)	**(35.6)**	(34.8)
Amounts unpaid/(overpaid) at end of year, net of overpayments	**85.3**	77.7	**(17.0)**	(12.4)
Total taxation paid	**(230.3)**	(151.6)	**(40.2)**	(37.7)
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 9 to the financial statements)	**(329.4)**	(272.5)	**(329.4)**	(272.5)
Dividends paid to outside shareholders of subsidiary companies	**(119.8)**	(114.4)		
Total dividends paid	**(449.2)**	(386.9)	**(329.4)**	(272.5)
e Acquisition of businesses				
The fair value of the assets acquired and liabilities assumed of businesses acquired were as follows:				
Property, plant and equipment	**110.1**	–	**110.1**	–
Inventories	**6.7**	–	**6.7**	–
Trade and other receivables	**2.6**	–	**116.8**	–
Factory overhaul costs	**8.9**	–	**8.9**	–
Trade and other payables	**(3.2)**	–	**(46.7)**	–
Net asset value acquired	**125.1**	–	**195.8**	–
Portion of purchase price paid by releasing the seller's obligation	**(125.1)**	–	**(125.1)**	–
Portion of purchase price settled through inter-company	**–**	–	**(70.7)**	–
Cash cost of acquisition	**–**	–	**–**	–

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
f Proceeds on disposal of business				
The fair value of the assets and liabilities of the business disposed of were as follows:				
Property, plant and equipment	**105.6**	–	**105.6**	–
Inventories	**6.6**	–	**6.6**	–
Factory overhaul costs	**10.0**	–	**10.0**	–
Trade and other payables	**(2.2)**	–	**(2.2)**	–
Net asset value disposed of	**120.0**	–	**120.0**	–
Profit on disposal of business	**–**	–	**–**	–
Net proceeds on disposal of business	**120.0**	–	**120.0**	–
g Proceeds from issue of share capital				
During the year the company issued 1 065 102 (2008: 991 000) new shares.	**6.5**	6.5	**6.5**	6.5
h Cash and cash equivalents at beginning of year				
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	**1 157.9**	973.7	**476.4**	502.2
Translation adjustment on opening balance of cash and cash equivalents	**(34.2)**	91.6		
Per the cash flow statement	**1 123.7**	1 065.3	**476.4**	502.2

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. This is consistent with the prior year.

The principal accounting policies adopted are set out below.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

1.2 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised but is tested for impairment at each balance sheet date and impairments are written off in the income statement. Goodwill impairments are not reversed.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

1.3 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are not recognised unless there is a commitment or guarantee that requires further funding.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

1.4 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control: that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease.

1.7 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.9 Retirement benefit costs

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

Contributions to defined contribution retirement benefit plans are expensed as they fall due. Contributions made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets, are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on the straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

All plans are funded. Funding shortfalls arising in defined benefit 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 against.

Historically, qualifying employees have been granted certain post-retirement medical benefits. Although the post-retirement medical benefit option is now closed, a liability still exists in respect of current and retired employees to whom the benefit was granted. These costs are provided on the accrual basis, determined actuarially.

1.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy.

Depreciation is charged so as to write off the cost of assets to their residual value over their estimated useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use and is calculated at rates appropriate in terms of management's current assessment of useful lives and residual values. Land is not depreciated.

Management reviews the residual values annually, considering market conditions and projected disposal values. In the annual assessment of useful lives, maintenance programmes and technological innovations are considered.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.12 Cane roots and growing cane

Cane roots and growing cane are valued at fair value determined on the following bases:

Cane roots - the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.

Growing cane - the estimated sucrose content at 31 March valued at the estimated sucrose price for the following season, less the estimated costs of harvesting and transport.

1.13 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 over its expected useful life being the duration of one sugar season.

1.14 Research and development expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

1.15 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.

1.16 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except in the case of downstream products where the first in first out basis is used. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

1.18 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the value of the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The significant interest rate risk arises from bank loans. When appropriate the group converts a proportion of its floating rate debt to fixed rates. The group designates these as cash flow hedges of interest rate risk.

The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The group's policy with regard to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts are accounted for as insurance contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

1.19 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.20 Share-based payments

The group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

1.21 Segmental analysis

Segment reporting is presented in respect of the group's business and geographic segments. The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics. Inter-segment pricing is determined on an arm's length basis.

Segments results; assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segmental capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

The group is comprised of the following business segments:

Cane growing - the processing of sugar cane for use in the sugar production process,
Sugar production – the manufacture of sugar from cane, and
Downstream operations – the manufacture and sale of downstream products including syrup, furfural and alcohol.

The secondary format presents the revenues, profits and assets for the countries in which the group operates.

2 INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE, BUT NOT YET EFFECTIVE

At the date of approval of these financial statements, the following relevant Standards and Interpretations were in issue, but not yet effective:

- IFRS 2 Share-based payment - Amendment relating to vesting conditions and cancellations.
- IFRS 3 Business combinations - Consequential amendments arising from amendments to IAS 27, IAS 28 and IAS 31.
- IFRS 8 - Operating segments
- IAS 1 - Presentation of financial statements
- IAS 23 - Borrowing costs
- IAS 32 - Financial instruments: presentation
- IAS 39 - Financial instruments: recognition and measurement
- IFRIC 16 - Hedges of a net investment in foreign operation
- IFRIC 17 - Distribution of non-cash assets to owners

The group is in the process of evaluating the effects of these new standards and, whilst they are not expected to have a significant impact on the group's results, additional disclosures may be required.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical accounting judgements made by management

In the process of applying the group's accounting policies, management has made the following judgement, apart from those involving estimations, that affect the amounts recognised in the financial statements and related disclosure:

- ***Impairment of assets***
  In making its judgement, management has assessed at each balance sheet date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

3.2 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date:

- ***Property, plant and equipment residual values and useful lives***
  These assets are written down to their estimated residual values over their anticipated useful lives using the straight-line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 11 to the financial statements.

- ***Cane roots valuation***
  The escalated average cost of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The key assumptions and carrying value of cane roots are disclosed in note 12 to the financial statements.

- ***Growing cane valuation***
  Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programs. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates. The key assumptions and carrying value of growing cane are disclosed in note 20 to the financial statements.

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the balance sheet date, that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 REVENUE

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Revenue represents the proceeds from:				
– Sugar production	**6 250.7**	4 859.9	**3 040.1**	2 406.4
– Cane growing	**1 712.4**	1 358.2	**111.7**	97.4
– Downstream	**638.6**	576.0	**610.2**	530.1
	8 601.7	6 794.1	**3 762.0**	3 033.9
Includes revenue from exports outside country of origin of:	**2 535.1**	2 323.6	**1 153.9**	866.7

Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.

5 OPERATING PROFIT

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Operating profit has been determined after taking into account the following items:				
Depreciation	**215.2**	151.7	**63.2**	56.1
– buildings	**10.1**	6.4	**5.4**	4.6
– leasehold properties	**15.8**	8.4	**–**	–
– plant, machinery and other	**189.3**	136.9	**57.8**	51.5
Loss/(profit) on disposal of plant and equipment	**2.6**	(2.2)	**(0.5)**	0.1
Amortisation of factory overhaul costs	**206.8**	168.3	**89.2**	72.7
Fair value adjustments				
– cane roots	**134.3**	72.6	**11.7**	7.1
– growing cane	**297.2**	91.2	**14.7**	24.0
Operating lease charges				
– property	**55.5**	47.2	**50.4**	45.3
– plant and equipment	**37.1**	33.7	**8.9**	9.7
Auditors' remuneration	**13.0**	16.0	**5.7**	4.7
– audit fees	**8.2**	6.8	**3.5**	3.0
– fees for other services	**4.0**	8.8	**2.0**	1.6
– expenses	**0.8**	0.4	**0.2**	0.1
Research costs	**33.9**	20.8	**30.8**	20.8
Share-based payment costs	**0.5**	1.7	**0.5**	1.7
Retirement benefit costs	**73.1**	55.5	**29.1**	26.2
Staff costs	**1 481.3**	1 111.0	**644.0**	455.0

6 NET FINANCING COSTS

	Group 2009	Group 2008	Company 2009	Company 2008
Interest paid on –				
Long term borrowings	**155.7**	57.6	**–**	–
Bank and short term borrowings	**318.4**	180.7	**180.6**	139.0
Other	**14.9**	12.1	**23.2**	16.0
Total interest paid	**489.0**	250.4	**203.8**	155.0
Less capitalised	**(258.4)**	(41.9)	**–**	–
	230.6	208.5	**203.8**	155.0
Interest received on loans and deposits	**(44.5)**	(37.9)	**(22.2)**	(5.6)
Foreign exchange (gains)/losses	**(0.7)**	1.1	**–**	–
	185.4	171.7	**181.6**	149.4

7 MATERIAL ITEMS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Profit/(loss) arising on disposal of properties	**0.3**	(0.1)	**–**	–
Profit on disposal on investment in subsidiary			**–**	54.3
Per income statement	**0.3**	(0.1)	**–**	54.3
Taxation	**–**	–	**–**	–
	0.3	(0.1)	**–**	54.3

8 TAXATION

			Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
South African normal taxation						
	Current tax	– current year	**10.9**	10.4	**2.8**	3.9
		– prior year	**(0.1)**	(0.4)	**(0.1)**	(0.4)
	Deferred tax	– current year	**0.4**	14.4	**(2.5)**	16.4
		– prior year	**(0.6)**	(8.7)	**(0.6)**	(8.7)
		– rate change	**–**	(4.0)	**–**	(4.0)
Secondary tax on companies		– current year	**32.9**	31.2	**32.9**	31.2
Foreign taxation						
	Current tax	– current year	**185.7**	85.8		
		– prior year	**(0.2)**	(1.2)		
	Deferred tax	– current year	**95.4**	31.1		
		– prior year	**23.6**	(4.8)		
		– rate change	**(109.1)**	(13.1)		
			238.9	140.7	**32.5**	38.4

Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal rate of taxation	**28.0**	29.0	**28.0**	29.0
Less (decrease)/increase in charge for year due to:	**(8.1)**	(13.3)	**927.9**	(22.8)
Adjustment from prior years	**1.9**	(1.8)	**(20.6)**	(1.5)
Adjustment in respect of material items	**–**	–	**–**	–
Exempt income	**(1.5)**	(1.4)	**(151.1)**	(26.8)
Disallowable expenditure	**2.8**	1.9	**207.1**	1.0
Secondary tax on companies	**2.7**	3.5	**967.6**	5.0
Timing differences not provided for	**–**	0.1	**–**	–
Taxation rate differentials - foreign subsidiaries	**(1.3)**	(11.7)	**–**	–
Capital allowances	**(5.3)**	(5.0)	**–**	–
Other	**(7.4)**	1.1	**(75.1)**	(0.5)
Effective rate of taxation	**19.9**	15.7	**955.9**	6.2
	Rm	Rm	**Rm**	Rm
The estimated tax losses at the end of the year aggregate:	**275.3**	111.5	**–**	–

9 DIVIDENDS PAID

		Group and Company	
		2009	2008
		Rm	Rm
Dividend no. 31 of 45.0 cents per share (final 2007)	- paid 9 July 2007		157.0
Dividend no. 32 of 33.0 cents per share (interim 2008)	- paid 7 January 2008		115.5
Dividend no. 33 of 52.5 cents per share (final 2008)	- paid 14 July 2008	**183.9**	
Dividend no. 34 of 41.5 cents per share (interim 2009)	- paid 12 January 2009	**145.5**	
		329.4	272.5

In respect of the current year, the directors declared a final dividend of 64.5 cents per share on 26 May 2009 which will be paid to shareholders on 13 July 2009. No liability has been raised for this dividend nor the related secondary tax on companies charge, in these financial statements.

The total estimated dividend to be paid of R226.3 million has been transferred out of retained earnings to a separate dividend reserve (refer note 27).

10 EARNINGS AND HEADLINE EARNINGS PER SHARE

	Group	
Earnings		
Earnings for the purposes of basic earnings per share	**739.1**	599.8
Dilutive effect of potential ordinary shares		
– Share options	**1.6**	2.2
Earnings for the purposes of diluted earnings per share	**740.7**	602.0
Number of shares	**Shares**	Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**350 514 219**	349 424 128
Dilutive effect of potential ordinary shares		
– Share options	**2 544 098**	3 650 500
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**353 058 317**	353 074 628
Reconciliation of headline earnings:-	**Rm**	Rm
Net profit attributable to shareholders of Illovo Sugar Limited	**739.1**	599.8
Adjusted for –		
(Profit)/loss arising on disposal of properties	**(0.3)**	0.1
Loss/(profit) on disposal of plant and equipment	**3.0**	(0.3)
Headline earnings	**741.8**	599.6
Headline earnings per share	**Cents**	Cents
Basic (cents)	**211.6**	171.6
Diluted (cents)	**210.6**	170.5

11 PROPERTY, PLANT AND EQUIPMENT

	2009 Cost Rm	2009 Accumulated depreciation Rm	2008 Cost Rm	2008 Accumulated depreciation Rm
Group				
Freehold land and buildings	**418.2**	**86.5**	410.9	76.4
Leasehold properties	**931.3**	**93.9**	421.8	81.1
Plant, machinery and other	**4 532.6**	**1 676.5**	3 797.4	1 505.3
Capitalised leased plant (refer note 29)	**1.5**	**0.8**	1.4	0.6
	5 883.6	**1 857.7**	4 631.5	1 663.4
Net book value	**4 025.9**		2 968.1	
Company				
Freehold land and buildings	**261.8**	**55.8**	261.9	51.4
Plant, machinery and other	**1 152.7**	**685.1**	1 081.4	635.3
	1 414.5	**740.9**	1 343.3	686.7
Net book value	**673.6**		656.6	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R17 713 million (2008: R16 698 million). Motor vehicles are insured at market value.

Property, plant and equipment of Zambia Sugar Plc with a book value of R1 883 milion (2008: R1 144 million) has been pledged by way of mortgage debenture as security for the long term borrowings referred to in note 29.

The group's properties are wide-ranging, amounting to approximately 106 685 hectares (2008: 106 683) in extent comprising largely the land 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 by members of the company or their representatives.

Group

The movement of the group's property, plant and equipment comprises:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	**2009 Total Rm**	2008 Total Rm
Net book value at beginning of year	**334.5**	**340.7**	**2 292.9**	**2 968.1**	1 806.3
Acquisition of business	**49.7**	**–**	**60.4**	**110.1**	–
Additions	**5.4**	**612.5**	**1 047.8**	**1 665.7**	991.9
Disposal of business	**(49.4)**	**–**	**(56.2)**	**(105.6)**	–
Disposals	**(0.3)**	**–**	**(6.6)**	**(6.9)**	(1.5)
Exchange differences	**1.9**	**(100.0)**	**(292.2)**	**(390.3)**	323.1
	341.8	**853.2**	**3 046.1**	**4 241.1**	3 119.8
Depreciation	**(10.1)**	**(15.8)**	**(189.3)**	**(215.2)**	(151.7)
Net book value at end of year	**331.7**	**837.4**	**2 856.8**	**4 025.9**	2 968.1

11 PROPERTY, PLANT AND EQUIPMENT *continued*

Company

The carrying amount of the company's property, plant and equipment comprises:

	Freehold land and buildings Rm	Plant machinery and other Rm	**2009 Total Rm**	2008 Total Rm
Net book value at beginning of year	**210.5**	**446.1**	**656.6**	668.7
Acquisition of business	**49.7**	**60.4**	**110.1**	–
Additions	**0.7**	**75.3**	**76.0**	45.2
Disposal of business	**(49.4)**	**(56.2)**	**(105.6)**	–
Disposals	**(0.1)**	**(0.2)**	**(0.3)**	(1.2)
	211.4	**525.4**	**736.8**	712.7
Depreciation	**(5.4)**	**(57.8)**	**(63.2)**	(56.1)
Net book value at end of year	**206.0**	**467.6**	**673.6**	656.6

12 CANE ROOTS

The carrying value of cane roots comprises:

	Group		**Company**	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Carrying value at beginning of year	**821.7**	661.6	**84.9**	77.8
Change in fair value	**134.3**	72.6	**11.7**	7.1
Expansion of area under cane	**200.3**	–	**–**	–
Acquisition of farms	**–**	7.5	**–**	–
Exchange rate translation	**(24.0)**	80.0		
Carrying value at end of year	**1 132.3**	821.7	**96.6**	84.9
Area under cane at 31 March (hectares) –				
South Africa	**9 665**	9 615	**9 665**	9 615
Malawi	**19 934**	19 139		
Zambia	**14 334**	11 053		
Swaziland	**8 171**	7 950		
Tanzania	**8 515**	8 415		
Mozambique	**5 263**	5 260		
	65 882	61 432		

The average remaining expected lives of cane roots, for both the current and the previous years, are: 10 years in South Africa; 7 years in Zambia; and 8 years in each of the other countries of operation.

13 PRODUCT REGISTRATIONS

Intangible assets comprise product registrations which represent registered rights to exclusively sell licensed products in specific countries.

Balance at the beginning of the year	**46.4**	34.7	**46.4**	34.7
Current year movements				
– expenditure	**15.4**	11.7	**15.4**	11.7
Balance at the end of the year	**61.8**	46.4	**61.8**	46.4

No amortisation was provided for in the current year as the balance of product registrations have yet to be brought into use.

14 INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Illovo Sugar Limited are as follows –	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
2009					
Illovo Distributors (Pty) Limited	**–**	**100**	**0.4**	**–**	**(17.4)**
Illprop (Pty) Limited	**1.3**	**100**	**0.2**	**–**	**–**
Reynolds Brothers Limited	**–**	**100**	**–**	**3.4**	**–**
Illovo Project Services Limited	**–**	**100**	**–**	**7.7**	**–**
CGS Investments (Pty) Limited	**–**	**100**	**0.9**	**–**	**(1.5)**
Glendale Sugar Limited	**5.6**	**100**	**20.9**	**–**	**(20.0)**
East African Supply (Pty) Limited	**–**	**100**	**–**	**–**	**(25.8)**
Ubombo Sugar Limited	**49.5**	**60**	**–**	**4.3**	**(127.1)**
Illovo Sugar (Malawi) Limited	**53.1**	**76**	**–**	**52.8**	**(0.6)**
Zambia Sugar Plc	**4.7**	**90**	**–**	**66.2**	**–**
Maragra Açúcar SARL	**350.9**	**72**	**–**	**18.8**	**–**
Kilombero Sugar Company Limited	**1.8**	**55**	**–**	**10.5**	**–**
Illovo Group Holdings Limited - ordinary	**–**	**100**	**–**	**30.0**	**–**
Illovo Group Holdings Limited - preference	**1 589.6**	**100**	**1 125.2**	**–**	**–**
Palaa Consultores Marketing E Servicos Lda	**–**	**100**	**–**	**0.2**	**–**
Monitor Holdings Limited	**250.0**	**100**	**17.5**	**1.6**	**–**
Sucoma Holdings Limited	**597.7**	**100**	**–**	**–**	**–**
Illovo Tanzania Limited	**–**	**100**	**–**	**–**	**–**
Illovo Sugar Ireland	**–**	**100**	**–**	**16.7**	**–**
Illovo Sugar España, S.L.	**–**	**100**	**–**	**1.6**	**–**
Illovo Sugar Coöperatief U.A.	**–**	**100**	**–**	**–**	**–**
			1 165.1	**213.8**	**(192.4)**
2008					
Illovo Distributors (Pty) Limited	–	100	0.4	–	(14.8)
Illprop (Pty) Limited	1.3	100	0.2	–	–
Reynolds Brothers Limited	–	100	–	3.9	–
Eureka Trading Limited	–	100	–	–	(0.6)
Illovo Project Services Limited	–	100	–	6.9	–
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
Glendale Sugar Limited	5.6	100	20.9	–	(19.7)
East African Supply (Pty) Limited	–	100	–	28.4	–
Ubombo Sugar Limited	49.5	60	–	2.6	(59.9)
Illovo Sugar (Malawi) Limited	48.8	76	–	2.8	–
Zambia Sugar Plc	6.0	90	–	2.5	–
Maragra Açúcar SARL	300.4	73	–	2.0	–
Kilombero Sugar Company Limited	0.1	55	–	1.9	–
Illovo Group Holdings Limited - ordinary	–	100	–	13.3	–
Illovo Group Holdings Limited - preference	1 361.1	100	1 125.2	–	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.1	–
Monitor Holdings Limited	250.0	100	17.5	–	(0.5)
Sucoma Holdings Limited	511.8	100	–	–	(0.8)
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	–	–
Illovo Sugar España, S.L.	–	100	–	1.6	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
			1 165.1	66.0	(97.8)

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

15 INVESTMENT IN ASSOCIATES

Prinicipal associates of the group	Year end	Nature of business	Group 2009 % holding	2008 % holding
Southern Cross Sugar Exports (Pty) Limited	31 March	Sugar export agents	**–**	33.3%
Kilombero Sugar Distributors Limited	31 October	Distribution agents	**20.0%**	20.0%

	2009 Rm	2008 Rm
Investment in associate companies		
Cost of investment in associate	**–**	–
Share of post acquisition profit net of dividend received	**–**	–
	–	–
Directors' valuation of –		
Shares and loans in unlisted associate companies	**–**	–

16 INVESTMENT IN JOINT VENTURES

Prinicipal joint ventures of the group	Year end	Nature of business	2009 % holding	2008 % holding
Glendale Distilling Company	31 March	Alcohol distillers	**50.0%**	50.0%
Lacsa (Pty) Limited	31 March	Lactulose producer	**50.0%**	50.0%
Relax Limited	31 March	Lactulose agents	**50.0%**	50.0%

The income statements and balance sheets of the above joint ventures are proportionately consolidated into the group's financial statements.

	2009 Rm	2008 Rm
Glendale Distilling Company had the following capital commitments which have been included in note 36:		
- contracted	**–**	–
- approved but not contracted	**–**	2.0
	–	2.0

17 INVESTMENTS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Investments	**14.8**	10.1	**1.6**	1.2
	14.8	10.1	**1.6**	1.2

18 LOANS

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Long term promissory note receivable	**20.9**	20.5	**–**	–
Other loans	**114.5**	59.7	**26.7**	5.1
	135.4	80.2	**26.7**	5.1

The long term promissory note receivable is unsecured and is denominated in US Dollars with the interest calculated at 6% per annum, payable monthly in arrears. The principal is payable in equal monthly instalments with the final payment due on 1 October 2014.

The other loans bear interest at varying rates and have varying terms of repayment.

19 INVENTORIES

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Finished goods	**140.6**	102.2	**46.0**	34.8
Consumables and components	**373.2**	305.0	**91.2**	84.8
	513.8	407.2	**137.2**	119.6

20 GROWING CANE

The carrying value of growing cane comprises:

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Carrying value at the beginning of the year	**948.5**	743.1	**75.5**	51.5
Change in fair value	**297.2**	91.2	**14.7**	24.0
Acquisition of farms	**–**	10.2	**–**	–
Exchange rate translation	**(22.8)**	104.0		
Carrying value at the end of the year	**1 222.9**	948.5	**90.2**	75.5

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2009:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
2009						
Expected area to harvest (hectares)	**5 588.0**	**19 499.0**	**14 044.0**	**7 703.0**	**8 515.0**	**5 175.0**
Estimated yield (tons cane/hectare)	**74.0**	**111.2**	**135.4**	**102.6**	**74.1**	**93.0**
Average maturity of cane at 31 March	**62.00%**	**66.67%**	**66.67%**	**66.67%**	**50.00%**	**66.67%**
2008						
Expected area to harvest (hectares)	5 491.0	18 704.0	10 659.0	7 582.0	8 427.0	5 147.0
Estimated yield (tons cane/hectare)	76.0	109.7	120.8	104.9	83.6	91.0
Average maturity of cane at 31 March	63.00%	66.67%	66.67%	66.67%	50.00%	66.67%

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Trade debtors	**430.5**	422.5	**287.6**	244.9
Prepayments	**55.9**	35.7	**37.4**	19.3
Taxation	**29.2**	24.6	**17.0**	12.4
Other accounts receivable	**240.7**	299.9	**105.0**	177.8
	756.3	782.7	**447.0**	454.4

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

An allowance has been made for impairment of receivables amounting to R21.0 million (2008: R8.4 million).

22 FACTORY OVERHAUL COSTS

Balance at the beginning of year	**197.9**	168.3	**80.3**	72.7
Capitalised during the year	**228.1**	184.0	**104.8**	80.3
Acquisition of business	**8.9**	–	**8.9**	–
Amortised during the year	**(206.8)**	(168.3)	**(89.2)**	(72.7)
Disposal of business	**(10.0)**	–	**(10.0)**	–
Exchange rate translation	**(6.1)**	13.9		
Balance at the end of year	**212.0**	197.9	**94.8**	80.3

23 DERIVATIVE FINANCIAL INSTRUMENTS

Forward exchange contracts - imports (refer note 40)	**0.6**	2.6	**(0.4)**	2.6
Forward exchange contracts - exports (refer note 40)	**24.4**	(11.0)	**20.4**	(11.0)
Sugar commodities futures contracts	**–**	(0.2)	**–**	(0.2)
Cross currency interest rate swap (refer note 40)	**159.0**	18.2	**159.0**	18.2
	184.0	9.6	**179.0**	9.6
Comprising:				
Assets	**189.2**	18.2	**184.2**	18.2
Liabilities	**(5.2)**	(8.6)	**(5.2)**	(8.6)
	184.0	9.6	**179.0**	9.6

24 SHARE CAPITAL AND PREMIUM

	Group and Company 2009 Rm	2008 Rm
Authorised:		
900 000 000 (2008: 900 000 000) ordinary shares of 4 cents each	**36.0**	36.0
Issued and fully paid:		
350 923 902 (2008: 349 858 800) ordinary shares of 4 cents each	**14.0**	14.0
Share premium account	**353.5**	347.0
	367.5	361.0
The movement on the share capital and share premium accounts for the year was as follows:		
– Balance at beginning of year	**361.0**	354.5
– Share options exercised	**6.5**	6.5
– Balance at end of year	**367.5**	361.0

25 SHARE-BASED PAYMENTS RESERVE

	2009 Rm	2008 Rm
Balance at beginning of year	**12.6**	10.9
Share-based payments expense	**0.5**	1.7
Balance at end of year	**13.1**	12.6

26 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Comprises:				
Realised surpluses on sales of land and investments	**68.0**	67.7	**282.4**	282.4
Capital redemption reserve fund	**37.1**	37.1	**35.6**	35.6
Hedging reserve	**15.1**	(1.7)	**10.1**	(1.7)
Foreign currency translation reserve	**276.3**	309.3		
Total non-distributable reserves	**396.5**	412.4	**328.1**	316.3
Movement for the year:				
Balance at beginning of year	**412.4**	146.3	**316.3**	320.1
Transfer to retained earnings - realised surpluses on sale of land (note 28)	**0.3**	–	**–**	–
Adjustments for cash flow hedges	**16.8**	(3.4)	**11.8**	(3.8)
Currency translation differences	**(33.0)**	269.5		
Balance at end of year	**396.5**	412.4	**328.1**	316.3

27 DIVIDEND RESERVE

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Balance at beginning of year	**183.7**	157.0	**183.7**	157.0
Transfer from retained earnings (note 28)	**372.0**	299.2	**372.0**	299.2
Less dividends paid	**(329.4)**	(272.5)	**(329.4)**	(272.5)
Balance at end of year	**226.3**	183.7	**226.3**	183.7

28 RETAINED EARNINGS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Balance at beginning of year	**1 403.6**	1 103.0	**554.5**	218.1
Profit/(loss) for the year attributable to shareholders of Illovo Sugar Limited	**739.1**	599.8	**(29.1)**	635.6
Transfer to non-distributable reserves - realised surpluses on sale of land (note 26)	**(0.3)**	–	**–**	–
Transfer to dividend reserve (note 27)	**(372.0)**	(299.2)	**(372.0)**	(299.2)
Balance at end of year	**1 770.4**	1 403.6	**153.4**	554.5

29 LONG TERM BORROWINGS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
South African borrowings	**–**	–	**–**	–
Foreign currency borrowings	**1 348.2**	1 266.2	**–**	–
Total borrowings	**1 348.2**	1 266.2	**–**	–
Less: Current portion redeemable and repayable within one year (refer note 30)	**217.7**	74.7	**–**	–
	1 130.5	1 191.5	**–**	–
The above borrowings are due for repayment in the following years ending 31 March				
2009		74.7	**–**	–
2010	**217.7**	273.4	**–**	–
2011	**641.6**	599.8	**–**	–
2012	**360.2**	306.6	**–**	–
2013 and thereafter	**128.7**	11.7	**–**	–
	1 348.2	1 266.2	**–**	–

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group 2009 Rm	Group 2008 Rm
South African borrowings					
Liabilities under capitalised finance leases (refer note 11)				**–**	–
Total South African borrowings				**–**	–
Foreign borrowings					
Unsecured loans					
– Euro	8.2	2009 - 2015	3.0 - 7.1	**58.7**	73.6
Secured loans					
– US Dollar *	21.3	2009 - 2012	6.6 - 7.8	**202.1**	183.2
– Zambian Kwacha**	604 800.0	2009 - 2013	13.4 - 17.4	**1 087.4**	1 009.4
Total foreign borrowings				**1 348.2**	1 266.2
Total borrowings				**1 348.2**	1 266.2

* These loans are secured by guarantee from Illovo Sugar Limited
** These loans are secured by property, plant and equipment of Zambia Sugar Plc.

30 SHORT TERM BORROWINGS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Amounts due to bankers	**446.9**	–	**–**	–
Loan from holding company	**1 138.8**	977.3	**1 138.8**	977.3
Current portion of long term borrowings (refer note 29)	**217.7**	74.7	**–**	–
	1 803.4	1 052.0	**1 138.8**	977.3

The amounts due to bankers have no fixed terms of repayment and bear interest at variable market related interest rates.

The US$120 million loan from the holding company is unsecured, bears interest at a variable rate of LIBOR plus 45 basis points and is repayable on 6 October 2009. The company has entered into cross currency interest rate swaps to minimise the interest rate and foreign currency risk associated wth the loan (refer note 40).

31 DEFERRED TAXATION

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Balance at beginning of year	**639.0**	574.3	**129.1**	126.9
Provision on financial instrument taken to equity	**4.5**	(1.4)	**4.5**	(1.4)
Changes during the year:				
– Exchange rate translation difference	**47.9**	51.2		
– Rate change	**(109.1)**	(17.2)	**–**	(4.0)
Charged to income:				
– Temporary differences	**118.8**	32.1	**(3.1)**	7.6
Balance at end of year	**701.1**	639.0	**130.5**	129.1
Analysis of provision				
– Property, plant and equipment	**392.3**	301.8	**77.8**	89.4
– Growing cane and cane roots	**582.7**	439.6	**52.3**	44.9
– Tax losses	**(275.3)**	(111.5)	**–**	–
– Other	**1.4**	9.1	**0.4**	(5.2)
Balance at end of year	**701.1**	639.0	**130.5**	129.1
– Asset	**(54.0)**	(5.4)	**–**	–
– Liability	**755.1**	644.4	**130.5**	129.1

32 TRADE AND OTHER PAYABLES

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Trade creditors	**527.8**	476.7	**276.7**	206.4
Accruals and other payables	**783.1**	717.4	**338.8**	255.3
	1 310.9	1 194.1	**615.5**	461.7

Trade creditors and accruals principally comprise amounts outstanding for trade purchase and ongoing costs. The directors consider that the carrying amount of trade payables approximate their fair value.

33 PROVISIONS

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Leave pay				
Balance at beginning of year	**47.9**	43.4	**26.3**	24.0
Raised during the year	**5.4**	2.5	**4.0**	2.3
Foreign currency translation movement	**(0.2)**	2.0		
Balance at end of year	**53.1**	47.9	**30.3**	26.3
Post retirement benefits				
Balance at beginning of year	**136.3**	138.3	**98.3**	94.6
Utilised during the year	**(10.9)**	(5.0)	**(10.1)**	–
Raised during the year	**18.7**	0.3	**9.1**	3.7
Foreign currency translation movement	**3.6**	2.7		
Balance at end of year	**147.7**	136.3	**97.3**	98.3
Other				
Balance at beginning of year	**55.6**	35.0	**23.6**	9.5
Raised during the year	**20.2**	20.6	**21.6**	14.1
Balance at end of year	**75.8**	55.6	**45.2**	23.6
Total provisions				
Balance at beginning of year	**239.8**	216.7	**148.2**	128.1
Utilised during the year	**(10.9)**	(5.0)	**(10.1)**	–
Raised during the year	**44.3**	23.4	**34.7**	20.1
Foreign currency translation movement	**3.4**	4.7		
Balance at end of year	**276.6**	239.8	**172.8**	148.2

34 RETIREMENT BENEFITS

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

During the year, an amount of R67.4 million (2008: R51.8 million) was expensed in respect of defined contribution plans and R5.7 million (2008: R3.7 million) 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, 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, the remaining defined benefit plans operate as closed funds and cover 141 employees (2008: 154).

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 IAS 19, a valuation using the projected unit credit method was last performed on the two defined benefit plans at 31 March 2009. These were found to be in a sound financial condition by an independent consulting actuary. In arriving at his finding, the actuary took into account a discount rate and expected rate of return on the assets of 9.00% (2008: 9.75%), an expected rate of salary increase of 6.75% (2008: 7.25%), an expected rate of pension increase of 4.01% (2008: 4.25%) and an expected rate of inflation of 5.75% (2008: 6.25%). The assumptions and methods used are consistent with the requirements of the revised statement IAS 19, and not necessarily consistent with the assumptions and methods used in the statutory actuarial valuation used for assessing funding requirements. At the latest valuation date, the combined fair value of the benefit plan assets amounted to R854.9 million (2008: R907.4 million), whilst the actuarial present value of promised retirement benefits totalled R587.1 million (2008: R511.2 million).

The Financial Services Board (FSB) approved the surplus apportionment scheme (the scheme) as at 31 December 2002, submitted by the Illovo Sugar Pension Fund in terms of the Pension Funds Second Amendment Act, 2001 (the Act). No amount of the surplus arising from the scheme was allocated to the company as the employer. As the rules of the Fund have not been changed to specify the future allocation of surplus, the actuarial surplus per the statutory valuation as at 31 December 2005 amounting to R124.7 million has not been recognised as an asset in the financial statements. This is in accordance with the limitations on pension fund assets imposed by the accounting standards.

The FSB has approved the surplus apportionment scheme (the scheme) as at 31 December 2002, submitted by the Illovo Sugar Retirement Benefit Fund. An amount of R5.3 million of the surplus arising from the scheme was allocated to the company as the employer. Following the apportionment of the surplus, the results of the statutory valuation as at 31 December 2005 indicate that the value of the Fund's assets equalled the value of the Fund's liabilities.

A total of R2.1 million (2008: R3.7 million) has been recognisd as an expense in the financial period in respect of the two defined benefit plans. The current year company contribution to the three defined contribution plans totalled R27.0 million (2008: R22.5 million).

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

Pensions are provided for all senior employees through the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund. 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 other staff are provided for by the Employment Act regulations.

Zambia

Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme and statutory severance pay schemes. Contributions to the defined contribution pension scheme are recognised in the year in which the related services are rendered by the employees. An amount of R13.4 million (2008: R8.3 million) was expensed during the year in respect of the defined contribution pension scheme.

Membership of the National Pension Authority is compulsory for all employees with the exception of expatriate employees. Monthly contributions are made by both the employer and the employee, and in the current year the employer's contribution totalled R11.4 million (2008: R8.7 million).

Swaziland

The group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions to these funds are treated as an expense in the financial period.

A defined benefit fund exists consisting of employees who retired prior to October 2004. The fund was actuarially valued as at 31 January 2009. The fair value of the benefit plan assets amounted to R8.4 million (2008: R7.8 million) whilst the actuarial present value of promised retirement benefits totalled R12.0 million (2008: R11.0 million) resulting in a deficit of R3.6 million (2008: R3.2 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of 8.00% (2008: 8.00%) and an expected rate of pension increase of 6.00% (2008: nil). The actuarial deficit has been recognised as an expense in full in the financial period.

Arrangements exist in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of permanent employment service. An actuarial valuation carried out by independent consulting actuaries as at 31 March 2009 indicated that the provision in respect of these benefits and the statutory benefits was fairly stated at R30.6 million (2008: R26.9 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of return of 9.00% (2008: 8.75%), and expected rate of salary increase of 5.50% (2008: 5.75%) and an expected rate of inflation of 5.25% (2008: 5.50%).

Tanzania and Mozambique

There are no group retirement plans in Tanzania and Mozambique, however, employees are covered for retirement purposes by statutory social security arrangements established by the respective governments. The group contributes a percentage of the payroll in terms of the statutory requirements, and in the current year R8.6 million (2008: R6.0 million) was expensed in respect of these arrangements.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis, determined actuarially. At 31 March 2009, the total provision amounted to R97.3 million (2008: R98.2 million). During the current year, R0.9 million was released (2008: R3.7 million expensed) to the income statement whilst there were no foreign currency translations in the current year to reduce the provision.

A valuation of this provision was performed as at 31 March 2009. In arriving at his finding, the actuary took into account a discount rate of 9.00% (2008: 7.75%), an expected rate of health care inflation of 8.25% (2008: 7.75%) and an expected retirement age of 58 (2008: 58).

35 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The company has a share option scheme for certain employees of the group. Options are exercisable at a price equal to the closing price of the company's shares on the JSE Limited on the day preceding the date of grant. Vesting periods for the share options are one-third after three years, two-thirds after four years, and the full allocation after five years.

Details of the share options movements during the year are as follows:

	2009 Number of share options	**2009** Weighted average option price Rand	2008 Number of share options	2008 Weighted average option price Rand
Outstanding at beginning of year	**3 650 500**		4 649 600	
Forfeited	**(41 300)**	**7.40**	(8 100)	6.80
Exercised	**(1 065 102)**	**6.15**	(991 000)	6.57
Outstanding at end of year	**2 544 098**		3 650 500	
Exercisable at end of year	**2 290 531**		2 433 900	

In accordance with the transitional provisions of IFRS 2, the standard has been applied to all option grants issued after 7 November 2002 that were unvested as at 1 January 2005.

During the year, the group recognised total expenses of R0.5 million (2008: R1.7 million) related to equity-settled share-based payment transactions.

The actuaries made use of the following assumptions in arriving at their valuation:

Grant date	Vesting date	Epected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
21/05/2003	20/05/2006	4	33.91	5.7	9.42
21/05/2003	21/05/2007	5	33.14	5.7	9.42
21/05/2003	20/05/2008	6	33.14	5.7	9.44
02/06/2004	02/06/2007	4	33.91	5.94	9.88
02/06/2004	02/06/2008	5	33.14	5.94	9.88
02/06/2004	02/06/2009	6	33.14	5.94	9.91

Cash-settled equity instrument scheme

During the year, the group issued cash-settled equity instruments to certain employees that require the group to pay the intrinsic value of the cash-settled equity instrument at the date of exercise. At 31 March 2009, the group has recorded liabilities of R45.2 million (2008: R23.7 million) and has expensed an amount of R21.5 million (2008: R14.2 million) during the year.
The fair value of the cash-settled equity instruments has been determined actuarially.
The actuaries made use of the following assumptions in arriving at their valuation:

Grant date	Vesting date	Epected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
13/07/2005	13/07/2008	1	38.65	3.36	6.41
13/07/2005	13/07/2009	1	38.65	3.36	6.41
13/07/2005	13/07/2010	2	34.73	3.36	6.51
30/10/2006	30/10/2009	2	34.73	3.36	6.51
30/10/2006	30/10/2010	3	31.67	3.36	7.06
30/10/2006	30/10/2011	4	29.84	3.36	7.79
24/07/2007	24/07/2010	2	34.73	3.36	6.51
24/07/2007	24/07/2011	3	31.67	3.36	7.06
24/07/2007	24/07/2012	4	29.84	3.36	7.79
10/07/2008	10/07/2011	3	31.67	3.36	7.06
10/07/2008	10/07/2012	4	29.84	3.36	7.79
10/07/2008	10/07/2013	5	29.21	3.36	8.18

35 SHARE-BASED PAYMENTS *continued*

Illovo Sugar Employees Share Purchase Scheme

Under the Illovo Sugar Employees Share Purchase Scheme, all employees, except directors and employees who are participants in the option scheme or the phantom scheme, may purchase the company's shares. Contributions made by employees are enhanced by a 10% contribution from the company, and the company pays for the trading costs. Employees may acquire up to 5 000 shares in the aggregate and 1 000 shares in a continuous 12 month period.

36 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
South Africa				
- contracted	**15.1**	11.4	**15.1**	11.4
- approved but not contracted	**112.9**	103.4	**112.9**	103.4
Malawi				
- contracted	**18.1**	20.5		
- approved but not contracted	**86.8**	150.5		
Zambia				
- contracted	**197.3**	728.9		
- approved but not contracted	**36.2**	218.4		
Swaziland				
- contracted	**3.4**	15.6		
- approved but not contracted	**63.2**	56.5		
Tanzania				
- contracted	**6.2**	16.6		
- approved but not contracted	**38.1**	29.8		
Mozambique				
- contracted	**31.9**	0.8		
- approved but not contracted	**214.8**	268.5		
Mali				
- contracted	**4.2**	4.4		
- approved but not contracted	**1 460.4**	1 484.4		
Corporate				
- contracted	**–**	–	**–**	–
- approved but not contracted	**41.9**	30.7	**41.9**	30.7
Contracted	**276.2**	798.2	**15.1**	11.4
Approved but not contracted	**2 054.3**	2 342.2	**154.8**	134.1
	2 330.5	3 140.4	**169.9**	145.5

With the exception of Mali, the capital expenditure will be financed from cash resources and facilities negotiated and not yet utilised. In respect of Mali, negotiations for financing facilities are at an advanced stage.

37 CONTINGENT LIABILITIES

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Guarantees in respect of liabilities of third parties and claims against the group	**13.5**	5.0	**–**	–
Guarantees in respect of liabilities of subsidiary companies			**546.7**	305.3
	13.5	5.0	**546.7**	305.3

38 OPERATING LEASE COMMITMENTS

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

	2010 Rm	2011 Rm	2012 Rm	2013 Rm	2014 onwards Rm	**2009 Rm**	2008 Rm
Property	33.8	7.3	7.4	8.1	12.4	**69.0**	100.8
Plant and equipment	16.8	15.0	7.8	7.9	7.6	**55.1**	95.9
Total lease commitments	50.6	22.3	15.2	16.0	20.0	**124.1**	196.7

39 RELATED PARTY TRANSACTIONS

39.1 Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2009 has been disclosed in the remuneration report on pages 34 to 35.

39.2 Subsidiaries, associates and joint ventures

Details of investments in principal subsidiaries, associates and joint ventures are disclosed in notes 14, 15 and 16 respectively.

39.3 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 104.

39.4 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.

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

Details have been included in the statutory information on page 65.

39.6 Recovery of management services

Management fees are charged to all operating subsidiaries in order to recover the company's management time and effort.

40 FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash deposits with banks, accounts receivable and payable, derivatives, and loans to and from associates and others. Financial instruments, are carried at fair value or amounts that approxmate fair value.

	Group		Company	
Categories of financial instruments	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
Financial assets				
Loans and receivables	**1 547.3**	2 020.8	**624.6**	935.9
Investments	**14.8**	10.1	**1.6**	1.2
Derivative financial instruments recognised in profit and loss	**160.6**	7.4	**160.6**	7.4
Derivative financial instruments designated as cash flow hedges	**28.6**	10.8	**23.6**	10.8
Financial liabilities				
Derivative financial instruments designated as cash flow hedges	**5.2**	8.6	**5.2**	8.6
Financial liabilities measured at amortised cost	**4 718.4**	3 806.3	**1 981.1**	1 622.7
Reconciliation to balance sheet				
Loans	**135.4**	80.2	**26.7**	5.1
Trade and other receivables	**756.3**	782.7	**447.0**	454.4
Cash and cash equivalents	**655.6**	1 157.9	**150.9**	476.4
Loans and receivables	**1 547.3**	2 020.8	**624.6**	935.9
Trade and other payables	**1 310.9**	1 194.1	**615.5**	461.7
Taxation payable	**114.5**	102.3	**–**	–
Long term borrowings	**1 130.5**	1 191.5	**–**	–
Short term borrowings	**1 936.2**	1 134.7	**1 139.3**	977.3
Shareholders for dividends	**226.3**	183.7	**226.3**	183.7
Financial liabilities measured at amortised cost	**4 718.4**	3 806.3	**1 981.1**	1 622.7

40.1 Treasury risk management

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

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange, price and interest rate risks), comprise interest rate swaps, forward rate agreements, cross currency interest rate swaps, forward exchange contracts and sugar commodity futures. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group, and forecast future transactions in line with the group's risk management policies.

It is the policy of the group not to trade in derivative financial instruments for speculative purposes.

40.2 Interest rate risk management

Taking cognisance of the seasonality of the group's cash flow and long term interest rate forecasts, the risk management committee positions the group's interest rate exposures according to expected movements in interest rates internationally as well as in the countries in which the group operates.

The interest rate profile at 31 March 2009 is as follows:

	Floating rate	1-6 months	Greater than 6 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	132.8	446.9	1 138.8	1 130.5	217.7	3 066.7
% total borrowings	4%	15%	37%	37%	7%	100%

40 FINANCIAL RISK MANAGEMENT continued

40.2 Interest rate risk management (continued)

In order to minimise the risk on a US$120 million loan from the holding company, the company has entered into a three-year cross currency interest rate swap which fixes the exchange rate on the capital and swaps out the floating US Dollar interest rate for a floating Rand rate and a fixed Rand interest rate (refer note 23).

The interest rate swap contract which exchanges floating rate interest amounts for fixed interest amounts is designated as a cash flow hedge in order to reduce the group's cash flow exposure resulting from the variable interest rate borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit and loss over the period that the floating rate interest payments on debt impact profit or loss.

Interest rate sensitivity

The group is exposed to interest rate cash flow risk in respect of its variable rate loans and short term cash investments, which can impact on the cash flows of these instruments. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year.

	2009 Rm	2008 Rm
If interest rates had been 50 basis points higher/lower and all other variables held constant, the group's profit before tax for the year would increase/decrease by:	**14.1**	6.7

40.3 Commodity price risk management

Commodity price risk arises from fluctuations in the world sugar price and the impact this may have on current or future earnings. In order to minimise this risk, management attempt to maximise the sale of sugar into each operating country's domestic market as well as the regional, European and American markets which ensures a premium to the world sugar price. The South African operation however does not have access to the preferential European markets and its excess sugar is sold on the world market. The sale of sugar on the world market, as well as the related hedging activities, is undertaken by the South African Sugar Association (SASA). The company partakes in all decisions made by SASA realtive to its pricing and hedging activities.

Management regularly monitors the volumes of sugar sold into the various markets to ensure that the group realises the best possible price.

40.4 Currency risk management

In the normal course of business, the group enters into transaction denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts in respect of receivables and liabilities.

The carrying amount of the group's unhedged and uncovered foreign currency denominated monetary liabilities at the reporting date is as follows:

	Assets		**Liabilities**	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
US Dollars	**255.9**	174.4	**239.6**	354.0
Euros	**18.9**	86.4	**34.9**	47.1
Other	**0.2**	0.7	**3.4**	36.0

40.4 Currency risk management (continued)

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

	Group 2009		Group 2008	
	Foreign currency million	**Amount in Rm**	Foreign currency million	Amount in Rm
Assets				
US Dollars	**26.2**	**249.1**	11.9	97.3
Euros	**1.5**	**18.9**	6.7	86.4
Other		**0.2**		0.7
		268.2		184.4
Liabilities				
US Dollars	**10.3**	**98.0**	0.7	5.4
Euros	**0.9**	**11.5**	3.6	47.1
Other		**3.4**		36.0
		112.9		88.5

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and the Euro. The following table details the group's sensitivity to a 10% increase and decrease in the Rand against the Dollar and Euro for the net foreign assets and liabilities of the group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax and other equity where the Rand strengthens by 10% against the relevant currency. For a 10% weakening of the Rand against the relevant currency, there would be an equal and opposite impact on profit before tax and other equity, and the balances below would be negative.

	US Dollar		**Euro**	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
10% foreign currency sensitivity	**1.6**	4.4	**(1.6)**	3.9

In order to minimise risk on the US$120 million loan from the holding company, the company has entered into a three-year cross currency interest rate swap which fixes the exchange rate on the capital and swaps out the floating US Dollar interest rate for a floating Rand rate and a fixed Rand interest rate (refer note 23).

The group has entered into certain forward exchange contracts which relate to specific items appearing on the balance sheet or were entered into to cover forecast foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2009 financial year.

	Group 2009			Group 2008		
	Foreign currency million	**Average rate**	**Amount in Rm**	Foreign currency million	Average rate	Amount in Rm
Foreign currency sold						
US Dollars	**15.5**	**11.02**	**170.9**	8.2	7.77	64.0
Euros	**18.2**	**12.84**	**233.7**	2.8	12.90	36.1
Foreign currency purchased						
US Dollars	**0.5**	**10.63**	**5.7**	–	–	–
Euros	**3.4**	**12.47**	**42.4**	–	–	–
Mauritian Rupee	**7.1**	**3.52**	**25.0**	–	–	–

40 FINANCIAL RISK MANAGEMENT continued

40.5 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments, trade debtors and loans. 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 and loans comprise a widespread base, and group companies undertake ongoing credit evaluations of the financial condition of the other parties. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2009, the group does not consider there to be any material credit risk that has not been insured or adequately provided against.

The group grants various credit terms to its customers. The analysis of trade receivables which are past due at reporting date is as follows:

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Not past due	**401.4**	379.9	**261.7**	237.5
Past due by 30 days	**33.4**	28.8	**31.0**	11.0
Past due by 60 days	**13.6**	7.8	**11.6**	1.6
Past due by 90 days	**1.6**	1.6	**0.6**	0.5
Past due by 120 days and over	**1.5**	12.8	**1.5**	–
	451.5	430.9	**306.4**	250.6
Less: allowance for doubtful debts	**(21.0)**	(8.4)	**(18.8)**	(5.7)
Total trade receivables	**430.5**	422.5	**287.6**	244.9

No specific trade receivables have been placed under liquidation in either the current or the prior years.

Provision for doubtful debts
Set out below is a summary of the movement in the provision for doubtful debts for the year:

	Group 2009	Group 2008	Company 2009	Company 2008
Balance at beginning of the year	**8.4**	7.9	**5.7**	5.3
Amounts written off during the year	**(0.1)**	(0.7)	**–**	–
Amounts recovered during the year	**(0.4)**	–	**(0.4)**	–
Increase in allowance	**13.7**	0.6	**13.5**	0.4
Exchange rate translation difference	**(0.6)**	0.6		
Balance at end of the year	**21.0**	8.4	**18.8**	5.7

40.6 Liquidity risk management

In terms of the company's Articles of Association, the directors may from time to time, at their discretion, raise or borrow for the purpose of the company as they think fit.

The group treasury has access to the following local and foreign banking facilities at 31 March 2009:

	Rm
Local, fixed and flexible term, general banking facilities	3 729.0
Foreign, fixed and flexible term, general banking facilities	1 550.0
	5 279.0

40.7 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents and equity.

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
Business segments					
Year to 31 March 2009					
Sugar production	**6 250.7**	**716.1**	**4 250.3**	**1 373.4**	**150.7**
Cane growing	**1 712.4**	**503.5**	**3 476.6**	**476.3**	**54.1**
Downstream	**638.6**	**166.6**	**348.3**	**16.3**	**10.4**
	8 601.7	**1 386.2**	**8 075.2**	**1 866.0**	**215.2**
Year to 31 March 2008					
Sugar production	4 859.9	602.4	3 301.1	687.9	109.0
Cane growing	1 358.2	317.0	2 669.8	300.5	32.3
Downstream	576.0	145.1	291.9	3.5	10.4
	6 794.1	1 064.5	6 262.8	991.9	151.7
Geographical segments					
Year to 31 March 2009					
South Africa	**3 868.8**	**256.6**	**1 769.8**	**76.9**	
Malawi	**1 739.6**	**634.0**	**1 697.4**	**138.4**	
Zambia	**1 150.0**	**168.3**	**2 808.7**	**1 517.3**	
Swaziland	**790.1**	**127.7**	**550.2**	**63.3**	
Tanzania	**666.3**	**118.6**	**630.7**	**31.3**	
Mozambique	**386.9**	**81.0**	**618.4**	**38.8**	
	8 601.7	**1 386.2**	**8 075.2**	**1 866.0**	
Year to 31 March 2008					
South Africa	3 104.1	263.4	1 643.2	47.6	
Malawi	1 162.7	434.0	1 298.3	84.0	
Zambia	1 076.1	125.1	1 815.7	781.6	
Swaziland	693.0	98.2	462.0	24.5	
Tanzania	482.8	94.2	530.3	32.9	
Mozambique	275.4	49.6	513.3	21.3	
	6 794.1	1 064.5	6 262.8	991.9	

Note: Total assets excludes financial instruments

Analysis of shareholders

	Number of ordinary shares held	% of shares issued	Number of shareholders
An analysis of the register of members as at 31 March 2009 revealed the following categories of membership -			
1 – 1 000	923 177	0.3	2 954
1 001 – 10 000	4 120 092	1.2	1 204
10 001 – 100 000	10 479 630	3.0	296
100 001 – 1 000 000	54 589 298	15.5	172
Over 1 000 000	280 811 705	80.0	33
	350 923 902	100.0	4 659

Of the total number of shareholders, 3 692 hold their shares in dematerialised form whilst 967 remain as certificated holders. Of the total number of shares in issue, 48.5% have been dematerialised. The holding company has elected to hold its shares in certificated form.

A further analysis of the register reveals the following categories of members -

Pension funds	63 826 133	18.2	142
Unit trusts	59 473 096	16.9	73
Banks	19 762 157	5.6	54
Individuals	6 744 974	1.9	4 223
Insurance companies	6 144 590	1.8	26
Other corporate bodies	194 972 952	55.6	141
	350 923 902	100.0	4 659

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 nominee companies -

ABF Overseas Limited	180 298 980	51.4
Allan Gray Limited	80 066 987	22.8
Public Investment Commissioner	19 900 970	5.7

It should be noted that beneficial shareholders which are investment managers, will hold shares on behalf of clients, and may or may not hold the relevant voting rights.

Shareholder spread

Non-public shareholders -			
Holding company	180 298 980		1
Directors	476 556		6
Employees and former employees holding shares in terms of the Illovo Sugar 1992 Share Option Scheme	1 041 270		43
Trustees of the Illovo Sugar Employees' Share Purchase Trust	113 983		1
	181 930 789	51.8	51
Public shareholders	168 993 113	48.2	4 608
	350 923 902	100.0	4 659

Notice of meeting

Notice is hereby given that the 94th annual general meeting of the members of the company will be held at the registered office of the company, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal on Tuesday, 14 July 2009 at 12:00 to transact the following business -

1. FINANCIAL STATEMENTS

To receive and adopt the annual financial statements for the year ended 31 March 2009.

2. ELECTION OF DIRECTORS

2.1 To confirm the appointments of Mrs C W N Molope, and Messrs D L Haworth and L W Riddle who were appointed as directors since the previous annual general meeting.

2.2 To re-elect each of Dr M I Carr and Messrs G J Clark, D R Langlands, P A Lister, B M Stuart and R A Williams who retire by rotation, in terms of the articles of association, and who, being eligible, offer themselves for re-election.

The curricula vitae of these directors are provided in the appendix to this notice; pages 106 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. Determination of directors' fees

That unless otherwise determined by the company in general meeting, the revised annual fees payable by the company to non-executive directors be approved with effect from 1 April 2009, as follows -

	Rands per annum	
	Current	Proposed
Board :		
Chairman *	1 640 000	1 820 000
Deputy Chairman *	–	1 200 000
Other members	150 000	180 000
Audit Committee:		
Chairman	118 000	135 000
Other members	70 000	78 000
Remuneration / Nomination Committee:		
Chairman	94 000	105 000
Other members	70 000	78 000
Risk Management Committee:		
Chairman	77 000	86 000
Other members	60 000	67 000

* Fee inclusive of committee membership fees and payable monthly in arrears. All other fees are paid quarterly in arrears.

2. Authority to issue shares for a rights offer

That, for the purposes of a rights offer and to the extent required thereto, the unissued ordinary shares in the capital of the company be placed under control of the directors, who are hereby authorised, subject to the requirements of the Companies Act, 1973, and the Listings Requirements of the JSE Limited, to allot and issue these shares at such times and at such prices as they may determine, at their discretion, provided that such general authority shall be valid only until the next annual general meeting of the company or fifteen months from the date of the passing of this resolution, whichever is the earlier.

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), 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 included as page 107 of the Annual Report. Duly completed proxy forms must be returned to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited (P O Box 4844, Johannesburg, 2000 or 5th Floor, 11 Diagonal Street, Johannesburg, 2001) by no later than 12:00 on Friday, 10 July 2009.

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 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
Company Secretary

Mount Edgecombe
17 June 2009

Appendix to notice of meeting

ELECTION OF DIRECTORS

Curricula vitae

1. **C W N (Nosipho) Molope** (44),
   BSc(Medical Sciences), BCompt(Hons), CA(SA)

   Mrs Molope, who was previously the Chief Financial Officer of the Financial Services Board, has considerable financial and business experience. After qualifying as a chartered accountant in 1999, Mrs Molope was appointed Finance Executive of Akulalwa Corporate Advisors. In 2001, she joined Wipcapital as Manager : Specialised Funds Management, and later that year was appointed Group Financial Executive of Viamax, a subsidiary of Transnet. In 2004, she joined Zungu Investments Company as Financial Director, and in 2005 was appointed as Chief Financial Officer of the Financial Services Board. Mrs Molope is also a director of Hudaco Industries Limited, Nampak Limited, The Petroleum Oil and Gas Corporation of SA (Proprietary) Limited, MTN South Africa (Proprietary) Limited and four other MTN subsidiaries in West Africa.

2. **D L (David) Haworth** (60),
   BSc(Hons)

   Appointed to the board on 1 April 2009 as Business Development Director. Having previously held a number of senior positions in several companies operating in East and Southern Africa, he first joined Illovo in 1999, as Managing Director of Kilombero Sugar Company Limited. Prior to his appointment as a director, he was Managing Director of Illovo Sugar (Malawi) Limited, having been appointed to that position in March 2006. He gained his honours degree, majoring in geology from the University of Edinburgh.

3. **L W (Larry) Riddle** (49),
   BCom, CA(SA)

   Appointed to the board on 1 April 2009 as Commercial Director. After qualifying as a chartered accountant, he joined Illovo Sugar in 1986. He has held a number of senior management positions within the company, most recently being general manager with overall responsibility for the South African operations. He was appointed as a member of the Group Executive Committee in March 2005. He is Chairman of the South African Sugar Millers' Association and was previously Chairman of the Ethanol Producers' Association of South Africa.

4. **M I (Mark) Carr (Dr)** (46),
   BSc, PhD, MBA, CertEng, MIMechE

   Appointed to the board in 2006, as a nominee of the holding company. Appointed Chief Executive of British Sugar in April 2004. He was previously Managing Director of Corus Strip Products U.K., part of Corus Group plc. Dr Carr held a variety of senior positions within Corus, formerly British Steel plc, including assignments in the U.S.A. with CSX Transportation Inc. and Avesta Sheffield Inc. He gained a doctorate in mechanical engineering at Swansea University and an MBA from Warwick University.

5. **G J (Graham) Clark** (53),
   BAcct(Hons), FCA(Australia)

   Appointed to the board in 1997 and as Managing Director on 1 April 2009. Qualified with an honours degree in accounting and is a fellow of the Institute of Chartered Accountants in Australia. He joined the sugar industry in Malawi in 1980 and occupied several financial and management positions, as part of which he obtained extensive sugar industry experience throughout Africa and internationally. Participation in the 2005/06 reform of the EU sugar regime resulted in him occupying a leadership role representing the interests of sugar producers in Least Developed Countries.

6. **D R (David) Langlands** (43),
   BScMaths, ACA

   Appointed to the board in 2006, as a nominee of the holding company. He joined the Associated British Foods group in 1994, during which time he held various senior positions. Prior to his appointment as Finance Director of British Sugar in June 2003, Mr Langlands was Finance and Information Technology Director at ABNA, the agricultural division of Associated British Foods plc. He also worked at KPMG for six years. He is a chartered accountant and has a mathematics degree which he gained at the University of Manchester.

7. **P A (Paul) Lister** (45),
   LLB

   Appointed to the board in 2006, as a nominee of the holding company. He is currently Director of Legal Services and Company Secretary of Associated British Foods plc, having jointed the ABF group in that role in January 2001. Mr Lister was formerly Associate General Counsel of Diageo plc. He holds a law degree from University College London and is a qualified solicitor in England and Wales.

8. **B M (Barry) Stuart** (61),
   BCom, DipSugarTech, SEP(Stanford)

   Joined the Illovo group in 1973 and spent 13 years in various production management positions before being appointed as General Manager of the Umzimkulu mill and later General Manager of the Sezela mill. He was appointed to the board as Cane Procurement Director in 1994, became Operations Director responsible for operations in South Africa in 1995, was appointed Technical Director in 2006 and Operations Director in 2008. He is a past chairman of the South African Sugar Millers' Association.

9. **R A (Robbie) Williams** (68),
   BA, LLB

   Appointed to the board in 1985 and as chairman in 1997. Qualified at the University of Cape Town and joined Barlows Manufacturing Company where he became the managing director in 1979. He is a past chairman of C G Smith Foods Limited and Tiger Brands Limited. He is also a non-executive director of Oceana Group Limited and Pescanova SA in Spain.

Form of proxy

for the 94th annual general meeting

For completion only by members holding certificated shares, and members that have dematerialised their shares and have elected "own name" registration.

Company Registration No. 1906/000622/06
Share code ILV ISIN ZAE000083846

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 at the registered office of the company, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal on Tuesday, 14 July 2009 at 12:00 and at any adjournment thereof as follows -

Resolution No.	Agenda Item	Mark with X where applicable		
		For	Against	Abstain
1	**Adoption of 2009 annual financial statements**			
2	**Election of directors**			
2.1	**Confirmation of appointment of directors**			
2.1.1	D L Haworth			
2.1.2	C W N Molope			
2.1.3	L W Riddle			
2.2	**Re-election of directors**			
2.2.1	M I Carr			
2.2.2	G J Clark			
2.2.3	D R Langlands			
2.2.4	P A Lister			
2.2.5	B M Stuart			
2.2.6	R A Williams			
3.1	**Ordinary resolution**			
1	Determination of directors' fees			
2	Authority to issue shares for a rights offer			

Signed at ____________________ on this __________ day of ____________________ 2009

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 shareowners 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]). 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, Link Market Services South Africa (Proprietary) Limited (P O Box 4844, Johannesburg, 2000 or 5th Floor, 11 Diagonal Street, Johannesburg, 2001) no later than 12:00 on Friday, 10 July 2009.
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.

2009

Corporate information

Company 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
E-mail gdknox@illovo.co.za
Website: www.illovosugar.com

Group Public Affairs Manager: C Fitz-Gerald
Telephone: +27 31 508-4300
Telefax: +27 31 508-4525
E-mail cfitzgerald@illovo.co.za

Transfer Secretaries: Link Market Services South Africa (Proprietary) Limited
Business address: 5th Floor, 11 Diagonal Street, Johannesburg, 2001
Postal address: P O Box 4844, Johannesburg, 2000
Telephone: +27 11 834-2266
Telefax: +27 11 834-4398
E-mail: info@linkmarketservices.co.za

Auditors:
Deloitte & Touche

Attorneys:
Garlicke & Bousfield Incorporated

Principal Banker:
The Standard Bank Group Limited

Sponsor:
J P Morgan Equities Limited

Financial adviser:
The Standard Bank Group Limited

Company Registration No:
1906/000622/06

Share Code:
ILV

International Security Identification No:
ZAE000083846

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.

Designed and produced by Anne Parker Corporate Design cc.
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SUGAR
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