More than sugar

SUGAR · ILLOVO · LIMITED

Integrated Annual Report

For the year ended 31 March 2012

Analysis of shareholders

	Number of ordinary shares held	Percentage of shares issued	Number of shareholders
An analysis of the register of members as at 31 March 2012 revealed the following categories of membership			
1 – 1 000	682 590	0.1	1 683
1 001 – 10 000	4 170 882	0.9	1 239
10 001 – 100 000	14 233 144	3.1	429
100 001 – 1 000 000	61 450 178	13.4	194
Over 1 000 000	379 474 363	82.5	39
	460 011 157	100.0	3 584
Of the total number of shareholders, 3 133 held their shares in dematerialised form whilst 451 remained 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	83 061 905	18.1	238
• Unit trusts	77 277 275	16.8	104
• Banks	23 069 486	5.0	74
• Insurance companies	13 123 745	2.9	50
• Individuals	5 667 538	1.2	2 518
• Other corporate bodies	257 811 208	56.0	600
	460 011 157	100.0	3 584
Disclosures by nominee shareholders			
Pursuant to the provisions of Section 56 of the Companies Act, 2008, 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	236 569 232	51.5	
• Allan Gray Limited	94 410 243	20.5	
• Public Investment Corporation	31 667 561	6.9	
It should be noted that beneficial shareholders who 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	236 569 232		1
• Directors	637 850		4
• Employees and former employees holding shares in terms of the Illovo Sugar 1992 Share Option Scheme	1 044 980		46
• Trustees of the Illovo Sugar Employees' Share Purchase Trust	181 887		1
	238 433 949	51.8	52
Public shareholders	221 577 208	48.2	3 532
	460 011 157	100.0	3 584

Shareholders' diary

Financial year-end		March
Annual general meeting		July
Reports and profit statements		
Interim report		November
Audited group results		May
Annual report and financial statements		June
Distributions		
Interim distribution	Declaration	November
	Payment	January
Final distribution	Declaration	May
	Payment	July

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

Corporate information

Company Secretary	J A Kunst
Business address and registered office	Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal
Postal address:	PO Box 194, Durban, 4000
Telephone:	+27 31 508-4300
Telefax:	+27 31 508-4535
E-mail:	jkunst@illovo.co.za
Website:	www.illovosugar.com
Group Public Affairs Manager:	C Fitz-Gerald
E-mail:	cfitzgerald@illovo.co.za
Transfer Secretaries:	Link Market Services South Africa (Proprietary) Limited
Business address:	Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 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 bankers:	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

Notice of annual general meeting

Notice is hereby given that the 97th annual general meeting of the shareholders of Illovo Sugar Limited ("the company") will be held at the offices of Illovo Sugar Limited at Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal, on Wednesday, 18 July 2012 at 13:00, to transact the following business:

1. FINANCIAL STATEMENTS

To receive and consider the consolidated audited annual financial statements of the company for the year ended 31 March 2012, incorporating the reports of the external auditors, the Audit Committee and the directors, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act 71 of 2008 ("the Companies Act").

A copy of the annual financial statements appear on pages 91 to 141 of the integrated annual report of which this notice of meeting forms a part.

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution.

2.1 Ordinary resolution number 1 – Confirmation of appointment of director

To confirm the appointment of Mr G B Dalgleish, who was appointed as a director effective 16 September 2011 at a meeting of the directors held on 15 September 2011, after the previous annual general meeting.

A brief curriculum vitae of Mr Gavin Barry Dalgleish is provided on page 164 of the integrated annual report of which this notice of meeting forms a part.

2.2 Ordinary resolution number 2 – Re-election of directors

To re-elect each of Messrs M J Hankinson, P M Madi, A R Mpungwe, T S Munday and R N Pike who retire by rotation in terms of the company's articles of association, and who, being eligible, offer themselves for re-election. The motions for re-election will be moved individually.

The curricula vitae of these directors are provided on pages 164 and 165 of the integrated annual report. Based on the recommendations of the Nomination Committee, which has conducted an assessment of each of the retiring candidates, the board recommends their re-election to shareholders.

2.3 Ordinary resolution number 3 – Appointment of the members of the Audit Committee

Pursuant to the requirements of section 94(2) of the Companies Act, to appoint the following non-executive, independent directors of the company as members of the Audit Committee until the next annual general meeting:

Dr D Konar (Chairman), Messrs M J Hankinson and T S Munday and Mrs C W N Molope.

2.4 Ordinary resolution number 4 – Appointment of the independent registered auditor

Pursuant to the requirements of section 90(1) read with section 61(8)(c) of the Companies Act, and as nominated by the company's Audit Committee, to resolve that Deloitte & Touche be re-elected as the company's independent registered auditor for the financial year ending 31 March 2013, with George Tweedy as the individual designated auditor responsible for the audit.

2.5 Ordinary resolution number 5 – Decrease in maximum number of directors

To resolve, in terms of article 55 of the Articles of Association of the company, that the maximum number of directors of the company be decreased from twenty-five to fifteen.

2.6 Ordinary resolution number 6 – Non-binding advisory approval of the remuneration policy

To resolve that the company's remuneration policy be approved as a non-binding advisory vote.

King III recommends that the company's remuneration policy (which appears on pages 52 to 55 of the integrated annual report) be tabled to shareholders for a non-binding advisory vote at each annual general meeting.

3. SPECIAL RESOLUTIONS

To consider and if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

3.1 Special resolution number 1 – Approval of Memorandum of Incorporation

"Resolved, as a special resolution, to adopt the Memorandum of Incorporation ("MOI") annexed to this notice as Appendix 1, in substitution for the company's existing Memorandum of Association and Articles of Association."

Explanation

Special resolution number 1 provides for the company to adopt a new MOI in accordance with the requirements of the Companies Act and the JSE Listings Requirements, which require a company to harmonise its MOI within two years from 1 May 2011. Since the Companies Act and the amended JSE Listings Requirements require a substantial number of changes to the exiting Memorandum of Association and Articles of Association of the company, rather than amending the latter, it is considered appropriate to adopt the proposed new MOI. The principle changes incorporated in the new MOI are summarised in Appendix 2 to this notice. Other changes, which are of a minor technical or clarifying nature, have not been noted in Appendix 2. From the date of this notice, the MOI will be available for inspection at the company's registered office and on the company's website, www.illovosugar.com until 16:30 on 12 July 2012.

3.2 Special resolution number 2 – Non-executive directors' fees

"Resolved as a special resolution that, unless otherwise determined by the company in general meeting, the following annual fees payable by the company to its non-executive directors, with effect from 1 April 2012, are approved:

	Current R	Proposed R
Board		
Chairman	2 065 000	2 200 000
Director	205 000	220 000
Audit Committee		
Chairman	175 000	220 000
Member	85 000	110 000
Remuneration/Nomination Committee		
Chairman	125 000	150 000
Member	85 000	85 000
Risk Management Committee		
Chairman	100 000	110 000
Member	75 000	75 000
Social and Ethics Committee		
Chairman	0	110 000
Member	0	75 000

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 2 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. Due to the inclusive nature of the chairman's fee, no additional fees are payable to him as chairman or member of any of the abovementioned committees. The executive directors receive no fees or other remuneration for their services as directors.

4. OTHER BUSINESS

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

Notice of annual general meeting continued

INFORMATION SCHEDULE

Record date

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the Annual General Meeting is Friday, 13 July 2012. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the Annual General Meeting is Friday, 6 July 2012.

Proxies/representation at the meeting

Shareholders holding certificated shares and shareholders 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 shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed him.

A proxy form is included on page 167 of the annual report. Duly completed proxy forms must be returned to the transfer secretaries, Link Market Services South Africa (Pty) Limited (PO Box 4844, Johannesburg, 2000 or Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001) by no later than 13:00 on Friday, 13 July 2012.

Shareholders 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. Shareholders 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 shareholders and their CSDP/broker.

Identification

Pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification.

Electronic communication

With regard to section 61(10) of the Companies Act, any shareholder or proxy eligible to attend the annual general meeting but unable to do so, may make arrangements with the company to be connected to the meeting via a teleconference facility. Should any shareholder or proxy wish to use this facility, he/she should contact the company's Secretarial Affairs Manager, Mr L M Smith, telephone number +27 31 508 4303, or email lsmith@illovo.co.za by no later than 13:00 on Friday, 13 July 2012, so as to be advised of the relevant dial-in requirements.

By order of the board

J A Kunst
Company Secretary

Mount Edgecombe
19 June 2012

Appendix 1

Republic of South Africa Companies Act 71 of 2008
Memorandum of Incorporation of a public company
Illovo Sugar Limited
Registration number 1906/000622/06

INDEX

Appendix 1 continued

A This Memorandum of Incorporation was adopted by the company on ________.

B The Memorandum of Association and Articles of Association adopted in terms of the Companies Act 61 of 1973, as amended, was repealed in its entirety and simultaneously replaced with this Memorandum of Incorporation by special resolution of the shareholders, in accordance with the Companies Act 71 of 2008, as amended.

C The Memorandum of Incorporation of the company is as follows:

INTERPRETATION

1 In this Memorandum of Incorporation, unless the context otherwise requires:

(a) words or expressions defined in the Act and the JSE Listings Requirements shall have the meanings therein defined;

(b) words importing the singular shall include the plural and vice versa;

(c) words importing persons shall include firms and bodies corporate;

(d) words importing a particular gender shall be deemed to include the other gender.

2 The following words and expressions shall have the following meanings, namely:

(a) "ABF" means Associated British Foods plc (Registration number 293262), a public company incorporated in England and listed on the London Stock Exchange plc;

(b) "ABF Group" means ABF and its subsidiaries;

(c) "Act" or "Companies Act" means the Companies Act 71 of 2008, as amended from time to time. Reference to the Act shall, if the Act be replaced by any other statute, be construed as a reference to the statute or statutes from time to time in force relating to companies. Reference to any provision of the Act shall be construed as a reference to such provision as modified or re-enacted by any statute for the time being in force;

(d) "the company" means Illovo Sugar Limited (registration number 1906/000622/06);

(e) "directors" means the directors for the time being of the company (including, where applicable, alternate directors), or, as the case may be, the directors assembled as a board;

(f) "in writing" or "written" means and includes words printed, autographed, represented or produced in any mode in a visible form and further includes a data message, being information generated, sent, received or stored by electronic, optical or similar means including, but not limited to, electronic mail;

(g) "JSE" means the JSE Limited (registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of the Republic of South Africa and licensed as an exchange under the Securities Services Act, 2004, as amended;

(h) "JSE Listings Requirements" means the Listings Requirements of the JSE;

(i) "month" means a calendar month;

(j) "the register" means the register of shareholders to be kept pursuant to the Act;

(k) "registered office" means the registered office for the time being of the company;

(l) "securities" means any shares, debentures or other instruments, irrespective of their form or title, issued or authorised to be issued by a profit company;

(m) "SENS" means the Securities Exchange News Service;

(n) "shareholder" means a shareholder of the company. For the purposes of any meeting of shareholders of the company or any class thereof, "shareholder" includes any representative of, or proxy for, any corporation or company which is a shareholder of the company;

(o) "subsidiary" has the meaning ascribed to it in section 3 of the Act except that the reference to the term "company" in that section includes a foreign company as defined in section 1 of the Act;

(p) "nominated address" in relation to a shareholder means an electronic mail address, fax number, physical or postal address notified by a shareholder to the company in terms of article 43 below;

(q) "notice" includes circulars, listing particulars, annual reports, abridged and full annual financial statements, interim reports, profit and dividend announcements and proxy forms; and

(r) "year" means a calendar year.

INCORPORATION AND NATURE OF THE COMPANY [s8 and 15 of the Act]

3 The company is incorporated as from 11 July 1906 as a public company and is governed by:

(a) the unalterable provisions of the Act;

(b) the alterable provisions of the Act, subject to the limitations, extensions, restrictions, variations or substitutions set out in this Memorandum of Incorporation; and

(c) the provisions of this Memorandum of Incorporation.

4 The company is a public company and, subject to the provisions of this Memorandum of Incorporation, there is no restriction on the transferability of any securities of the company and it is not prohibited from offering any securities to the public.

AMENDMENTS AND ALTERATIONS [s16 and 17 of the Act]

5 Subject to articles 6, 7 and 8, this Memorandum of Incorporation shall only be amended by an order of court, or by a special resolution of the holders of ordinary shares in the company. For these purposes, an amendment includes, but is not limited to, the creation of any class of shares; the variation of any preferences, rights, limitation or other share terms attaching to any class of shares; the conversion of one class of shares into one or more other classes; the increase in the number of securities of a class; the consolidation of securities; the sub-division of securities; and a change of the name of the company. [JSE Sch 10: 10.5(d)]

6 If at any time the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, no amendment to this Memorandum of Incorporation which relates to the variation of any preferences, rights, limitations or other terms attaching to any class of shares, shall be implemented without the sanction of a special resolution of the holders of such shares passed at a separate general meeting of such holders at which shareholders holding in the aggregate not less than twenty-five percent (25%) of all the voting rights of the shareholders holding shares in that class and who are entitled to vote at that meeting are present in person or by proxy at the time when the matter is called on the agenda, and the resolution has been passed by not less than seventy-five percent (75%) of the total votes to which the shareholders of that class, present in person or by proxy are entitled. [JSE Sch 10: 10.5(e)]

7 If at any time there are any preference shares in the issued capital of the company, no amendment to this Memorandum of Incorporation which relates to the creation of further shares ranking in priority to, or *pari passu* with, such shares, shall be implemented without the sanction of a special resolution of the holders of such shares passed at a separate general meeting of such holders and at which shareholders holding in the aggregate not less than 25% of the votes of all the shareholders holding shares in that class and who are entitled to vote at that meeting are present in person or by proxy at the time when the matter is called on the agenda, and the resolution has been passed by not less than 75% of the total votes to which the shareholders of that class present in person or by proxy are entitled. [JSE Sch 10: 10.5(f)]

8 This article 8 and articles 135 to 146, shall only be capable of being amended by way of a special resolution passed at a general meeting provided that not less than 50% of the votes of the shareholders who are not members of the ABF Group who are present in person or by proxy are cast in favour of such resolution.

9 The company shall give notice of any alteration of this Memorandum of Incorporation to each shareholder.

RULES [s15 of the Act]

10 The board of directors shall not have the authority to make, amend or appeal, rules for the company as contemplated in section 15(3) of the Act. [JSE Sch 10: 10.4]

SECURITIES [s44, 49 and 56 of the Act]

11 Securities of the company may be issued in either dematerialised or certificated form, as the board of directors may determine. Securities in each class for which listing is applied must rank *pari passu* in respect of all rights. [JSE Sch 10: 10.5(a)]

12 The authority of the board of directors to allow the company's issued securities to be held by, and registered in the name of, one person for the beneficial interest of another person, as provided for in the Act, is not limited or restricted.

13 The authority of the board of directors to authorise the company to provide financial assistance in relation to the subscription for, or purchase of, any securities of the company, or of a related or inter-related company, as provided for in the Act, is not limited or restricted.

14 The company may not claim a lien on any of its securities. [JSE Sch 10: 10.12]

15 The company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any securities of the company, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any securities, provided that, if the commission is paid or payable out of capital, the statutory conditions and requirements shall be observed, and the amount or rate of commission, whether payable out of profits or capital or both, shall not exceed ten percent (10%) of the price at which the securities are issued. [JSE Sch 10: 10.14]

16 The following corporate actions may be taken only in accordance with the JSE Listings Requirements:

(a) the issue of shares for cash and options and convertible securities granted or issued for cash;

(b) the repurchase of the company's securities; and

(c) the alteration of share capital, authorised shares and rights attaching to any class of shares. [JSE Sch 10: 10.9]

Appendix 1 continued

SHARES [s36 to 47 of the Act]

17 The authorised share capital of the company is thirty six million Rand, divided into 900 million ordinary par value shares of four (4) cents each. Securities for which listing is sought must be fully paid up and freely transferable, unless otherwise required or permitted by statute. [JSE Sch 10: 10.2(a)]

18 Preferences, rights, limitations or other terms of any class of securities of the company from time to time may not be varied, and no resolution may be proposed to shareholders for rights to include such variation, in response to any ascertainable external fact(s) as provided for in sections 37(6) and (7) of the Act. [JSE Sch 10: 10.5(g)]

19 Subject to articles 6, 7 and 16(c), the authority of the board of directors to increase or decrease the number of authorised shares of any class; to reclassify any shares that have been authorised but are not issued; to classify any unclassified shares that have been authorised but are not issued; and to determine the preferences, rights, limitations or other terms of any class of shares that are not issued and which preferences, rights limitations or other terms are not specified in this Memorandum of Incorporation, as provided for in the Act, is not limited or restricted.

20 The authority of the board of directors to approve the issuing of any authorised shares of the company as capitalisation shares; to issue shares of one class as capitalisation shares in respect of shares of another class; and to resolve to permit shareholders to elect to receive cash payments in lieu of capitalisation shares, as provided for in the Act; and to issue shares for an acquisition of assets, is not limited or restricted. Any capitalisation issue must, however, comply with the requirements of section 47 of the Act. [JSE Sch 10: 10.6 and 10.7]

21 (1) Subject to any directions to the contrary that may be given by the company in general meeting at the time that any new securities are created, any equity securities for the time being unissued (whether forming part of the original or any increased capital) shall, before issue, first be offered to all the existing holders of equity securities, as nearly as circumstances permit pro rata in proportion to their shareholdings, unless such securities are to be issued for an acquisition of assets. [JSE Sch 10: 10.1]

(2) Notwithstanding Article 21(1), the shareholders in general meeting may authorise the directors (subject to the provisions of the Act, the prior approval of the JSE and the JSE Listings Requirements) to issue any unissued securities in their discretion, to allot, grant options over, or otherwise deal with or dispose of such securities, or any of them, to such persons at such times on such terms and conditions and for such consideration, whether payable in cash or otherwise, as they may from time to time think fit. [JSE Sch 10: 10.1]

22 The company shall be entitled to treat the registered holder of any securities as the absolute owner thereof and accordingly shall not be bound to recognise any trust, charge, encumbrance, lien or any other claims whatever to, or interest whatever in, such securities, on the part of any other person (even when having notice thereof), except as ordered by a Court of competent jurisdiction, or as by law required.

23 Unless the directors otherwise decide, the company may register as a shareholder any person, company, trust, estate, institution or other legal persona, including the trustee of a trust or the administrator or curator of an estate, or a trustee, administrator or curator in his capacity as such, who lodges with the instrument of transfer required by this Memorandum of Incorporation, such other documents as the company may require to establish the identity of the shareholder, provided that the company shall not be bound by, or deemed to have taken cognisance of, or compelled in any way to recognise, any trust or interest, express or implied, in any document lodged, nor shall it be required to, satisfy itself, or be deemed to have taken any steps to have satisfied itself, that the shareholder had any contractual or other right to purchase the shares or otherwise came into possession of them, or to retain or dispose of or transfer such shares, nor shall the company incur any liability in any way for so registering the shares, or for registering any subsequent transfer thereof.

24 The company may, in accordance with the rules and requirements of the JSE, at any time and from time to time, make an odd-lot offer to shareholders holding less than 100 shares, in terms of which the offeree shareholders are given the right to elect to retain their odd-lot shareholdings, or to elect to sell their odd-lot shareholdings; and the odd-lot offer may provide that if any offeree shareholder fails to exercise the right of election, his shareholding will be compulsorily sold as if he had elected to sell his shareholding. [JSE LR 5.124(a)]

CERTIFICATES [s51 of the Act]

25 The certificates of title to securities and to options on securities shall be issued under the authority of the directors, or of a board committee when authorised thereto by the directors, in such manner and form as the directors may from time to time prescribe. If any securities are numbered, such securities shall be numbered in numerical progression beginning with the number 1, and each security shall be distinguished by its appropriate number. If any securities are not numbered, all certificates in respect of such securities shall be numbered in numerical progression and each certificate distinguished by its appropriate number and by such endorsement as may be required under the Act.

26 Every shareholder shall be entitled, without payment, to one certificate for all his securities of each class and when part only of the securities comprised in a certificate is sold or transferred, to a new certificate for the remainder of the securities so comprised, or to several certificates each for one or more of his securities of any class. Every certificate shall specify the securities in respect of which it is issued. Where securities are registered in the names of two or more persons, they shall be treated as one securities holder for the purposes of this article.

27 If any certificate is worn out or defaced, then upon production thereof to the directors they may order the same to be cancelled, and may issue a new certificate in lieu thereof, and if any certificate is lost or destroyed, then upon proof thereof to the satisfaction of the directors, and on such indemnity as the directors deem adequate being given, and

after such advertisement as the directors may approve, a new certificate in lieu thereof shall be given to the person entitled to such lost or destroyed certificate. In the case of loss or destruction, the securities holder to whom the new certificate is given shall repay to the company all expenses incidental to the investigation by the company of the evidence of such destruction or loss, and of the indemnity.

28 The certificate for securities registered in the names of two or more persons shall be delivered to the person first named on the register in respect thereof, and delivery of the certificate to that person shall be sufficient delivery to all joint holders of those securities.

TRANSFER AND TRANSMISSION OF SHARES [s51 and 53 of the Act]

29 The instrument of transfer of any securities shall be signed by the transferor and the transferee unless the directors (in their sole discretion) dispense with the signature of the transferee. The transferor shall be deemed to remain the holder of such securities until the name of the transferee is entered in the register in respect thereof.

30 The instrument of transfer of any securities shall be in writing in the usual common form, or as near thereto as circumstances will permit.

31 Every instrument of transfer shall be left at the transfer office of the company at which it is presented for registration, accompanied by the certificate of the securities to be transferred and/or such other evidence as the company may require to prove the title of the transferor, or his right to transfer the securities. Any authority granted by a shareholder for the purpose of transferring securities which may be lodged with, or produced or exhibited to the company shall, as between the company and the grantor of such authority, be deemed to remain in full force and effect, and the company may allow the same to be acted upon until such time as express notice in writing of the revocation of the authority has been given and lodged at the company's transfer offices at which such authority was lodged. Even after the giving of such notice, the company shall be entitled to give effect to any instruments signed in terms of such authority before the giving and lodging of such notice. [JSE Sch 10: 10.2(b)]

32 The company shall not be bound to allow the exercise of any act by an agent for a shareholder unless a duly certified copy of such agent's authority is produced and filed with the company.

33 All instruments of transfer shall be retained by the company, but any instrument of transfer which the directors decline to register shall, on demand, be returned to the person depositing the same.

34 The executors or administrators of a deceased shareholder (not being one of several joint holders) shall be the only persons recognised by the company as having any title to the securities registered in the name of such shareholder, and in the case of the death of any one or more of the joint holders of any securities, the survivor shall be the only person recognised by the company as having any title to or interest in such securities.

35 The parent or guardian of a minor, and the *curator bonis* of a shareholder, and any person becoming entitled to securities in consequence of the death or insolvency of any shareholder, upon producing such evidence that sustains the office in respect of which he proposes to act under this clause, or of his title, as the directors deem sufficient, may with the consent of the directors (which they shall not be under any obligation to give) be registered as a shareholder in respect of such securities or may, subject to the regulations as to transfer contained in this Memorandum of Incorporation, transfer such shares.

36 The directors may suspend the registration of transfer of securities immediately preceding any annual general meeting, and at other times, provided that the periods of suspension shall not in any one year exceed sixty (60) days, subject to the provisions of the Act.

SHARE TRANSACTIONS TOTALLY ELECTRONIC (STRATE)

37 Notwithstanding anything to the contrary contained in this Memorandum of Incorporation, but subject to the Act and the requirements from time to time of the JSE and/or any other recognised securities exchange on which the securities of the company may be listed, or of any other regulatory authority controlling the issue and transfer of securities, in the event of the method of establishing the title of securities and/or of transferring such securities or recording such transfers is changed from time to time by any of the securities exchanges or other regulatory authority aforesaid, the provisions of this Memorandum of Incorporation relating to certificates for securities or other evidence of title thereto, the transfer thereof, and all matters concerning share transactions, shall be deemed to be adjusted so as:

(a) to conform to the requirements of the JSE and/or any other recognised securities exchange on which the securities of the company may be listed and/or any other regulatory authority aforesaid; and

(b) to empower the company to conform to the duly authorised methods so adopted including the power to settle all share transactions totally electronically or otherwise as may be so approved from time to time.

DEBT INSTRUMENTS [s43 of the Act]

38 The directors may issue perpetual or redeemable bonds, secured or unsecured debentures, or any mortgage, charge or other security, on the undertaking of the whole or any part of the property of the company (both present and future), provided that no special privileges such as attending and voting at general meetings and the appointment of directors may be given. [JSE Sch 10: 10.10]

39 Secured or unsecured debentures, bonds or other securities may be made assignable free from any equities between the company and the person to whom the same may be issued. Any debentures, bonds or other securities may be issued at a discount, premium or otherwise.

40 If any of the directors, or any other persons, become(s) personally liable for the payment of any sum primarily due by the company, the directors may execute or cause to be executed any mortgage, charge or security over, or in respect of, the whole or any part of the assets of the company (subject to the relevant provisions of the Act) by way of an indemnity to secure the directors or persons becoming liable as aforesaid from any loss in respect of such liability.

NOTICES [s6 and 62 of the Act and regulation 7]

41 Any notice may be given by the company to a shareholder:

(a) in any manner permitted by the Act; or

(b) by personal delivery of the notice to the shareholder; or

(c) by faxing the notice to the fax number nominated by the shareholder; or

(d) by sending the notice by ordinary mail or by registered mail, to the shareholder's physical or postal nominated address; or

(e) by electronic mail to the shareholder's nominated email address; or

(f) by posting the notice on the company's website, and simultaneously with, or as soon as possible thereafter, notifying the shareholder at his nominated email address or fax number, or by ordinary mail at his nominated postal address, that it has posted the notice on its website; or

(g) by posting the notice on SENS, and simultaneously with, or as soon as possible thereafter, notifying the shareholder at his nominated email address or fax number, or by ordinary mail at his nominated postal address, that it has posted the notice on SENS.

42 Any notice sent by post shall be deemed to have been served on the day on which the letter, envelope or wrapper containing the same is posted, and in proving such service, it shall be sufficient to prove that the letter, envelope or wrapper containing the notice was properly addressed and put in the post. Any notice sent by electronic mail shall be deemed to have been received on the day on which the electronic email was dispatched to the shareholder's nominated electronic email address, and any notice posted on the company's website or on SENS, shall be deemed to have been received by the shareholder on the day the shareholder is notified by the company that it has posted the notice on its website.

43 Each holder of registered securities shall notify the company in writing of an electronic mail address, a fax number, and a physical or postal address, each of which shall be deemed to be his nominated address within the meaning of this Memorandum of Incorporation, and if he does not notify the company of at least one of the above, he shall be deemed to have waived his right to be served with any notice from the company. [JSE Sch 10: 10.18]

44 All notices with respect to any registered securities to which persons are jointly entitled, may be given to whichever of such persons is named first on the register and notice so given shall be sufficient notice to all the holders of such securities.

45 Every person who, by operation of law, transfer, or other means, becomes entitled to any securities, shall be bound by every notice in respect of such securities which was given to the person from whom he derives his title to such securities, prior to his name and nominated address being entered in the register.

46 Any notice or document delivered or sent by post to, or left at the nominated address of any shareholder in pursuance of this Memorandum of Incorporation shall, notwithstanding that such shareholder was then deceased, and whether or not the company has received notice of his decease, be deemed to have been duly served in respect of any registered securities, whether held solely or jointly with other persons by such shareholder, until some other person is registered in his stead as the joint holder thereof; and such service shall, for all purposes be deemed sufficient service of such notice or document on his or her heirs, executors or administrators, and all persons (if any) jointly interested with him or her in any such securities.

47 Except if otherwise provided herein, where a given number of days notice, or notice extending over any other period, is required to be given, the day of service shall not be counted in the number of days, or other period.

48 The signature to any notice given by the company may be written or printed, or partly written and partly printed or may be an electronic signature.

GENERAL MEETINGS [s60, 61, 62 and 63 of the Act]

49 The company is not required to hold any shareholders' meetings other than those specifically required by the Act.

50 Subject to the relevant provisions of the Act, an annual general meeting shall be held once in every year at such time and place as the directors may determine, provided that not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next.

51 The directors may, whenever they think fit, convene a general meeting, and a general meeting shall also be convened on a requisition made in terms of the Act, or in default, may be convened by the requisitionists as provided by and subject to the relevant provisions of the Act. If at any time there is not, within the Republic of South Africa, sufficient directors capable of acting to form a quorum, any director or any two shareholders of the company may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.

52 Subject to the provisions of the Act, the place and time of any general meeting shall be determined by the directors. The authority of the company to hold any general meeting in the Republic of South Africa or in any foreign country, as provided for in the Act, is not limited or restricted.

53 (1) Any general meeting shall be called by fifteen (15) business days' notice in writing at the least. The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business, and shall be given to each person entitled to vote at such meeting who has elected to receive such documents from the company. [JSE Sch 10: 10.11(a), (b) and (e)]

(2) In every notice there shall appear with reasonable prominence a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote and speak in his stead, and that such proxy need not also be a shareholder.

(3) Notice of each general meeting of the company shall be sent to the Manager (Listings) of the JSE at the same time as notice of the meeting is sent to the shareholders of the company. Such notice shall also be announced through the official news service of the JSE. [JSE Sch 10: 10.11(f)]

54 The accidental omission to give notice of any meeting to shareholders shall not invalidate any resolution passed at any such meeting.

55 The authority of the company to conduct a meeting entirely by electronic communication, or to provide for participation in a meeting by electronic communication, as provided for in the Act, is not limited or restricted.

56 Subject to article 57, a resolution that could be voted on at a general meeting, or at a separate meeting of holders of any class of shares, may instead be concluded in accordance with section 60 of the Act; provided that the appointment, or the confirmation of an appointment, of any director or alternate director of the company is not permitted in this manner. [JSE Sch 10: 10.16(b) and (g)]

57 Notwithstanding anything to the contrary contained in the Act or this Memorandum of Incorporation, any meeting of shareholders that is required in terms of the JSE Listings Requirements shall be held in person and shall not be held by means of a written resolution contemplated in section 60 of the Act. [JSE Sch 10: 10.11(c)]

PROCEEDINGS AT GENERAL MEETINGS [s61, 63 and 64 of the Act]

58 The business of the annual general meeting shall be to receive and consider the balance sheet and accounts, the reports of the directors, auditors and the social and ethics committee, the election of directors and members of the audit committee and the appointment of auditors and other officers of the company in the place of those retiring by rotation or otherwise, the transaction of matters prescribed by the Act and any other business, including the sanctioning or declaration of dividends, which, in terms of this Memorandum of Incorporation, ought to be transacted at an annual or other meeting, and any business which is brought under consideration by the report of the directors laid before such meeting.

59 The quorum requirement for a general meeting to begin, and for any matter to be decided at that meeting, is sufficient persons present at the meeting (in person or by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting or the matter at hand, as the case may be; provided that at least three shareholders are so present at such meeting. No business shall be transacted at any general meeting unless the requisite quorum is and remains present. A company, which is a shareholder of this company and which is present by an authorised representative, shall be deemed to be a shareholder personally present for the purpose of this Memorandum of Incorporation. [JSE Sch 10: 10.11(h)]

60 The chairman of the board of directors, or in his absence the lead independent director (if any), shall be entitled to take the chair at every general meeting. If there is no chairman or lead independent director, or if at any meeting he is not present within ten (10) minutes after the time appointed for holding the meeting, or is unwilling to act, the directors may choose a chairman and in default of their doing so the shareholders present shall choose one of the directors to be a chairman, and if no director present be willing to take the chair, they shall choose one of their number to be chairman.

61 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the directors may by notice to the shareholders appoint. The chairman of the meeting may extend the half-hour time limit for a reasonable period in accordance with section 64(5) of the Act. Subject to the provisions of the Act, the quorum at such adjourned meeting shall be the shareholder or shareholders present thereat personally or by proxy, who may transact the business for which the meeting was called.

62 At any general meeting a resolution put to the vote shall be decided on a poll, taken in such manner as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded

Appendix 1 continued

63 Subject to the provisions of the Act relating to the compulsory adjournment of meetings, the chairman of a general meeting may, with the consent of the meeting (and shall if so directed by the meeting), adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

64 A shareholders' meeting shall not be adjourned beyond the earlier of one hundred and twenty (120) business days after the record date, or sixty (60) business days after the date on which the adjournment occurred.

RECORD DATE FOR DETERMINING SHAREHOLDERS' RIGHTS [s59 of the Act]

65 The record date for all transactions shall be in accordance with the JSE Listings Requirements. [JSE Sch 10: 10.15]

VOTES OF SHAREHOLDERS [s58 and 65 of the Act]

66 For an ordinary resolution to be adopted by the shareholders of the company, it must be supported by the holders of more than 50% of the voting rights exercised on the resolution.

67 For a special resolution to be adopted by the shareholders of the company, it must be supported by the holders of at least 75% of the voting rights exercised on the resolution. [JSE Sch 10: 10.11(a)]

68 Subject to any special terms or restrictions as to voting upon which any securities may be issued:

(a) upon a poll, every shareholder present or represented by proxy shall have one vote for every share held by him, subject, however, to article 68(b). [JSE Sch 10: 10.5(b)]

(b) the holders of any securities, other than ordinary shares and any special shares created for the purposes of Black Economic Empowerment, shall not be entitled to vote on any resolution taken by the company save as expressly provided for herein. In the instances that such shareholders are allowed to vote at general meetings, their votes may not carry any special rights or privileges and they shall be entitled to one vote for each share that they hold, provided that their total voting right at such a meeting may never be more than twenty four point nine nine percent (24.99%) of the total voting rights of all shareholders at such a meeting. [JSE Sch 10: 10.5(c)]

69 Any person entitled under article 35 to the transfer of any securities may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such securities, provided that at least forty-eight (48) hours before the time of holding the meeting or adjourned meeting, as the case may be, at which the person proposes to vote, he shall satisfy the directors of his right to transfer such securities, unless the directors have previously admitted his right to vote at such meeting in respect thereof.

70 Where there are joint registered holders of any securities, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such securities as if he were solely entitled thereto; and if more than one of such joint holders be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such securities shall alone be entitled to vote in respect thereof. Where there are several executors or administrators of a deceased shareholder in whose sole names any securities stand, any of such executors or administrators may vote in respect of such share unless any other of such executors or administrators is present at the meeting at which such a vote is tendered, and objects to the vote, in which case the executor or administrator whose name stands first on the register shall alone be entitled to vote in respect of such securities.

71 The instrument appointing a proxy shall be in writing under the hand of the appointer, or of his agent duly authorised in writing, or, if the appointer is a corporate body, under the hand of an officer or agent authorised by the body. The holder of a general or special power of attorney given by a shareholder shall be entitled to vote, if duly authorised under that power to attend and take part in the meetings and proceedings of the company, whether or not he is himself a shareholder in the company.

72 Any such general or special power of attorney, or the instrument appointing a proxy and the power of attorney (if any) under which it is signed, or a notarially certified copy thereof, shall be deposited at the registered office or such other place as may be designated by the company from time to time, not less than forty-eight (48) hours before the time for the holding of the meeting at which the person named in such power or instrument purports to attend or vote pursuant thereto or in respect thereof. In default of compliance herewith the power or instrument shall be treated as invalid for the purpose of attending or voting at that meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution, unless the proxy otherwise provides.

73 A vote in accordance with the terms of a power of attorney or an instrument of proxy shall be valid notwithstanding the previous death of the principal, or the revocation of the power or proxy, or the transfer of the securities in respect of which the vote is given, provided that no notice in writing of the death, revocation or transfer has been received by the chairman of the meeting before the vote is taken.

74 An instrument appointing a proxy shall be in the following form or in any other form which the directors may approve:

"ILLOVO SUGAR LIMITED

"I/We being a shareholder/shareholders of the abovenamed company,

hereby appoint of

or failing him of

or failing him the chairman of the meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the annual general or general (as the case may be) meeting of the company,

to be held on the day of and at any adjournment thereof as follows:

	In favour of	Against	Abstain
Resolution to			
Resolution to			
Resolution to			

"(Indicate instruction by a cross or tick in the space provided).

"Unless otherwise instructed, the proxy will vote as he thinks fit.

"Signed this day of

SIGNATURE

"A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The proxy need not be a shareholder of the company."

75 The directors of the company may, in their discretion, permit the acceptance of proxies transmitted by shareholders to the company by electronic mail, according to such directions as may be issued by the directors.

76 The right of a shareholder to appoint persons concurrently as proxies, as provided for in the Act, is not limited, restricted or varied.

77 The authority of a shareholder's proxy to delegate the proxy's powers to another person and to decide without direction from the shareholder whether to exercise or abstain from exercising any voting right of the shareholder, as provided for in the Act, is not limited or restricted.

POWERS OF DIRECTORS [s45 and 66 of the Act]

78 The business and affairs of the company shall be managed by the directors, who may exercise all such powers of the company and do all such acts and things as may be done by the company, that are not by the Act or by this Memorandum of Incorporation required to be exercised by the company in general meeting, subject nevertheless, to the provisions of the Act and of this Memorandum of Incorporation.

79 Without derogating from the generality of article 78, but subject to compliance with section 45(3) of the Act, the authority of the board to authorise the company to provide financial assistance to a director or prescribed officer of the company, or of a related or inter-related company; or to a related or inter-related company or corporation; or to a shareholder of a related or inter-related corporation; or to a person related to any such company, corporation, director, prescribed officer or shareholder, is not limited or restricted.

DIRECTORS [s66, 68, 69, 70 and 71 of the Act]

80 The company shall have not less than four (4) and not more than fifteen (15) directors. The company may in general meeting from time to time increase such minimum or increase or reduce such maximum numbers of directors. [JSE Sch 10: 10.16(a)]

81 Directors shall be elected by the shareholders of the company in accordance with sections 66(4)(b) and 68(2) of the Act. Such elections shall take place at the annual or other general meeting of the company. The board, through the nomination committee of the board, shall recommend to shareholders the eligibility of directors or potential directors, taking into account any past performance or contribution. [JSE Sch 10: 10.16(g)]

82 There shall be no directly appointed or *ex officio* directors of the company.

83 Unless the company in general meeting otherwise determines, any casual vacancy occurring in the board of directors may be filled by the directors, provided that any such appointment shall be confirmed at the next following annual general meeting. [JSE Sch 10: 10.16(b) and (c)]

84 The directors shall have power at any time, and from time to time to appoint a person as an additional director; provided that any such appointment shall be confirmed at the next following annual general meeting. [JSE Sch 10: 10.16(b) and (c)]

85 If the number of directors falls below the prescribed minimum, or the minimum determined by the company in general meeting, the continuing directors must as soon as possible and in any event not later than three (3) months from the date that the number of directors falls below the minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies. The failure by the company to have the minimum number of directors during the three (3) month period shall not limit or negate the authority of the board of directors or invalidate anything done by the board of directors or the company. After the expiry of the three (3) month period, the continuing directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings. [JSE Sch 10: 10.16(d)]

86 At each annual general meeting of the company, one-third of the non-executive directors in office, or if their number is not divisible by three, the number nearest to one-third (but not less than one third) shall retire from office. The non-executive directors to retire in each year shall be those who have been longest in office since their last election, or re-appointment, but as between persons who were elected or re-appointed on the same day, those to retire shall, unless otherwise agreed amongst themselves, be determined by lot. [JSE Sch 10: 10.16(g)]

87 A retiring non-executive director shall be eligible for re-election, but no person not being a retiring non-executive director shall be eligible for election to the office of director at any general meeting unless he, or some other shareholder intending to propose him, has at least five (5) business days before the meeting, left at the registered office of the company a notice in writing, duly signed, signifying his candidature for office, or the intention of such shareholder to propose him. Subject to this provision, the company at any annual or other general meeting at which any directors retire may fill up the vacated offices by electing a like number of persons as directors. [JSE Sch 10: 10.16(g)]

88 No director or alternate director shall be required to hold any shares in the company to qualify him as such.

89 If at any meeting at which an election of directors ought to take place, the places of the vacating directors are not filled, the meeting shall stand adjourned until the same day in the next week, at the same time and place, or if that day is a public holiday, then the next succeeding day which is not a public holiday, and if at such adjourned meeting the places of the vacating directors are not filled up, the vacating directors, or such of them as have not had their places filled up, shall be deemed to have been re-elected at such adjourned meeting.

90 The office of a director shall *ipso facto* be vacated:

(a) if he ceases to be a director by virtue of any of the provisions of the Act, or becomes prohibited from being a director by reason of an order made under the Act; or

(b) if he is removed from office by an ordinary resolution of the company in general meeting or by resolution of the board of directors, in terms of section 71 of the Act; or

(c) if he becomes insolvent or suspends payment generally or compounds with his creditors; or

(d) if he becomes lunatic or of unsound mind; or

(e) if he absents himself from the meetings of the directors, except on the company's business, for a period of six (6) months without special leave of absence from the board, and is not represented at any such meetings by an alternate director and the board resolves that his office be vacated; or

(f) if he resigns from office, or retires from office; or

(g) in the case of a director who is employed by the company, upon the termination of his employment for any reason.

EMPLOYMENT OF DIRECTORS AND DIRECTORS' REMUNERATION [s66 of the Act]

91 A director may:

(a) hold any other office, other than that of auditor, or be employed in any other capacity in the company; or

(b) hold office as a director of a company controlled by, or itself a subsidiary of, this company, or any other office in such company (other than that of auditor), or be employed in any other capacity by such company,

but in any such event, his appointment and remuneration in respect of such employment or other office must be determined by a disinterested quorum of directors. [JSE Sch 10: 10.16(e)]

92 Except to the extent that this Memorandum of Incorporation provides otherwise, the company may pay remuneration to its directors, for their service as directors, in such amount as may be determined by special resolution from time to time and at least once every two (2) years, except that any director holding office for part only of a year in respect of which remuneration falls to be divided shall be entitled to a part only of his share of remuneration in proportion to the part of the year that he holds office.

93 The directors may be paid all their travelling and other expenses, properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof; and, if any director is required to perform extra services, to reside abroad or be specifically occupied about the company's business, he may be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to, or in substitution for, any other remuneration payable. [JSE Sch 10: 10.16(e) and (f)]

MANAGING DIRECTOR

94 A disinterested quorum of directors may from time to time appoint one or more of their body to the office of managing director at such remuneration (whether by way of salary, or commission, or participation in profits or partly in one way and partly in another) as they may think fit. His appointment as such shall terminate, *ipso facto*, if the board of directors or the company in general meeting terminates his appointment as a director in terms of section 71 of the Act, or if he ceases to be a director for any other reason, but without prejudice to any claim for compensation or damages which may arise in respect of such termination under any contract which may exist. [JSE Sch 10: 10.16(e)]

95 The directors may from time to time delegate to a managing director, or manager, such of the powers and authorities vested in them as they may think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient; and may from time to time revoke or vary, all or any of such powers and authorities.

ALTERNATE DIRECTORS [s66 of the Act]

96 Each director shall have the power to appoint another person to act as an alternate director in his place, and at his discretion to remove such alternate and appoint another in his place, provided that the appointment of such alternate director shall be approved of by the board, and provided further that any such appointment shall be confirmed at the next following annual general meeting. On such appointment being made and approved, the alternate director shall in all respects be subject to the terms and conditions existing with reference to the other directors of the company. [JSE Sch 10: 10.16(b)]

97 An alternate director, whilst acting in the place of the director appointing him, shall exercise and discharge all the duties and functions of the director he represents as if he were a director and not as agent of the director appointing him. An alternate director shall look for his remuneration (if any) to the director appointing him and not to the company unless the company be instructed in writing by the director to pay any portion of his remuneration to such alternate director.

98 The appointment of an alternate director shall be cancelled, and the alternate director shall cease to hold office whenever the director who appointed him shall cease to be a director, or shall give notice in writing to the secretary that the alternate director representing him shall have ceased to do so. If a director retires at a general meeting of the company and is re-elected at the same meeting, he shall not, for the purpose of this article, be deemed to have ceased to be a director.

DIRECTORS' PERSONAL FINANCIAL INTERESTS [s75 of the Act]

99 Subject to the relevant provisions of the Act, a director of the company may:

(a) be or become a director or other officer or employee or shareholder of any subsidiary or other company promoted by the company, or in which it may be interested as vendor, shareholder or otherwise; or

(b) represent the company in the management of any business or operations or concern in which the company may be interested as partner or otherwise; or

(c) be employed by the company in any capacity; or

(d) accept a retainer from the company in consideration of which he agrees to give his services to the company in any special capacity when called upon by the company to do so,

and no such director shall be accountable to the company for any remuneration or other benefits received by him as a director, officer, employee or shareholder of such company or representative of this company in such management or in any employment or retention of his services by the company.

100 Subject to the relevant provisions of the Act:

(a) no director shall be disqualified by his office from contracting with the company either as vendor, purchaser, lender or otherwise, or as an underwriter or guarantor for the commission or profit on any shares or securities or liability of the company, or of any company in which this company may be interested;

(b) no contract or arrangement entered into by or on behalf of the company in which any director is in any way interested, nor any contract or arrangement entered into with any company or partnership of, or in which any director is a shareholder, director or partner or otherwise, shall be invalidated or voided by any such reason;

(c) no director in any way interested, or acquiring any benefit under, any contract or arrangement entered into by or on behalf of any person, company or partnership in relation to the affairs of the company shall be liable to account to the company for any profits or benefits realised by or under such contract or arrangement by reason of such director holding that office;

(d) any director may act by himself or his firm in a professional capacity for the company and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing contained in this Memorandum of Incorporation shall authorise a director or his firm to act as auditor of the company;

(e) any director or directors in any way interested or acquiring any benefit must disclose the fact of his possessing any interest, whether as director or shareholder or otherwise, whether or not it appears on the face of the contract or arrangement, in accordance with the relevant provisions of the Act.

Appendix 1 continued

PROCEEDINGS OF DIRECTORS [s73 and 74 of the Act]

101 The directors may meet together for the despatch of business, adjourn or otherwise regulate their meetings as they think fit, and the quorum of a meeting of directors shall be two (2). Each director shall have one vote on any matter before the board. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote, unless only two (2) directors are present, in which event the chairman shall not have a second or casting vote. [JSE Sch 10: 10.16(i)]

102 Notwithstanding anything to the contrary contained in the Act, a director may at any time, and the secretary upon the requisition of a director, shall convene a meeting of the directors.

103 The authority of the board:

(a) to determine the manner and form of providing notice of its meetings;

(b) to proceed with a meeting despite a failure or defect in giving notice of the meeting; or

(c) to conduct a meeting entirely by electronic communication or to provide for participation in a meeting by electronic communication;

as provided for in the Act, is not limited or restricted.

104 The directors may elect a chairman at their meetings and may determine the period, not exceeding one (1) year, for which he is to hold office. If no chairman is elected, or if at any meeting the chairman is not present within five (5) minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of the meeting. [JSE Sch 10: 10.16(i)]

105 A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion vested in or exercisable by the directors generally.

106 All acts done at any meeting of the directors or of a committee of directors, or by any person acting as a director, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such director or persons acting as aforesaid or that they or any of them were disqualified, be valid as if every such person had been duly appointed and was qualified to be a director.

107 A resolution in writing signed by the majority of the directors and inserted in the minute book shall be as valid and effectual as if it has been passed at a meeting of the directors duly called and constituted, provided that each director shall have received notice of the matter to be decided. Any such resolution may consist of several counterparts, each of which may be signed by one or more directors (or their alternates, if applicable) and shall be deemed to have been passed on the date on which it is signed by the director signing last in time, unless a statement to the contrary is made in that resolution. [JSE Sch 10: 10.16(j)]

COMMITTEES [s72 of the Act]

108 The directors may delegate any of their powers to any number of committees of directors, and may from time to time revoke such delegation. The board may appoint persons who are not directors of the company as members of any such committee, provided that any such person is not ineligible or disqualified to be a director, and provided further that he shall not have a vote on any matter to be decided by the committee. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the directors.

109 The meetings and proceedings of any such committee consisting of two or more persons shall be governed by the provisions of this Memorandum of Incorporation regulating the meetings and proceedings of the directors, so far as the same are applicable, and are not superseded by any regulations made by the directors under article 108.

110 The directors may at any time and from time to time by power of attorney appoint any person or persons to be the attorney or attorneys of the company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the directors in terms of the Act and this Memorandum of Incorporation) and for such period and subject to such conditions as the directors may from time to time think fit. Any such appointment may be made in favour of any company, or of the shareholders, directors, nominees or managers or any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the directors. Any such power of attorney may contain provisions for the protection or convenience of persons dealing with such attorneys as the directors think fit. Any such delegates or attorneys may be authorised by the directors to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.

INDEMNITY [s78 of the Act]

111 The authority of the company to:

(a) advance expenses to a director and to indemnify a director for expenses in respect of the defence of legal proceedings;

(b) indemnify a director in respect of liability; or

(c) purchase insurance to protect the company or a director,

as provided for in the Act, is not limited or restricted.

112 Subject to the relevant provisions of the Act, every director, manager or officer of the company, or any person employed by the company as auditor, shall be indemnified out of the funds of the company against all liability incurred by him as such director, manager, officer or auditor in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any proceedings by or against him in regard to any claim against him (actual or apprehended) based on negligence, default, breach of duty or breach of trust in which relief is granted to him by the Court under the Act.

113 Subject to the relevant provisions of the Act, no director, manager, secretary or other officer or servant of the company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or servant, or for joining in any receipt or other act for conformity, or for loss or expense happening to the company through insufficiency or deficiency of any security in or upon which any of the moneys of the company are invested, or for any loss or damage arising from the insolvency or delictual act of any person with whom any moneys, securities or effects are deposited, or for any loss or damage occasioned by any error of judgement or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office, or in relation thereto, unless the same arises through his own negligence, default, breach of duty or breach of trust.

114 For the purposes of articles 111 to 113 only, the term "director" shall include any former director, alternate director, any prescribed officer of the company, and any person who is a member of any board committee or statutory committee, irrespective of whether or not the person is also a member of the board.

DIVIDENDS, DISTRIBUTIONS AND PAYMENTS TO SHAREHOLDERS [s46 of the Act]

115 Notwithstanding any provision to the contrary contained in this Memorandum of Incorporation, but subject to the provisions of the Act and the approval of shareholders insofar as may be necessary in law and subject to the rules and requirements of the JSE and/or any other recognised Securities Exchange on which the shares of the company may be listed, the company may make payments to its shareholders or any of them. [JSE Sch 10: 10.8]

116 Subject to the provisions of the Act, the company in general meeting or the directors may, from time to time, declare dividends or distributions to shareholders; provided that no larger dividend shall be declared by the company in general meeting than is recommended by the directors, but a smaller dividend may be so declared. Each dividend or distribution shall be declared payable to shareholders registered as such on a date subsequent to the date of declaration of the dividend or distribution or date of confirmation of the dividend or distribution, whichever date is the later. [JSE Sch 10: 10.11(g); 10.17(a) and (b)]

117 The directors may from time to time resolve to pay to the shareholders such interim dividends or distributions, subject to compliance with the Act.

118 A dividend may be declared out of the profits or reserves of the company, whether realised or unrealised, whether of a revenue or a capital nature and whether designated distributions or not. Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty for which the company may be charged. Subject to the rights of persons (if any) entitled to special rights as to dividends, dividends shall be declared and paid *pro rata* according to the par value of the shares, or in the case of shares having no par value, equally on all shares.

119 The directors may deduct from the dividend or distribution payable to any shareholder, all such claims or sums of money which may be due from time to time to the company on account of any debt.

120 No dividend or distribution shall bear interest against the company, except as otherwise provided under the conditions of issue of the securities in respect of which such dividend or distribution is payable.

121 Any monies due to shareholders shall be held in trust by the company until it is lawfully claimed by the relevant shareholder, but any amount unclaimed for a period of three (3) years from its declaration may be forfeited by resolution of the directors for the benefit of the company, provided notice of the declaration has been sent to the last nominated address of the person entitled thereto. The directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the company. [JSE Sch 10: 10.17(c)]

122 Any payment to shareholders may be paid by cheque or by electronic or other bank transfer or otherwise as the directors may from time to time determine, and shall either be sent by post to the last physical or postal nominated address of the shareholder entitled thereto or be given to such shareholder personally, or be transferred to the credit of such shareholder's bank or other financial institution account, and proof of posting or transfer of such payment shall be good discharge to the company in respect thereof.

123 If several persons are registered as joint holders of any securities, any amount payable in respect of those securities may be posted or delivered or processed as provided for in article 122 to any one of such holders, and any one of them may give an effectual receipt for any such dividend.

124 The company shall not be responsible for the loss in transmission, or for any consequences or losses resulting from the loss in transmission, of any cheque or other document sent through the post to the physical or postal nominated address of any shareholder, or of any payment otherwise processed as contemplated above, whether or not such payment was so sent or processed at such shareholder's request. The postal authorities or bankers transmitting any payment shall be deemed the agents of the shareholder.

125 Any general meeting declaring a dividend or distribution may resolve that such dividend or distribution be paid wholly or in part by the distribution of specific assets, and in particular, of paid-up shares or debentures of the company, or paid-up shares or debentures of any other company, or in any or more of such ways.

ACCOUNTS [s28, 29 and 30 of the Act]

126 The directors shall cause to be kept such books of account as are prescribed by the Act.

127 Subject to the relevant provisions of the Act, the books of account shall be kept at, or be accessible from, the registered office of the company or at such other places as the directors think fit, and shall always be open to the inspection of the directors.

128 The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of shareholders not being directors, and no shareholder (not being a director) shall have any right of inspecting any account or books or documents of the company except as conferred by statute or authorised by the directors or by the company in general meeting.

129 The directors shall from time to time cause to be prepared and laid before the company in general meeting such financial statements and reports as are required by the Act to be so laid.

130 A copy of every set of financial statements which is to be laid before the company in general meeting, or a summarised form thereof together with directions for obtaining a copy of the complete set, shall, not less than fifteen (15) business days before the date of the meeting be sent to each person entitled to vote at such meeting who has elected to receive such documents from the company; provided that this article shall not require a copy of those documents to be sent to any person of whose address the company is not aware, or to more than one of the joint holders of any shares. [JSE Sch 10: 10.11(e) and 10.19]

131 For so long as the company is a controlling or holding company as defined in the Act, the directors' report attached to each set of annual financial statements issued by the company pursuant to the Act shall disclose full details of all special resolutions passed at general meetings of the company's controlled and subsidiary companies since the date of the directors' report attached to the previous annual financial statements of the company relating to capital structure, borrowing powers, the object clause of the memorandum of incorporation or any other material matter that affects the affairs of the company and its subsidiaries. [JSE LR 8.63(i)]

AUDITORS [s90, 91, 92 and 93 of the Act]

132 Auditors shall be appointed and their duties regulated in accordance with the Act.

WINDING UP [s164 of the Act]

133 If the company is wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution:

(a) divide among the shareholders, *in specie*, any part of the assets of the company;

(b) vest any part of the assets of the company in trustees upon such trusts for the benefit of the shareholders as the liquidators may deem fit

and any such division may be otherwise than in accordance with the legal rights of the shareholders of the company, and in particular, any class may be given preferential or special rights, or may be excluded altogether or in part; but in that event any shareholder who would be prejudiced thereby shall have a right to dissent and the provisions of the Act governing dissenting shareholders appraisal rights shall apply.

RATIFICATION OF ACTIONS [s20 of the Act]

134 A proposal to shareholders of a resolution in terms of sections 20(2) and 20(6) of the Act is prohibited in the event that such a resolution would lead to the ratification of an act that is contrary to the JSE Listings Requirements, unless otherwise agreed with the JSE. [JSE Sch 10: 10.3]

UNDERTAKINGS GIVEN BY ABF IN FAVOUR OF THE COMPANY AND ITS OTHER SHAREHOLDERS [s123 of the Act]

135 For the purposes of articles 136 to 144, the following terms bear the meanings assigned to them below unless the context indicates otherwise:

(a) "Additional Shares" means Shares which cause the Ownership Cap to be exceeded;

(b) "Control" means the right to vote any Shares, irrespective of the ownership thereof;

(c) "Ownership Cap" means 60% of the fully diluted issued ordinary share capital of the company; and

(d) "Shares" means ordinary shares in the issued share capital of the company.

TERRITORIAL EXPANSION

136 ABF hereby undertakes that, for any period during which it holds twenty five percent (25%) or more of the Shares, should any expansion opportunities within the sugar industry in Africa, including Mauritius and Madagascar, come to the attention of the ABF Group, such opportunities will be explored and undertaken by the ABF Group only through the company unless the company is unwilling or unable to explore or undertake them. The aforegoing provisions of this article will not be construed as:

(a) precluding the company from exploring sugar cane opportunities outside Africa, Mauritius or Madagascar, or

(b) precluding any member of the ABF Group from pursuing an acquisition opportunity in Africa (including Mauritius and Madagascar) provided that neither sugar cane, nor sugar products nor any downstream products derived directly from the cane sugar process through the transformation of sugar cane, including furfural, furfuryl alcohol, Crop Guard®, diacetyl, 2.3-pentanedione, ethyl alcohol, lactulose and syrup nor the production using by-products of the cane sugar process of electricity for external consumption, nor such other products as may be agreed between the company and ABF, are the main purpose of the acquisition.

DISPOSALS

137 ABF hereby undertakes that it will not dispose of any of its subsidiaries (or any of its or its subsidiaries' businesses or material assets) to the company without such acquisition by the company having been approved by a majority of those directors of the company who are independent from ABF and, to the extent required by the Act or the JSE Listings Requirements, by the shareholders of the company.

COMMERCIAL ARRANGEMENTS

138 ABF agrees that any commercial arrangements between any member of the ABF Group, on the one hand, and the company on the other, must be considered by the board of directors of the company (or, where appropriate, the executive management of the company) to be in the best interests of the company, will be conducted by those parties on an arm's length basis and will not be implemented until they have been approved, to the extent required by the Act or the JSE Listings Requirements, by the shareholders of the company. All such arrangements, being arrangements between related parties, will be disclosed in the company's annual report.

STANDSTILL

139 ABF hereby undertakes that it shall not permit any member of the ABF Group, directly or indirectly, to acquire or propose to acquire or agree to acquire, in any way whatsoever including but not limited to purchase, exchange, through the acquisition of control of another person, merger or otherwise, more Shares than the Ownership Cap, nor take any other action as a shareholder of the company if such action would result in the ABF Group owning or controlling more than the Ownership Cap. Provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in article 141 read with article 142.

140 ABF hereby undertakes that if at any time the ABF Group owns more Shares than the Ownership Cap as contemplated in article 139, ABF will notify the company thereof in writing as soon as is reasonably practicable thereafter, but in any event by no later than twenty (20) business days thereafter, which notice shall contain the following details:

(a) the number of Shares held by the ABF Group;

(b) the price paid for all Shares acquired by the ABF Group in the previous six (6) month period; and

(c) ABF's election in terms of article 141.

141 ABF hereby undertakes that if at any time the ABF Group owns more Shares than the Ownership Cap, one of the following will apply (at ABF's sole discretion):

(a) subject to article 142, ABF will as soon as is reasonably practicable, but in no event longer than ninety (90) business days after the ABF Group's ownership percentage of Shares first exceeds the Ownership Cap, dispose or procure the disposal of such number of Shares sufficient to reduce the ABF Group's holding of Shares to or below the Ownership Cap; or

(b) subject to article 142, the acquisition of the Additional Shares will be deemed an "affected transaction" in terms of Parts B and C of Chapter 5 of the Act and the Takeover Regulations promulgated thereunder, and the provisions of the Act and the Takeover Regulations regarding "affected transactions" will be deemed to apply to ABF, *mutatis mutandis*, as if ABF were obliged to make a mandatory offer in terms of section 123 of the Act (as it currently stands), except that such offer will be required to be made within ninety (90) business days after the Additional Shares have been acquired.

142 Notwithstanding the provisions of article 141, ABF will not be obliged to make or procure a disposal contemplated in article 141(a) or make an offer contemplated in article 141(b), as the case may be, if, prior to the expiry of the period of ninety (90) business days referred to in article 141(b), a resolution is passed at a general meeting of the company's ordinary shareholders (at which the members of the ABF Group who are ordinary shareholders do not vote) that ABF is not required to make or procure a disposal contemplated in article 141(a), or extend an offer as contemplated in article 141(b), as the case may be.

143 ABF hereby undertakes that it shall not permit any member of the ABF Group, directly or indirectly, to Control or propose to Control or agree to Control, in any way whatsoever including, but not limited to, through the acquisition of control of another person, merger or otherwise, more Shares than the Ownership Cap, provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in article 141 read with article 142.

144 ABF hereby undertakes that if at any time the ABF Group Controls more than the Ownership Cap, as contemplated in article 143, the provisions of articles 140 to 142 shall apply *mutatis mutandis*.

145 The undertakings given by ABF in articles 136 to 144 shall be capable of being enforced by the company and/or, subject to article 146, any of its shareholders.

146 Notwithstanding anything to the contrary contained elsewhere in articles 135 to 145, the shareholders of the company may only institute legal proceedings of any nature whatsoever in respect of the undertakings given by ABF in terms of the provisions of articles 135 to 145 (inclusive) against ABF or any member of the ABF Group if the claim or other relief sought in such proceedings is made by ordinary shareholders of the company holding among them five percent (5%) or more of the issued ordinary share capital of the company.

Appendix 2

SALIENT FEATURES OF THE MEMORANDUM OF INCORPORATION OF ILLOVO SUGAR LIMITED ("the company")

The Companies Act, 71 of 2008, as amended (the "Act") abolishes the distinction between the memorandum of association and the articles of association and provides that there will only be one constitutional document for a company, namely the memorandum of incorporation ("MOI"). The company proposes to adopt a new MOI, in substitution for its current memorandum of association and the articles of association, in order to bring its constitutional documents into line with the relevant legislation, the Act and changes to the Listings Requirements of the JSE. The changes proposed in the MOI will not affect the operations of the company and the manner in which it conducts business.

The salient features of the proposed MOI are set out below. This summary does not constitute an exhaustive summary of the provisions of the MOI, but highlight certain key aspects only. Accordingly, the MOI must be read in its entirety.

Subject matter	Content of MOI
Amendments to the MOI	The MOI may only be amended by order of court or by special resolution of the holders of ordinary shares. (Clause 5 of the MOI, but subject to clauses 6 and 7 thereof). Clauses 8 and 135 to 146 may only be amended by special resolution at a general meeting, provided that not less than 50% of the votes of the shareholders who are not members of the ABF Group (as defined) who are present in person or by proxy are cast in favour of such resolution. (Clause 8 of the MOI)
The making of rules	The board of directors is precluded from making rules for the company in terms of section 15(3) of the Act. (Clause 10 of the MOI)
Authorised capital and allotment and issue	The authorised share capital of the company is R36 million, divided into 900 million ordinary par value shares of four (4) cents each. Securities for which listing is sought must be fully paid up and freely transferable, unless otherwise required or permitted by statute. (Clause 17 of the MOI) Clauses 18 to 24 make provision for preference rights, limitations and other terms of any class of securities; provide authority to the board to increase or decrease the number of authorised shares of any class and to re-classify any shares; provide authority to the board to approve the issuing of capitalisation of shares; pre-emption rights in respect of new issues of securities; recognition of trusts encumbrances and other claims in relation to securities; and odd-lot offers. (Sections 36 to 47 of the Act)
Authority to issue securities and for the repurchase of securities	In terms of clause 16 of the MOI, the directors may only take the following actions in accordance with the JSE Listings Requirements: (a) issue of securities for cash; (b) repurchase of the company's securities; (c) alteration of the share capital, authorised shares and rights attaching to shares
Pre-emption on issue of ordinary shares	Clause 21 provides that any equity securities must before any new issue first be offered to the existing holders of equity securities in proportion to their shareholdings, unless the securities are issued for an acquisition of assets
Securities being held by one person for the beneficial interest of another and lien	Clause 12 allows for issued securities to be held by one shareholder for the beneficial interest of another
Commission	The company may pay commission not exceeding 10% of the subscription price at which securities of the company are issued to a shareholder. (Clause 15 of the MOI)
Transfer of securities	There are no restrictions on the transfer of the company's securities
Shareholders' meetings	A resolution that may be voted on at a general meeting, or at a separate meeting of holders of any class of shares, may instead be concluded in accordance with section 60 of the Act; provided that the appointment, or the confirmation of an appointment, of any director or alternate director of the company is not permitted in this manner, provided that any meeting that is required to be held in person in terms of the JSE Listings Requirements may not be held by written resolution. (Clauses 56 and 57 of the MOI) A quorum for a shareholders' meeting is sufficient persons present in person or by proxy to exercise in the aggregate at least 25% of all the voting rights that are entitled to be exercised on the matter to be decided, provided that at least 3 (three) shareholders are present. (Clause 59 of the MOI)
Record date	Clause 65 requires the board to determine the record dates to ascertain participation and rights of shareholders, in accordance with the applicable rules of the Central Securities Depository and the Listings Requirements of the JSE
Directors/alternative directors and vacancies	The minimum number of directors is four and the maximum number is 15. The appointment of alternate directors is permitted. (Clauses 96 to 98 of the MOI) The board is authorised to fill any vacancy, provided that any such appointment shall be confirmed at the next following annual general meeting. (Clause 83 of the MOI)

Subject matter	Content of MOI
Cessation of office as director	A director or alternate director shall cease to hold office as such, inter alia, if he becomes ineligible or disqualified from holding office; when his term of office expires; he resigns or is declared delinquent by a court; or is removed by ordinary resolution of the shareholders, or by the board of directors in terms of section 71 of the Act. The appointment of a director who is employed by the company ceases upon the termination of his employment for any reason. (Clause 90 of the MOI)
Employment and remuneration of directors	In terms of the Act, directors' remuneration for their services as directors (i.e. directors' fees) must have been determined by special resolution of the shareholders within the previous two years. If any director is employed by the company, or is required to perform extra services, he may receive a remuneration determined by a disinterested quorum of directors, excluding any director whose remuneration would or may be affected by the relevant resolution. The directors may be paid all their travelling and other expenses, properly and necessarily incurred by them in attending to the business of the company. (Clauses 91 to 93 of the MOI)
Retirement of directors in rotation	At the annual general meeting held in each year, one-third of the non-executive directors shall retire from office. The concept of the rotation of directors has always been a requirement in terms of the Listings Requirements of the JSE. (Clause 86 of the MOI) An executive director's appointment is not subject to rotation.
Personal financial interest	There is a duty on a director to disclose personal financial interest. (Clause 100 of the MOI)
Written resolutions	Directors are permitted to make decisions by way of written resolution, provided that notice of the matter to be decided upon has been sent to each director and that the majority of the directors have voted in favour of the matter. A written resolution may be executed in any number of counterparts and will have the same effect as if the signatures on the counterparts were on a single copy of the written resolution. (Clause 107 of the MOI)
Distributions	The company is entitled to make distributions to shareholders subject to compliance with the Act (in terms of which the board, by resolution, must acknowledge that it has applied the solvency and liquidity test and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution). (Clauses 115 to 125 of the MOI)
Notices	The company may give notices, documents, records or statements or notices of availability, by personal delivery, or by sending them through the post, or by transmitting them by electronic communication or by publishing in SENS or the company's website (with notice of such publication to the securities holders). (Clause 41 of the MOI) Each holder of registered securities must notify the company in writing of an electronic mail address, a fax number, and a physical or postal address, each of which shall be deemed to be his nominated address and if he does not notify the company of at least one of the above, he is deemed to have waived his right to be served with any notice from the company. (Clause 43 of the MOI)
Committees	The directors may delegate any of their powers to any number of committees of directors, and may from time to time revoke such delegation. Persons who are not directors may be appointed as members of any such committee, provided that any such person is not ineligible or disqualified to be a director. Any such non-director shall however not have a vote on any matter to be decided by the committee. (Clause 108 of the MOI)
Indemnity	The company may not directly or indirectly pay any fine that may be imposed on a director (which includes a former director, an alternate director, a prescribed officer and a member of a board committee) as a consequence of an offence but may advance expenses to the director to defend litigation arising out of the director's service to the company, unless the liability arose in terms of section 77(3)(a),(b) or (c) of the Act, or from wilful misconduct or wilful breach of trust on the part of the director. The company may purchase insurance in respect of these indemnities and may also claim restitution from a director in respect of any amounts paid which were not consistent with section 78 of the Act. (Clauses 111 to 114 of the MOI)
Undertakings given by ABF in favour of the company and its other shareholders	Clauses 135 to 146 record the undertakings given by Associated British Foods plc in favour of the company and its other shareholders, currently recorded in articles 115 to 126 of the articles of association.

Directors' curricula vitae

D G (Don) MacLeod (65) BCom, AMP(Oxford): Joined the South African sugar industry in 1971 and became part of the Illovo group in 1973. Mr MacLeod spent 10 years in various management positions before being appointed to the board in 1983. He was previously finance director, was appointed managing director in 1992, became chief executive in 1995. Upon retirement in 2009 he became deputy chairman and was appointed chairman in 2011. He is a past chairman of the South African Sugar Association and the South African Sugar Millers' Association.

G J (Graham) Clark (56) BAcct(Hons), FCA(Australia): Appointed to the board in 1997 and as Managing Director on 1 April 2009. Mr Clark 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.

M (Mohammed) H Abdool-Samad (41) BCom, CA(SA): Appointed to the board in 2011. Mr Abdool-Samad holds a BCom degree and qualified as a chartered accountant in 1996. From 1996 to 2000, he held various managerial positions at Deloitte & Touche Enterprise Risk Services, both in South Africa and internationally. From 2001 to 2005 he worked for Anglo American plc where he had responsibilities in the risk management field. He was appointed senior finance manager of Anglo Coal South Africa in 2005, chief financial officer in 2006, and after a restructure, chief financial officer of Anglo American Thermal Coal in 2009.

G B (Gavin) Dalgleish (46) MScChemEng: Appointed to the board in September 2011, and as Operations Director in 2012. He holds a master's degree in chemical engineering and first joined Illovo in 1988 as a postgraduate student. He has since held a number of technical, business-development, operational and general management positions in Illovo. Most recently he spent three years leading the Australia-based global technology unit of AB Mauri, a yeast business which is a subsidiary of Illovo's holding company, Associated British Foods plc, before rejoining Illovo in December 2010.

L W (Larry) Riddle (52) BCom, CA(SA): Appointed to the board on 1 April 2009 as Commercial Director. After qualifying as a chartered accountant, Mr Riddle joined Illovo Sugar in 1986. He held a number of senior management positions within the company prior to his appointment as a director. He is a past chairman of the South African Sugar Millers' Association and the Ethanol Producers' Association of South Africa.

M I (Mark) Carr (Dr) (49) BSc, PhD, MBA, CertEng, FIMechE: Appointed to the board in 2006. As Chief Executive of British Sugar since April 2004, Dr Carr has led the development of Associated British Food's sugar activities across the world. He has also served on the Executive of the World Sugar Research Organisation and the European Confederation of Sugar Producers. Prior to his joining the sugar industry, Dr Carr held a variety of senior positions within Corus Group plc, formerly British Steel plc, including assignments in the USA and Europe. He gained a doctorate in mechanical engineering at Swansea University and an MBA from Warwick University.

M J (Mike) Hankinson (63) BCom, CA(SA): Appointed as a non-executive, independent director in 2008, and as lead independent director in 2011. After qualifying as a chartered accountant, he joined the Romatex group in 1976 where he managed a number of subsidiaries and was appointed group chief executive in 1994. He was president of the Textile Federation and a member of the SA Wool Board. In 1997 he joined Dunlop as chief executive officer, and during his tenure presided over the sale of the business to a private consortium, its delisting from the JSE Limited, and its sale to Apollo Tyres Limited, an Indian-based listed company. In 2007, he was appointed as a non-executive director of Apollo Tyres and relinquished his position at Dunlop. He is chairman of The SPAR Group Limited and Brandcorp Holdings (Pty) Limited, and a non-executive director of Grindrod Limited.

D (Len) Konar (Dr) (58) CA(SA), MAS(Illinois), DCom: Appointed as a non-executive, independent director in 1995 and as chairman of the Audit Committee in 1997. Dr Konar is a chartered accountant who acts as a professional director of companies. He was previously executive director of the Independent Development Trust where, amongst other activities, he was responsible for the internal audit and investments portfolios. Prior to that, he was professor and head of the Department of Accountancy at the University of Durban-Westville. He is a member of the King Committee on Corporate Governance, the Securities Regulation Panel and the Institute of Directors. He is also chairman of Steinhoff International Holdings Limited, Exxaro Resources Limited and Mustek Limited, and a non-executive director of Alexander Forbes Equity Holdings (Pty) Limited, the South African Reserve Bank, J D Group Limited, Sappi Limited and Lonmin plc. He chairs or serves on the audit committees of these and other organisations. He was also the co-chairman of the Oversight Panel of the World Bank and a past member of the Safeguards Panel and past chairman and member of the external audit committee of the International Monetary Fund in Washington.

P A (Paul) Lister (48) LLB: Appointed to the board in 2006. Mr Lister is currently Director of Legal Services and Company Secretary of Associated British Foods plc, having joined 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.

P M (Phinda) Madi (48) BProc, EDP: Appointed as a non-executive, independent director in November 2002. Mr Madi obtained his law degree from the University of Zululand in 1987, and joined the French Bank of South Africa in that year as corporate banking and legal officer. From 1992 to 1994 he acted as an in-house consultant on employment equity for the Standard Bank group. He is a founder of several consulting and publishing companies and author of three books on business strategy and transformation. In 2001, he was appointed visiting professor of business leadership studies at Rhodes University. He is also a non-executive director of other listed companies, Nampak Limited, Sovereign Food Investments Limited and The SPAR Group Limited.

C W N (Nosipho) Molope (47) BSc(Medical Sciences), BCompt(Hons), CA(SA): Appointed as a non-executive, independent director in 2008. 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 Limited. In 2004, she joined Zungu Investments Company as financial director, and in 2005 was appointed as chief financial officer of the Financial Services Board. She resigned from this position with effect from December 2008 to give focus to her role as a professional non-executive director of companies. She is also a director of Hudaco Industries Limited, and its subsidiary Hudaco Trading (Pty) Limited, Nampak Limited, MTN SA, MTN Business Solutions (Pty) Limited, and six other MTN group subsidiaries in West and East Africa.

A R (Ami) Mpungwe (Tanzanian) (61), BA(Hons): Appointed as a non-executive, independent director, with effect from 1 September 2009. Mr Mpungwe is a past Tanzanian High Commissioner to South Africa, having retired after 25 years' service in the Tanzanian diplomatic service. He is a non-executive director of three of Illovo's operating subsidiaries; Illovo Sugar (Malawi) Limited which is listed on the Malawi Stock Exchange, Zambia Sugar Plc which is listed on the Lusaka Stock Exchange, and Kilombero Sugar Company Limited in Tanzania. He is also a director of a number of other companies in Tanzania, and was previously a director of Illovo Sugar Limited from 2001 to 2006. He has a wealth of commercial experience in operating on the African continent.

T S (Trevor) Munday (62), BCom: Appointed as a non-executive, independent director, with effect from 9 March 2010. Mr Munday spent his formative years from 1971 in a wide-ranging number of roles in financial and commercial management positions both in southern Africa and Europe. In the late 1980s, he was appointed finance and commercial director of AECI Explosives and Chemicals Limited. In 1990, he was appointed managing director of Dulux Paints and in the period 1996 to 2000, managing director of Polifin Limited. In 2001, he was appointed executive director and chief financial officer of Sasol Limited with responsibility also for corporate affairs and various other portfolios. Two years later, he assumed global responsibility for Sasol's chemical businesses. In 2005 and 2006, he was deputy chief executive of Sasol Limited. At the end of 2006, he retired from executive roles and in 2007 became a non-executive director of various companies. He currently serves as chairman of Reunert Limited and as a director of Absa Group Limited, Absa Bank Limited, Life Healthcare Group Holdings Limited, Sasol Synfuels International (Pty) Limited, Sasol Petroleum International (Pty) Limited, and Sasol Polymers – trading as a division of Sasol Chemical Industries (Pty) Limited.

R N (Richard) Pike (42), LLB, ACA, ATII, AMCT: Appointed as a non-executive director with effect from 28 January 2010. Mr Pike joined the AB Sugar Group in January 2010. Immediately prior to that, he was the group operations and finance director of Bridgemere UK plc, and previously held senior positions in Manchester Airport Group plc, Scapa Group plc and Pilkington plc.

Form of proxy for the 97th annual general meeting

ILLOVO SUGAR LIMITED
Registration number: 1906/000622/06
Share code: ILV
ISIN: ZAE000083846

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

I/We (name/s in block letters)

of (address)

being a shareholder 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 Wednesday, 18 July 2012 at 13:00 and at any adjournment thereof as follows:

		Mark with X where applicable		
Ordinary resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Ordinary resolution 1	Confirmation of appointment of director, G B Dalgleish			
Ordinary resolution 2	Re-election of directors			
	M J Hankinson			
	P M Madi			
	A R Mpungwe			
	T S Munday			
	R N Pike			
Ordinary resolution 3	Appointment of members of Audit Committee			
Ordinary resolution 4	Appointment of Deloitte & Touche as independent registered auditor			
Ordinary resolution 5	Decrease in maximum number of directors			
Ordinary resolution 6	Non-binding advisory of remuneration policy			
Special resolutions	**Agenda item**	**For**	**Against**	**Abstain**
Special resolution 1	Approval of Memorandum of Incorporation			
Special resolution 2	Approval of non-executive directors' fees			

Signed at on this day of 2012

Signature

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

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

Notes to the form of proxy

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant (CSDP)). Such shareholders 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 (Pty) Limited, (PO Box 4844, Johannesburg, 2000 or Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001) no later than 13:00 on Friday, 13 July 2012.
7. The delivery of the duly completed proxy form shall not preclude any shareholder 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.
9. Proxies attending the meeting will be required to provide satisfactory identification.

Glossary of terms

In this circular and its annexures, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings dated opposite them in the second column and words in the singular shall include the plural and vice versa, words importing natural persons shall include corporations and associations of persons and expression denoting any gender shall include the other genders.

Definition/ abbreviation	Description
"the company" or "Illovo"	Illovo Sugar Limited (Registration number 1906/000622/06), a public company incorporated in the Republic of South Africa and listed on the JSE
"Companies Act"	the Companies Act, No 71 of 2008, as amended
"Companies Regulations"	the Companies Regulations, 2011
"board"	Illovo's board of directors
"B-BBEE"	broad-based black economic empowerment
"business day"	any day of the week, other than a Saturday, Sunday or a proclaimed public holiday in South Africa
"CSDP"	Central Securities Depository Participant, accepted as a participant in terms of the Securities Services Act, No 36 of 2004, as amended
"certificated shareholders"	shareholders who have not dematerialised their share certificates in terms of STRATE
"dematerialised"	the process by which certificated shares are converted to an electronic form as uncertified shares and are recorded in the sub-register of shareholders maintained by the CSDP
"DIFR"	disabling injury frequency rate
"directors"	the directors of Illovo
"ERM"	enterprise risk management
"EU"	European Union
"ghg"	greenhouse gas emissions
"GRI" or "GRI Index"	the Global Reporting Initiative's G3 Guidelines
"group" or "Illovo group"	Illovo and its subsidiaries
"GWh"	Gigawatt hour
"HCT"	HIV counselling and testing
"IAS"	International Accounting Standards
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"Ilovo SA"	Illovo Sugar (South Africa) Limited
"Illovo shareholder" or "shareholder(s)"	a holder or holders of Illovo ordinary shares of 0,04 cents each, who are entered as such in the company's certificated or uncertificated securities registers
"ILO"	International Labour Organisation
"JSE"	JSE Limited
"JSE Listings Requirements"	the Listings Requirements of the JSE
"King III"	the King Report on Governance for South Africa 2009
"LUSIP"	Lower Usuthu Smallholder Irrigation Project
"NOSA"	National Occupational Safety Association
"ordinary shares"	the ordinary shares in the share capital of Illovo
SACU	Southern African Customs Union
SASA	South African Sugar Association
"SASRI"	South African Sugarcane Research Institute
"SEC"	Swaziland Electricity Company
"SENS"	the Securities Exchange News Service of the JSE
"SRI Index"	the Socially Responsible Investment Index of the JSE
"STRATE"	STRATE Limited (registration number 1998/022242/06), a registered central securities depository in terms of the Custody and Administration of Securities Act, No. 85 of 1992, as amended
"TB"	tuberculosis
"TIFR"	total injury frequency rate
"transfer secretaries"	Link Market Services South Africa (Pty) Limited (registration number 2000/007239/07), a private company incorporated in the Republic of South Africa
"USA"	United States of America
<	less than
>	more than

ince.motiv
Principal photographer: Russell Cleaver


SUGAR
ILLOVO
LIMITED

Annual financial statements
for the year ended 31 March 2012

Approval of annual financial statements

The directors of Illovo 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, 2008, are examined by independent auditors in conformity with International Standards on Auditing.

These annual financial statements have been prepared under the supervision of Mr M H Abdool-Samad, CA(SA).

The Audit Committee, 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, including the directors' report and the Audit Committee report, and which appear on pages 91 to 141, were approved by the board of directors on 24 May 2012 and are signed on its behalf by:

D G MacLeod
Chairman

G J Clark
Managing Director

Lodgement of returns with the Companies and Intellectual Property Commission

I hereby certify that for the year ended 31 March 2012, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up-to-date.

J A Kunst
Company Secretary

Mount Edgecombe
24 May 2012

Independent auditor's report

to the shareholders of Illovo Sugar Limited

Report on the financial statements

We have audited the group annual financial statements and annual financial statements of Illovo Sugar Limited which comprise the consolidated and separate statements of financial position as at 31 March 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 91 to 141.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 control 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 control. 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Illovo Sugar Limited as at 31 March 2012 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors

Per C A Sagar
Partner

Durban
24 May 2012

National executive: G G Gelink *Chief Executive*; A E Swiegers *Chief Operating Officer*; G M Pinnock *Audit*; D L Kennedy *Risk Advisory and Legal Services*; N B Kader *Tax*; L Geeringh *Consulting*; L Bam *Corporate Finance*; J K Mazzacco *Talent and Transformation*; C R Beukman *Finance*; T J Brown *Chairman of the Board*; M J Comber *Deputy Chairman of the Board*

Regional leader: G C Brazier

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Section Code

Member of Deloitte Touche Tohmatsu Limited

Directors' report

The directors have pleasure in presenting their report which forms part of the annual financial statements of the company and the group, for the year ended 31 March 2012.

Nature of business
The nature of business of the company and its subsidiaries is fully described under the Business Overview section of this report on pages 1 to 15.

Review of operations
Detailed commentary is given under the Commentaries section of this report on pages 18 to 40.

Acquisitions and disposals
During the year under review, Illovo Group Holdings Limited registered a subsidiary in Tanzania, Illovo Distillers (Tanzania) Limited, for the purposes of the construction of a new distillery plant which is due to be commissioned in May 2013, in which ED&F Man has subscribed for 20% of the shares.

Share capital
Full details of the current authorised and issued share capital are set out in note 24 to the financial statements on page 126.

During the year under review, the issued ordinary share capital of the company increased from 459 763 357 shares to 460 011 157 shares as a result of options being exercised in respect of 247 800 shares in terms of the Illovo Sugar 1992 Share Option Scheme.

Shareholders
An analysis of shareholders and their shareholdings is given on page 142.

Pursuant to the provisions of section 56(3) of the Companies Act, an analysis of the relevant disclosures by nominee shareholders as at 31 March 2012 revealed three beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 142.

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 92 and 93, replaced the further granting of share options in terms of the Illovo Sugar 1992 Share Option Scheme (the option scheme). The option scheme, however, although closed, 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 shareholders 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.

The tables below reflect the options granted to and exercised by the executive directors and senior management as at 31 March 2012:

	Number of shares
Options granted and unexpired as at 1 April 2011	27 737 000
Options expired during the year under review	(20 000)
Options granted and unexpired as at 31 March 2012	27 717 000
Options exercised, allotted and issued as at 1 April 2011	26 746 200
Options exercised during the year under review	247 800
Options unexercised as at 31 March 2012	723 000
Options granted and unexpired as at 31 March 2012	27 717 000

The options granted, and unexpired and unexercised as at 31 March 2012, are categorised as:

Number of shares	Expiry date	Option price (cents)
25 600	20 May 2012	805
382 500	20 May 2013	680
314 900	1 June 2014	770
723 000		

All these options have fully vested.

Details of options previously granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2012, are provided in the Remuneration Report on page 54.

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". As a consequence, the phantom scheme does not fall to be classified as a share incentive scheme in terms of the JSE Listings Requirements. The vesting periods are the same as those applicable to the option scheme; 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 trading day immediately preceding that on which an option is exercised and the grant price. The participants 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:

- there being no necessity to issue new shares when options are exercised, i.e. no share dilution;
- ease of administration; and
- tax effectiveness of the 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 and exercised by executive directors and senior managers as at 31 March 2012 comprise:

	Number of shares
Options granted and unexpired as at 1 April 2011	8 914 200
New options granted during the year under review	1 463 000
Options forfeited during the year under review	(280 800)
Options granted and unexpired as at 31 March 2012	10 096 400
Options exercised as at 1 April 2011	1 758 150
Options exercised during the year under review	237 800
Options unexercised as at 31 March 2012	8 100 450
Options granted and unexpired as at 31 March 2012	10 096 400

The options granted, and unexpired and unexercised as at 31 March 2012 are categorised as:

Number of shares	Expiry date	Option price (cents)
480 550	12 July 2015	829
470 800	29 October 2016	1 634
896 600	23 July 2017	2 364
1 281 500	9 July 2018	2 867
2 053 000	13 July 2019	2 808
1 467 000	20 July 2020	2 856
1 451 000	26 May 2021	2 702
8 100 450		

Details of options granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2012, are provided in the Remuneration Report on page 55.

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 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 21 421 shares in the company, thereby increasing the total number of shares held to 181 887. Of these shares, which are all registered in the name of the trustees, 181 880 are held on behalf of 479 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.

Capital distributions

An interim capital distribution (Number 40) of 23.0 cents per share which was declared on 22 November 2011 and a final capital distribution (Number 41) of 43.0 cents per share was declared on 24 May 2012, making the total distribution for the year 66.0 cents per share.

In respect of the final capital distribution declared on 24 May 2012, and pursuant to the requirements of section 46 of the Companies Act, after due consideration, the board concluded that the company would satisfy the relevant solvency and liquidity test immediately after completing the proposed distribution.

The interim capital distribution was paid on 9 January 2012 and the final capital distribution will be paid on 9 July 2012.

Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 14 to the financial statements on pages 121 to 122.

Directorate and Company Secretary

The names of the directors in office at the date of this report are set out on pages 12 to 13 of this report, whilst the name of the Company Secretary along with the company's business and postal addresses are set out on page 143.

Ms K Zarnack resigned as Financial Director with effect from 31 May 2011, and was succeeded by Mr M H Abdool-Samad with effect from 1 September 2011.

Mr R A Williams retired as a director and Chairman of the company at the annual general meeting on 19 July 2011 from which date he was succeeded by Mr D G MacLeod.

As Mr D G MacLeod retired as Chief Executive of the Illovo group on 1 April 2009, and therefore a period of three years had not elapsed prior to his appointment as Chairman, in compliance with the JSE Listings Requirements and in accordance with King III, Mr M J Hankinson was appointed lead independent director of the company at the annual general meeting on 19 July 2011. With effect from 1 April 2012, Mr D G MacLeod is independent and accordingly a lead independent director is no longer required.

As a consequence of and at the same time of Mr D G MacLeod's appointment as Chairman of the company, Mr R N Pike replaced Mr D G MacLeod as chairman of the Risk Management Committee.

Directors report continued

In terms of the company's articles of association, Messrs M J Hankinson, P M Madi, A R Mpungwe, T S Munday and R N Pike retire by rotation at the forthcoming annual general meeting. All these directors are eligible and offer themselves for re-election.

The Remuneration/Nomination Committee, having conducted an assessment of and being satisfied with the performance of each of the retiring directors, and the board, having accepted the recommendation of this committee, recommends the re-election of these directors to shareholders.

The executive directors, are employed in terms of appointment letters, with notice periods of not more than three months.

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 2012 were as follows:

	2012 Direct	2012 Indirect	2011 Direct	2011 Indirect
Clark G J	100 000		100 000	
Hankinson M J	3 925	3 925	3 925	
MacLeod D G	450 000		450 000	
Stuart B M	80 000		80 000	
Williams R A			18 223	3 479
	633 925	3 925	652 148	3 479
Total	637 850		655 627	

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

Directors' remuneration

At the forthcoming annual general meeting:

- with due regard to King III, shareholders will be requested to pass a non-binding advisory vote, approving the company's remuneration policy; and
- pursuant to the requirements of section 66(9) of the Companies Act, shareholders will be requested to pass a special resolution to approve increases in the fees payable to non-executive directors with effect from 1 April 2012 as follows:

	Rands per annum Current	Rands per annum Proposed
Board		
Chairman*	2 065 000	2 200 000
Other members	205 000	220 000
Audit Committee		
Chairman	175 000	220 000
Other members	85 000	110 000
Remuneration/Nomination Committee		
Chairman	125 000	150 000
Other members	85 000	85 000
Risk Management Committee		
Chairman‡	100 000	110 000
Other members	75 000	75 000
Social and Ethics Committee		
Chairman	0	110 000
Other members	0	75 000

* *This fee is inclusive of all other committee membership fees and is payable monthly in arrears. All other fees are paid quarterly in arrears.*

‡ *This fee has not been paid to Mr D G MacLeod as chairman of the Risk Management Committee and the Nomination Committee, due to the inclusive nature of his Chairman's fee.*

Given the generally high level of attendance at meetings, the board does not consider it appropriate for non-executive directors' fees to comprise a meeting attendance fee as well as a base fee.

Having taken appropriate advice, the directors are of the view that section 66(9) does not apply to the remuneration of the executive directors.

Audit Committee

At the forthcoming annual general meeting, pursuant to the requirements of section 94(2) of the Companies Act, shareholders will be requested to pass an ordinary resolution appointing the members of the Audit Committee.

Financial assistance to related or inter-related companies or other legal entities

At the 2011 annual general meeting, pursuant to the requirements of section 45 of the Companies Act, shareholders passed a special resolution authorising the directors, by way of a general authority, to allow the company to provide direct or indirect financial assistance to any company or other legal entity which is related or inter-related to the company, subject to the relevant provisions of section 45.

Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51.4% 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

At the forthcoming annual general meeting, pursuant to the requirements of section 90(1), read with section 61(8)(c) of the Companies Act, shareholders will be requested to pass an ordinary resolution re-appointing Deloitte & Touche as the company's independent registered auditors for the financial year ending 31 March 2013.

Special resolutions passed by subsidiary companies

No special resolutions were passed by any subsidiary companies during the year under review.

Subsequent events

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the end of the period under review. However, subsequent to year-end, on 7 May 2012, the Malawi government floated the kwacha exchange rate against the US Dollar. This has had no effect on the 2012 results, but will impact the earnings in the 2013 season.

Audit Committee report

This report incorporates the requirements of the statutory responsibilities of audit committees, as contained in section 94 of the Companies Act.

Composition of the committee

In terms of its terms of reference, the group Audit Committee comprises at least three non-executive, independent directors, who are required to have the necessary financial expertise in order to properly assist and advise the committee in the execution of its duties.

The members of the committee appointed by the board for the year ended 31 March 2012 are indicated on page 12 of this report. In addition, Mr D G MacLeod and one of the non-executive directors nominated by the holding company, Mr R N Pike, being precluded from membership in terms of section 94(4) of the Companies Act, attend the meetings of the Committee on a regular basis. The committee is chaired by Dr D Konar.

The chairman of the committee is available at annual general meetings.

In terms of section 94 of the Companies Act, which requires that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of meeting for the forthcoming annual general meeting of the company, that Dr D Konar, Messrs M J Hankinson and T S Munday, and Mrs C W N Molope be appointed as members of the Audit Committee, until the next annual general meeting.

Meetings

The committee has three regular meetings a year which are also attended by the independent and internal auditors, the two non-executive directors identified above, 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 46 of this report.

Terms of reference

The committee has formal terms of reference approved by the board. The main objectives of the committee, as incorporated in the terms of reference and applicable for the year ended 31 March 2012, include:

- promoting the overall effectiveness of corporate governance within the Illovo group;
- acting as an effective means of communication between the board, and the independent auditors and the internal auditors;
- satisfying the board that adequate internal and financial controls are in place, and that material financial risks have been identified and are being effectively managed and monitored; and
- assessing the impact of the general control environment on the statutory audit, and reporting to management any areas of perceived control weaknesses.

The committee's responsibilities, as incorporated in the terms of reference, also include:

- the review and approval of the scope of independent and internal audits;
- the review of the level of effectiveness of both the independent and internal auditors;
- the review and approval of the internal audit charter;
- in conjunction with executive management, the consideration of the appointment of the group internal audit manager;
- being satisfied with the performance of the internal audit function;
- recommending the appointment of the independent auditors to the board for approval by the shareholders, and approving their remuneration;
- establishing a policy in respect of and approving the extent of non-audit services undertaken by the independent auditors;
- the review of reports from both the independent and internal auditors, including management's responses thereto;
- assessing the effectiveness of internal policies and procedures;
- ensuring that all material financial risks are identified, assessed, monitored and managed;
- being satisfied that no material breakdown in internal controls occurs;
- considering the company's accounting policies and reviewing their compliance with International Financial Reporting Standards and other relevant regulatory requirements;
- the review of and recording going concern assumptions;
- the review of the company's interim reports, results announcements, and annual reports;
- being satisfied that management suitably addresses information technology risks and information security;
- being satisfied that the company complies with the JSE's Listings Requirements; and

- receiving and dealing with any complaints relating to accounting practices, independent and internal audits, and the content or auditing of financial statements or any related matter.

For the year under review, the committee satisfied its responsibilities in compliance with its terms of reference.

Access
The independent and internal auditors have unrestricted access to the committee and the chairman of the committee.

Statutory duties
Pursuant to the requirements of the Companies Act, 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;
- satisfied itself that the independent auditors were independent of the company;
- agreed the terms of engagement of and determined the fees payable to the independent auditors;
- ensured that the appointment of the independent auditors and the registered auditor complied with the provisions of the Companies Act;
- pre-approved the non-audit services provided by the independent auditors, in terms of a policy in this regard previously adopted by the committee;
- noted that it had not received any complaints, either from within or outside the company, relating either to the accounting practices, the independent and internal audits of the company, or to the content or auditing of its financial statements or any related matter; and
- performed its other functions as determined by the board in terms of its terms of reference.

Pursuant to the requirements of section 61 of the Companies Act, requiring that shareholders approve the appointment of the independent auditors on an annual basis, the committee has recommended to the board, which in turn has recommended to the shareholders, for consideration at the forthcoming annual general meeting, that Deloitte & Touche be appointed as the company's independent registered auditors for the year ending 31 March 2013.

Regulatory requirements
Pursuant to the provisions of the JSE's Listings Requirements, the committee:

- confirmed that it had previously adopted a policy with regard to non-audit services provided by the independent auditors;
- satisfied itself of the appropriateness of the expertise and experience of the Financial Director, Ms K Zarnack, and after her resignation, of Mr M H Abdool-Samad; and
- satisfied itself that the appointed independent auditors and registered auditor were duly accredited as such on the JSE's list of auditors.

Corporate Governance requirements
Pursuant to King III, and based on specific procedures performed by the independent auditors, the committee satisfied itself with the expertise, resources and experience of the company's finance function.

Annual financial statements
Having reviewed the audited annual financial statements included in the annual report, particularly to ensure that disclosure was adequate and fair presentation had been achieved, the committee has recommended the approval of the annual financial statements by the board.

On behalf of the Audit Committee

Dr D Konar
Audit Committee Chairman

May 2012

Income statements for the year ended 31 March 2012

	Notes	Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2012 Rm
Revenue	4	9 173.2	8 107.9	–	5.6
Cost of sales		5 667.5	5 312.9	–	10.6
Gross profit		3 505.7	2 795.0	–	(5.0)
Distribution expenses		810.6	631.4	–	–
Administrative expenses		932.4	829.6	93.5	77.3
Other operating expenses/(income)		413.9	304.7	(12.4)	(9.1)
Operating profit	5	1 348.8	1 029.3	(81.1)	(73.2)
Dividend income		3.5	2.1	373.7	139.7
Net financing costs/(income)	6	244.6	95.5	(89.0)	(87.7)
Interest paid		274.4	117.9	34.4	32.0
Interest received		(20.7)	(25.0)	(107.8)	(114.6)
Foreign exchange (gains)/losses		(9.1)	2.6	(15.6)	(5.1)
Profit before taxation and non-trading items		1 107.7	935.9	381.6	154.2
Share of profit/(loss) from associates	16	7.2	(3.6)		
Material items	7	(163.7)	30.2	–	0.1
Profit before taxation		951.2	962.5	381.6	154.3
Taxation	8	344.8	248.6	2.3	2.5
Profit for the year		606.4	713.9	379.3	151.8
Attributable to:					
Shareholders of Illovo Sugar Limited		443.1	546.2	379.3	151.8
Non-controlling interest		163.3	167.7		
		606.4	713.9	379.3	151.8
Statements of other comprehensive income					
Adjustments in respect of cash flow hedges		(3.3)	13.1	1.0	10.4
Tax effect of cash flow hedges		0.6	(3.0)	(0.3)	(2.8)
Actuarial (losses)/gains on post-retirement obligations		(9.3)	4.6	(7.3)	4.2
Tax effect of actuarial losses/(gains) on post-retirement obligations		2.6	(1.4)	2.1	(1.2)
Movement in defined benefit pension plans		10.2	–	10.2	–
Tax effect of movement in defined benefit pension plans		(2.9)	–	(2.9)	–
Hedge of net investment in foreign subsidiary		(84.3)	(2.1)		
Tax effect of hedge of net investment in foreign subsidiary		(3.0)	–		
Foreign currency translation differences		307.8	(482.7)		
Total comprehensive income for the year		824.8	242.4	382.1	162.4
Attributable to:					
Shareholders of Illovo Sugar Limited		631.6	155.0	382.1	162.4
Non-controlling interest		193.2	87.4		
		824.8	242.4	382.1	162.4
Earnings per share (cents)*					
Basic		96.4	118.8		
Diluted		96.3	118.6		

** See note 10 for headline earnings per share.*

Statements of financial position as at 31 March 2012

	Notes	Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2012 Rm
ASSETS					
Non-current assets		**6 900.4**	6 440.3	**2 735.0**	2 764.9
Property, plant and equipment	11	**5 328.0**	4 984.5	**15.8**	18.3
Cane roots	12	**1 216.3**	1 087.9	**–**	–
Intangible assets	13	**218.1**	174.0	**–**	76.3
Investment in subsidiaries	14			**2 680.1**	2 631.3
Investment in joint ventures	15			**–**	–
Investment in associates	16	**41.9**	34.8	**–**	–
Investments	17	**11.8**	6.9	**11.8**	1.6
Loans	18	**52.6**	121.3	**0.8**	13.1
Deferred taxation asset	30	**31.7**	30.9	**26.5**	24.3
Current assets		**4 510.5**	3 396.3	**1 602.4**	1 736.4
Inventories	19	**618.6**	525.0	**3.4**	10.7
Growing cane	20	**1 346.7**	1 155.8	**–**	–
Trade and other receivables	21	**877.8**	768.5	**65.8**	61.6
Factory overhaul costs	22	**263.3**	214.1	**–**	–
Derivative financial instruments	23	**14.0**	15.1	**11.6**	12.7
Amounts due by subsidiaries	14			**1 153.3**	1 406.3
Cash and cash equivalents		**1 390.1**	717.8	**368.3**	245.1
Total assets		**11 410.9**	9 836.6	**4 337.4**	4 501.3
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Illovo Sugar Limited		**5 562.6**	5 191.2	**3 805.0**	3 683.1
Share capital and premium	24	**2 489.8**	2 791.5	**2 489.8**	2 791.5
Share-based payment reserve	25	**13.1**	13.1	**13.1**	13.1
Non-distributable reserves	26	**155.8**	154.0	**325.9**	325.2
Distribution reserve	27	**197.8**	156.3	**197.8**	156.3
Retained earnings	28	**2 706.1**	2 076.3	**778.4**	397.0
Non-controlling interest		**902.7**	784.1		
Total equity		**6 465.3**	5 975.3	**3 805.0**	3 683.1
Non-current liabilities		**2 530.1**	991.1	**–**	–
Long-term borrowings	29	**1 545.4**	235.3	**–**	–
Deferred taxation liability	30	**854.0**	718.5	**–**	–
Deferred income	31	**130.7**	37.3	**–**	–
Current liabilities		**2 415.5**	2 870.2	**532.4**	818.2
Short-term borrowings	32	**383.5**	933.9	**–**	405.0
Trade and other payables	33	**1 453.6**	1 556.0	**322.2**	256.6
Bank overdraft		**184.9**	60.8	**12.5**	–
Taxation		**141.5**	97.1	**–**	–
Provisions	34	**245.6**	218.4	**131.3**	125.5
Amounts due to subsidiaries	14			**65.7**	30.2
Derivative financial instruments	23	**6.4**	4.0	**0.7**	0.9
Total liabilities		**4 945.6**	3 861.3	**532.4**	818.2
Total equity and liabilities		**11 410.9**	9 836.6	**4 337.4**	4 501.3

Statements of cash flows for the year ended 31 March 2012

	Notes	Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2012 Rm
Cash flows from operating activities					
Operating profit before working capital movements	a	**1 348.4**	1 132.9	**(78.2)**	(68.6)
Working capital movements	b	**(291.6)**	146.3	**350.8**	(791.3)
Cash generated from operations		**1 056.8**	1 279.2	**272.6**	(859.9)
Net financing (costs)/income		**(244.6)**	(95.5)	**89.0**	87.7
Taxation paid	c	**(209.0)**	(186.4)	**(5.2)**	(12.3)
Dividend income		**3.5**	2.1	**373.7**	139.7
Deferred income		**110.0**	40.0	**–**	–
Distributions/dividends paid	d	**(370.3)**	(455.9)	**(262.1)**	(349.7)
Net cash inflows/(outflows) from operating activities		**346.4**	583.5	**468.0**	(994.5)
Cash flows from investing activities					
Replacement of property, plant and equipment		**(239.2)**	(199.8)	**(2.2)**	(4.6)
Expansion capital expenditure		**(198.0)**	(1 262.9)	**–**	–
Net expansion of area under cane		**(0.2)**	(8.2)	**–**	–
Capitalisation of product registrations		**(12.4)**	(3.4)	**–**	(3.4)
Proceeds on disposal of plant and equipment		**2.8**	6.4	**1.3**	1.0
Proceeds on disposal of property		**10.3**	13.3	**–**	0.1
Additional investment in subsidiary		**–**	–	**(48.8)**	–
Acquisition of non-controlling interest		**4.6**	(99.2)	**–**	–
Acquisition of business	e	**–**	–	**–**	–
Proceeds on disposal of businesses	f	**–**	130.9	**81.3**	–
Net movement on investments and loans		**(76.6)**	0.9	**12.3**	(6.8)
Net cash (outflows)/inflows from investing activities		**(508.7)**	(1 422.0)	**43.9**	(13.7)
Net cash (outflows)/inflows before financing activities		**(162.3)**	(838.5)	**511.9**	(1 008.2)
Cash flows from financing activities					
Long-term borrowings raised/(repaid)		**1 356.7**	(366.9)	**–**	–
Short-term borrowings (repaid)/raised		**(541.5)**	629.9	**(390.6)**	403.5
Issue/(repurchase) of share capital net of associated costs	g	**1.9**	(26.7)	**1.9**	(26.7)
Net cash inflows/(outflows) from financing activities		**817.1**	236.3	**(388.7)**	376.8
Net increase/(decrease) in cash and cash equivalents		**654.8**	(602.2)	**123.2**	(631.4)
Cash and cash equivalents					
– at beginning of year	h	**735.3**	1 320.0	**245.1**	876.5
– at end of year		**1 390.1**	717.8	**368.3**	245.1

Notes to the statements of cash flows

		Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2011 Rm
a.	**Operating profit movements are calculated as follows:**				
	Operating profit	**1 348.8**	1 029.3	**(81.1)**	(73.2)
	Material items	**(163.7)**	30.2	**–**	0.1
	Total income	**1 185.1**	1 059.5	**(81.1)**	(73.1)
	Add back :				
	Profit on disposal of business	**–**	(19.8)	**–**	–
	Impairment of investment in Mali project	**173.5**	–	**–**	–
	Depreciation	**239.5**	188.1	**3.3**	5.5
	Amortisation of product registration costs	**3.9**	–	**–**	–
	Amortisation of deferred income	**(9.3)**	–	**–**	–
	Change in fair value of cane roots	**(92.2)**	(84.1)	**–**	–
	Change in fair value of growing cane	**(144.0)**	0.5	**–**	–
	Profit on disposal of property	**(9.8)**	(10.4)	**–**	(0.1)
	Loss/(profit) on disposal of plant and equipment	**1.7**	(0.9)	**(0.4)**	(0.9)
	Operating profit/(loss) before working capital movements	**1 348.4**	1 132.9	**(78.2)**	(68.6)
b.	**Working capital movements comprise the following:**				
	Inventories	**(76.7)**	(99.1)	**2.0**	(6.9)
	Trade and other receivables	**(74.9)**	(141.4)	**248.1**	(373.6)
	Factory overhaul costs	**(42.8)**	(1.2)	**–**	–
	Trade and other payables	**(97.2)**	388.0	**100.7**	(410.8)
	Working capital movements	**(291.6)**	146.3	**350.8**	(791.3)
c.	**Taxation paid is reconciled to the amounts disclosed in the income statements as follows:**				
	Amounts (unpaid)/overpaid at beginning of year	**(76.5)**	(63.0)	**16.0**	3.8
	Exchange rate translation	**(3.9)**	6.3		
	Per income statements (excluding deferred taxation)	**(234.2)**	(206.2)	**(5.6)**	(0.1)
	Amounts unpaid/(overpaid) at end of year	**105.6**	76.5	**(15.6)**	(16.0)
	Total taxation paid	**(209.0)**	(186.4)	**(5.2)**	(12.3)
d.	**Distributions/dividends paid are reconciled as follows:**				
	Distributions paid to shareholders of Illovo Sugar Limited (refer note 9 to the financial statements)	**(262.1)**	(349.7)	**(262.1)**	(349.7)
	Distributions/dividends paid to non-controlling shareholders of subsidiaries	**(108.2)**	(106.2)		
	Total distributions/dividends paid	**(370.3)**	(455.9)	**(262.1)**	(349.7)

	Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2011 Rm
e. Acquisition of business				
The fair value of the assets acquired and liabilities assumed of the business acquired was as follows:				
Intangible asset	98.7	–	–	–
Loans	6.3	–	–	–
Inventories	0.3	–	–	–
Net asset value acquired	105.3	–	–	–
Non-controlling interest's share of net asset value	(29.0)	–	–	–
Contribution of intangible asset	(76.3)	–	–	–
Cash cost of acquisition	–	–	–	–
f. Proceeds on disposal of businesses				
The fair value of the assets and liabilities of the businesses disposed of was as follows:				
Property, plant and equipment	–	149.4	0.5	524.9
Cane roots	–	22.2	–	103.1
Intangible asset	–	–	76.3	–
Investment in subsidiaries	–	–	–	21.5
Investment in joint ventures	–	–	–	0.6
Investment in associates	–	–	–	45.0
Loans	–	–	–	24.6
Inventories	–	–	5.3	103.5
Growing cane	–	15.1	–	114.2
Trade and other receivables	–	–	0.3	327.7
Factory overhaul costs	–	–	–	82.0
Deferred taxation	–	–	–	(134.7)
Short-term borrowings	–	(75.6)	–	–
Trade and other payables	–	–	(1.1)	(100.8)
Provisions	–	–	–	(36.0)
Net asset value disposed of	–	111.1	81.3	1 075.6
Equity investment in Illovo Sugar (South Africa) Limited	–	–	–	(521.0)
Loan to Illovo Sugar (South Africa) Limited	–	–	–	(554.6)
Profit on disposal of businesses	–	19.8	–	–
Proceeds on disposal of businesses	–	130.9	81.3	–

	Group March 2012 Rm	Group March 2011 Rm	Company March 2012 Rm	Company March 2011 Rm
g. Issue/(repurchase) of share capital net of associated costs				
In terms of the share option scheme, the company issued 247 800 (2011: 571 824) new shares	**1.9**	3.8	**1.9**	3.8
In terms of the odd lot and specific offers, the company repurchased 968 105 shares	**–**	(30.5)	**–**	(30.5)
	1.9	(26.7)	**1.9**	(26.7)
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 beginning of year				
Per the statements of financial position	**717.8**	1 345.4	**245.1**	876.5
Exchange rate translation	**17.5**	(25.4)		
Per the statements of cash flows	**735.3**	1 320.0	**245.1**	876.5

Statements of changes in equity at 31 March 2012

	Share capital and premium Rm	Share-based payments reserve Rm
GROUP		
Balance at 31 March 2010	3 075.7	13.1
Total comprehensive income for the year:	–	–
Profit for the year		
Actuarial gains on post-retirement obligations		
Cash flow hedges		
Hedge of net investment in foreign subsidiary		
Foreign currency translation		
Issue of share capital	3.8	
Repurchase of share capital	(30.5)	
Change in non-controlling shareholding		
Realised loss on disposal of property		
Distributions/dividends paid		
Transfer to distribution reserve	(257.5)	
Transfer of debit foreign currency translation reserve to retained earnings		
Balance at 31 March 2011	2 791.5	13.1
Total comprehensive income for the year:	–	–
Profit for the year		
Actuarial losses on post-retirement obligations		
Movements in defined benefit pension plans		
Cash flow hedges		
Hedge of net investment in foreign subsidiary		
Foreign currency translation		
Issue of share capital	1.9	
Change in non-controlling shareholding		
Realised profit on disposal of property		
Distributions/dividends paid		
Transfer to distribution reserve	(303.6)	
Transfer of credit foreign currency translation reserve to retained earnings		
Balance at 31 March 2012	**2 489.8**	**13.1**
COMPANY		
Balance at 31 March 2010	3 075.7	13.1
Total comprehensive income for the year:	–	–
Profit for the year		
Actuarial gains on post-retirement obligations		
Cash flow hedges		
Issue of share capital	3.8	
Repurchase of share capital	(30.5)	
Realised profit on disposal of property		
Distributions paid		
Transfer to distribution reserve	(257.5)	
Balance at 31 March 2011	2 791.5	13.1
Total comprehensive income for the year:	–	–
Profit for the year		
Actuarial losses on post-retirement obligations		
Movements in defined benefit pension plans		
Cash flow hedges		
Issue of share capital	1.9	
Distributions paid		
Transfer to distribution reserve	(303.6)	
Balance at 31 March 2012	**2 489.8**	**13.1**

Translation reserve Rm	Other non-distributable reserves Rm	Distribution reserve Rm	Retained earnings Rm	Attributable to the shareholders of Illovo Sugar Limited Rm	Non-controlling interest Rm	Total Rm
–	224.7	248.5	1 940.6	5 502.6	812.1	6 314.7
(403.8)	9.4	–	549.4	155.0	87.4	242.4
			546.2	546.2	167.7	713.9
			3.2	3.2		3.2
	9.4			9.4	0.7	10.1
(2.1)				(2.1)		(2.1)
(401.7)				(401.7)	(81.0)	(482.7)
				3.8		3.8
				(30.5)		(30.5)
	(90.0)			(90.0)	(9.2)	(99.2)
	9.9		(9.9)	–		–
		(349.7)		(349.7)	(106.2)	(455.9)
		257.5		–		–
403.8			(403.8)	–		–
–	154.0	156.3	2 076.3	5 191.2	784.1	5 975.3
190.3	(2.4)	–	443.7	631.6	193.2	824.8
			443.1	443.1	163.3	606.4
			(6.7)	(6.7)		(6.7)
			7.3	7.3		7.3
	(2.4)			(2.4)	(0.3)	(2.7)
(87.9)				(87.9)	0.6	(87.3)
278.2				278.2	29.6	307.8
				1.9		1.9
				–	33.6	33.6
	4.2		(4.2)	–		–
		(262.1)		(262.1)	(108.2)	(370.3)
		303.6		–		–
(190.3)			190.3	–		–
–	**155.8**	**197.8**	**2 706.1**	**5 562.6**	**902.7**	**6 465.3**

–	317.4	248.5	242.4	3 897.1
–	7.6	–	154.8	162.4
			151.8	151.8
			3.0	3.0
	7.6			7.6
				3.8
				(30.5)
	0.2		(0.2)	–
		(349.7)		(349.7)
		257.5		–
–	325.2	156.3	397.0	3 683.1
–	0.7	–	381.4	382.1
			379.3	379.3
			(5.2)	(5.2)
			7.3	7.3
	0.7			0.7
				1.9
		(262.1)		(262.1)
		303.6		–
–	**325.9**	**197.8**	**778.4**	**3 805.0**

Notes to the annual financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a basis consistent with the prior year, except for the adoption of the revised accounting standards which have been described in note 2. The adoption of these standards has had no impact on the consolidated financial statements.

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 and consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All material inter-company balances and transactions are eliminated.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. On acquisition, the non-controlling interests are entitled to a proportionate share of the entity's identifiable net assets. Subsequent to acquisition, the non-controlling interest consists of the amount of those interests at acquisition plus the non-controlling interests' share of changes in equity in the subsidiary. Non-controlling interests are allocated their proportionate share of total comprehensive income even if this results in the non-controlling interest having a deficit, unless there is doubt as to the recoverability of the deficit.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

1.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the group, the liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except for: 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; liabilities or equity instruments related to share-based payments that are accounted for in accordance with IFRS 2 Share-Based Payments; deferred taxation assets or liabilities that are measured in accordance with IAS 12 Income Taxes; and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 19 Employee Benefits.

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity. 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 initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 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.

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.

1.4 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, 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. 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 from the group.

Goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill on the acquisition of a subsidiary, as set out above, but is included in the carrying amount of the associate. 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.

1.5 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 Material items

Material items cover those amounts that are not considered to be of an operating or trading nature and generally include impairments of goodwill; impairments of non-current assets; profits and losses on the disposal of properties; and profits and losses on the disposal of businesses.

1.7 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 statement of financial position 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. **SIGNIFICANT ACCOUNTING POLICIES** continued

1.8 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 South African Rand, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

The assets and liabilities of the group's foreign operations are expressed in South African Rand using exchange rates prevailing at the reporting 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 recognised in other comprehensive income and transferred to the group's foreign currency 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 exchange rates prevailing at the reporting date.

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 the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that 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 in the period they arise except for: exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets in terms of the group's borrowing costs policy; exchange differences on transactions entered into in order to hedge certain foreign currency risks to which the group's hedge accounting policy applies; and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

1.9 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.

1.10 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 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 are recognised immediately in other comprehensive income. 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 statement of financial position represents the present value of the defined benefit obligation as adjusted for 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. Surpluses on defined benefit plans are recognised only to the extent that they are recoverable.

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 for.

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. SIGNIFICANT ACCOUNTING POLICIES continued

1.11 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 reporting 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

1.12 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. Freehold 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.

1.13 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 Cane roots and growing cane

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

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.

1.15 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. SIGNIFICANT ACCOUNTING POLICIES continued

1.16 Intangible assets

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.

Other intangible assets

Intangible assets acquired separately are initially recognised at cost. If the intangible asset is acquired as part of a business combination, it is recognised separately from goodwill at fair value on the acquisition date.

Intangible assets assessed as having an indefinite useful life are not amortised but tested for impairment annually and impaired, if necessary. Intangible assets assessed as having a finite useful life are amortised over their useful lives using a straight-line basis and are tested for impairment if there is an indication that it may be impaired.

1.17 Impairment of tangible and intangible assets excluding goodwill

At each reporting 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

1.18 Inventories

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

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

1.19 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the group will be required to settle that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

1.20 Deferred income

Deferred income is recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the deferred income is intended to compensate.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.21 Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal groups are available for immediate sale in their present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities is measured in accordance with the applicable standard. After classification as held for sale, the assets or disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the assets or disposal groups to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised. Non-current assets or disposal groups that are classified as held for sale are not depreciated.

1.22 Financial instruments

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 assets

A financial asset is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held "at fair value through profit or loss" are expensed.

Financial assets are accounted for "at fair value through profit or loss" where the financial asset is either held-for-trading or is designated as "at fair value through profit or loss."

Trade and other receivables are classified as "loans and receivables" and are 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.

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. Cash and cash equivalents are classified as "loans and receivables" and measured at fair value.

Investments are classified as "held-to-maturity" where the group has the expressed intention and ability to hold the investment to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts. Other investments are classified as "available-for-sale", and are measured at fair value with any gains or losses being recognised through other comprehensive income and accumulated in the investments' revaluation reserve. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss accumulated in equity is reclassified to profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Financial liabilities

A financial liability is a contractual obligation to deliver cash, or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held "at fair value through profit or loss" are expensed.

Financial liabilities are accounted for "at fair value through profit or loss" where the financial liability is either held-for-trading or is designated as "at fair value through profit or loss."

Interest-bearing bank loans and overdrafts are 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 the borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

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

1. **SIGNIFICANT ACCOUNTING POLICIES** continued

1.22 Financial instruments continued

Equity

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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

Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

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 subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivative financial instruments embedded in non-derivative 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.

Hedge accounting

The group designates certain hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows is recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

Gains or losses on the cash flow hedge of a forecast transaction or firm commitment, previously recognised in other comprehensive income and accumulated in equity, are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. However, if the cash flow hedge results in the recognition of a non-financial asset or a non-financial liability, then the associated gains or losses accumulated in equity are included in the initial measurement of that asset or liability.

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, any gain or loss recognised in other comprehensive income and accumulated in equity remains in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gains or losses are recognised immediately in profit or loss.

The effective portion of any gains or losses on hedging instruments designated as hedges of net investments in foreign operations is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss. On disposal of the foreign operation, the gains or losses are reclassified to profit or loss.

1.23 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-transferability, 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 reporting date.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.24 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.

Segment 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 consists of the following business segments:

Cane growing – the growing of sugar cane for use in the sugar production process;

Sugar production – the manufacture of sugar from sugar cane; and

Downstream operations and co-generation – the manufacture and sale of downstream products including syrup, furfural and alcohol; and the supply of surplus electricity generated from the sugar production process.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 International Financial Reporting Standards adopted during the year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following revised accounting standards:

IFRS 3 Business Combinations

The amendments provide guidance on whether to measure non-controlling interests at fair value or at the proportionate share of the net assets of the acquiree. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures

The amendments require the provision of qualitative disclosures to support the quantitative disclosures to enable users to form an overall picture of the nature and extent of risks arising from financial instruments. The application of this improvement by the group has had no impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The amendments clarify that the analysis of items of other comprehensive income may either be presented in the statement of changes in equity or in the notes to the financial statements. The application of this improvement by the group has had no impact on the consolidated financial statements.

IAS 24 Related Party Disclosures

The amendment to the standard has simplified the definition of a related party, as well as eliminated some inconsistencies that existed in the previous definition. The application of this amendment by the group has had no impact on the consolidated financial statements.

IAS 34 Interim Financial Reporting

The amendment to the standard requires disclosure for events and transactions relating to impairment losses of financial assets, impact on fair value of items in the statement of financial position as a result of changes in the business, significant transfers of financial instruments and changes in asset classifications. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment to this interpretation addresses the accounting treatment for prepayments made when there is a minimum funding requirement. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance regarding the accounting for the extinguishment of a financial liability through the issue of equity instruments. The application of this amendment by the group has had no impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

2.2 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 7 Financial Instruments: Disclosures

The amendments increase the disclosure requirements for transactions where a financial asset is transferred but the transferor retains some level of continuing exposure to the asset. These amendments are effective for the year ending 31 March 2013.

IFRS 7 Financial Instruments: Disclosures

The amendments enhance the disclosure of financial assets and liabilities that have been offset. These amendments are effective for the year ending 31 March 2014.

IFRS 9 Financial Instruments: Classification and Measurement

The standard introduces new requirements for classifying and measuring financial instruments. Under the new classification requirements, all financial assets will be recognised at either amortised cost or fair value as determined by the contractual cash flows of the assets. In terms of the new measurement requirements, changes in fair value of financial liabilities measured "at fair value through profit or loss" that are attributable to changes in credit risk of the liability will be recognised in other comprehensive income. The standard will be effective for the year ending 31 March 2014.

IFRS 10 Consolidated Financial Statements

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard will be effective for the year ending 31 March 2014.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. The standard requires jointly controlled entities to be reassessed and reclassified, it also removes the option to account for jointly controlled entities using proportionate consolidation. The standard will be effective for the year ending 31 March 2014.

IFRS 12 Disclosure of Interests in Other Entities

The standard introduces disclosure requirements to enable users of financial statements to evaluate the nature of, and risks associated with, the group's interests in other entities as well as the effects of those interests on the company's financial position, financial performance and cash flows. Other entities consist of subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard will be effective for the year ending 31 March 2014.

IFRS 13 Fair Value Measurement

The standard introduces a definition of fair value; sets out a single framework for measuring fair value; and establishes disclosure requirements for fair value measurements. The standard will be effective for the year ending 31 March 2014.

IAS 1 Presentation of Financial Statements

The amendments provide guidance on how items are to be presented in other comprehensive income, including how items should be grouped based on whether they will potentially be reclassified to profit or loss in subsequent periods. These amendments are effective for the year ending 31 March 2014.

IAS 1 Presentation of Financial Statements

The amendment removes the requirement to disclose supporting notes for the opening balance sheet which is required for retrospective restatement or reclassification. The amendments will be effective for the year ending 31 March 2014.

IAS 12 Income Taxes

The amendments require an entity to measure deferred tax relating to an asset based on whether the carrying amount of the asset will be recovered through use or through sale. These amendments are effective for the year ending 31 March 2013.

IAS 19 Employee Benefits

The amendments eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamlining the presentation of changes in assets and liabilities arising from defined benefit plans including requiring re-measurements to be presented in other comprehensive income; and enhancing disclosure requirements for defined benefit plans. The amendments are effective for the year ending 31 March 2014.

IAS 27 Separate Financial Statements

The standard has been revised to exclude all the consolidation requirements, which now form part of IFRS 10 Consolidated Financial Statements. The revised standard is effective for the year ending 31 March 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

2.2 International Financial Reporting Standards in issue, but not yet effective continued

IAS 28 Investments in Associates and Joint Ventures

Following the introduction of IFRS 11 Joint Arrangements, the standard has been revised to prescribe the requirements for the equity method when accounting for investments in associates and joint ventures. The revised standard is effective for the year ending 31 March 2014.

IAS 32 Financial Instruments: Presentation

Amendments have been made to the application guidance on the offsetting of financial assets and financial liabilities. The revised standard is effective for the year ending 31 March 2015.

The group is in the process of evaluating the effects of these standards and interpretations, 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 reporting date whether there is any indication that its tangible and intangible 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 reporting date:

Property, plant and equipment residual values and useful lives

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

Cane roots valuation

The escalated average costs 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 programmes. 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 reporting 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.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
4. REVENUE				
Revenue represents the proceeds from:				
Sugar production	6 310.1	5 543.9	–	–
Cane growing	1 995.9	1 779.3	–	–
Downstream and co-generation	867.2	784.7	–	5.6
	9 173.2	8 107.9	–	5.6
Includes revenue from exports outside country of origin of	3 064.5	2 480.9	–	1.3
Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.				
5. OPERATING PROFIT				
Operating profit has been determined after taking into account the following items:				
Depreciation	239.5	188.1	3.3	5.5
– buildings	7.9	5.4	–	–
– leasehold properties	17.4	17.8	–	–
– plant, machinery and other	214.2	164.9	3.3	5.5
Loss/(profit) on disposal of plant and equipment	1.7	(0.9)	(0.4)	(0.9)
Amortisation of factory overhaul costs	237.7	221.7	–	–
Amortisation of deferred income	(9.3)	–	–	–
Fair value adjustments				
– cane roots	92.2	84.1	–	–
– growing cane	144.0	(0.5)	–	–
Operating lease charges				
– property	66.4	61.9	8.9	9.5
– plant and equipment	47.0	46.4	0.1	0.4
Auditors' remuneration	13.3	13.6	3.7	4.2
– audit fees	7.0	8.5	1.7	2.2
– fees for other services	6.0	4.6	1.9	1.8
– expenses	0.3	0.5	0.1	0.2
Research costs	21.7	28.4	–	10.4
Retirement benefit costs	82.9	71.5	9.4	8.3
Staff costs	1 540.7	1 327.4	146.1	97.1
6. NET FINANCING COSTS/(INCOME)				
Interest paid on:				
Long-term borrowings	200.8	16.1	–	–
Bank and short-term borrowings	52.9	115.0	31.2	24.7
Other	20.7	12.9	3.2	7.3
Total interest paid	274.4	144.0	34.4	32.0
Less: capitalised	–	(26.1)	–	–
	274.4	117.9	34.4	32.0
Interest received on loans and deposits	(20.7)	(25.0)	(107.8)	(114.6)
Foreign exchange (gains)/losses	(9.1)	2.6	(15.6)	(5.1)
	244.6	95.5	(89.0)	(87.7)

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
7. MATERIAL ITEMS				
Profit arising on disposal of property	9.8	10.4	–	0.1
Profit on disposal of business	–	19.8	–	–
Impairment of investment in Mali project	(173.5)	–	–	–
Per income statement	(163.7)	30.2	–	0.1
Taxation	(0.3)	(0.7)	–	–
	(164.0)	29.5	–	0.1

Management has taken the decision to impair the Mali investment due to the recent political instability in the country, together with the incomplete funding of the agricultural component of the project and the inability of the Government of Mali to finalise key undertakings for the project (refer note 18).

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
8. TAXATION				
South African normal taxation				
Current taxation				
– current year	7.4	24.1	4.1	2.0
– prior year	(0.8)	(0.8)	1.5	(1.9)
Deferred taxation				
– current year	15.4	11.1	(0.8)	2.4
– prior year	(1.3)	0.1	(2.5)	–
Secondary tax on companies	–	–	–	–
Foreign taxation				
Current taxation				
– current year	223.4	184.4		
– prior year	(5.2)	(1.5)		
– exceptional item	9.4	–		
Deferred taxation				
– current year	104.3	85.2		
– prior year	0.7	(14.0)		
– rate change	(8.5)	(40.0)		
	344.8	248.6	2.3	2.5
Reconciliation of rate of taxation	%	%	%	%
South African normal rate of taxation	28.0	28.0	28.0	28.0
Increase/(decrease) in charge for year due to:	2.3	(1.4)	(27.4)	(26.4)
Adjustment from prior years	(0.6)	(1.7)	(0.3)	(1.2)
Adjustment in respect of material items	–	0.1	–	–
Exempt income	0.1	(0.4)	(26.7)	(25.4)
Disallowable expenditure	–	0.8	0.1	0.6
Withholding tax	4.9	6.2	0.2	–
Unprovided tax losses	1.8	–	–	–
Taxation rate differentials – foreign subsidiaries	(2.8)	(0.7)	–	–
Change of tax rate	(0.8)	(4.3)	–	–
Other	(0.3)	(1.4)	(0.7)	(0.4)
Effective rate of taxation	30.3	26.6	0.6	1.6

Note: The effective tax rate excludes a R9.4 million provision for interest on amounts queried by the Malawi Revenue Authority.

	Rm	Rm	Rm	Rm
The estimated tax losses at the end of the year aggregate	143.0	219.5	–	–

	Group and Company 2012 Rm	Group and Company 2011 Rm
9. DISTRIBUTIONS PAID		
Distribution number 37 of 54.0 cents per share (final 2010) – paid 10 August 2010		248.6
Distribution number 38 of 22.0 cents per share (interim 2011) – paid 10 January 2011		101.1
Distribution number 39 of 34.0 cents per share (final 2011) – paid 11 July 2011	156.3	
Distribution number 40 of 23.0 cents per share (interim 2012) – paid 9 January 2012	105.8	
	262.1	349.7

In respect of the year under review, the directors declared a final capital distribution of 43.0 cents per share which will be paid to shareholders on 9 July 2012. The distribution will be regarded as a return of capital and shareholders will be liable for any potential capital gains tax consequences. No liability has been raised for this distribution in these financial statements.

The total estimated distribution to be paid of R197.8 million has been transferred out of share premium to a separate distribution reserve (refer notes 24 and 27).

	Group 2012	Group 2011
10. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings		
Earnings for the purpose of basic earnings per share	443.1	546.2
Dilutive effect of potential ordinary shares – share options	0.4	0.5
Earnings for the purpose of diluted earnings per share	443.5	546.7
	Shares	**Shares**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	459 862 568	459 787 328
Dilutive effect of potential ordinary shares – share options	723 000	990 800
Weighted average number of ordinary shares for the purpose of diluted earnings per share	460 585 568	460 778 128
	Rm	**Rm**
Reconciliation of headline earnings		
Profit attributable to shareholders of Illovo Sugar Limited	443.1	546.2
Adjusted for:		
Profit arising on disposal of property	(9.8)	(10.4)
Profit on disposal of business	–	(19.8)
Impairment of investment in Mali project	173.5	–
Loss/(profit) on disposal of plant and equipment	1.7	(0.9)
Total tax effect of adjustments	(0.2)	1.0
Total non-controlling interest effect of adjustments	1.5	–
Headline earnings	609.8	516.1
	Cents	**Cents**
Headline earnings per share		
Basic	132.6	112.2
Diluted	132.5	112.1

	2012		2011	
	Cost Rm	**Accumulated depreciation Rm**	Cost Rm	Accumulated depreciation Rm
11. PROPERTY, PLANT AND EQUIPMENT				
Group				
Freehold land and buildings	**595.3**	**116.9**	446.7	107.1
Leasehold properties	**1 007.0**	**119.5**	967.5	94.4
Plant, machinery and other	**5 719.4**	**1 757.3**	5 300.2	1 528.4
	7 321.7	**1 993.7**	6 714.4	1 729.9
Net book value	**5 328.0**		4 984.5	
Company				
Freehold land and buildings	**1.0**	**0.2**	1.0	0.2
Plant, machinery and other	**61.8**	**46.8**	65.7	48.2
	62.8	**47.0**	66.7	48.4
Net book value	**15.8**		18.3	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R20 112 million (2011: R18 079 million). Motor vehicles are insured at market value.

Certain of the group's property, plant and equipment with a book value totalling R2 838 million (2011: R2 346 million) has been pledged by way of a mortgage debenture as security for the long-term borrowings referred to in note 29.

The group's properties are wide-ranging, amounting to approximately 120 154 hectares (2011: 120 018 hectares) 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 carrying amount of the group's property, plant and equipment comprises:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant, machinery and other Rm	**2012 Total Rm**	2011 Total Rm
Net book value at beginning of year	339.6	873.1	3 771.8	**4 984.5**	4 262.7
Additions	145.0	7.0	285.2	**437.2**	1 462.7
Disposal of business	–	–	–	**–**	(149.4)
Disposals	(0.5)	–	(4.5)	**(5.0)**	(8.4)
Reclassifications	–	(4.5)	4.5	**–**	–
Exchange rate translation	2.2	29.3	119.3	**150.8**	(395.0)
	486.3	904.9	4 176.3	**5 567.5**	5 172.6
Depreciation	(7.9)	(17.4)	(214.2)	**(239.5)**	(188.1)
Net book value at end of year	478.4	887.5	3 962.1	**5 328.0**	4 984.5

Company

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

	Freehold land and buildings Rm	Plant, machinery and other Rm	**2012 Total Rm**	2011 Total Rm
Net book value at beginning of year	0.8	17.5	**18.3**	544.2
Additions	–	2.2	**2.2**	4.6
Disposal of business	–	(0.5)	**(0.5)**	(524.9)
Disposals	–	(0.9)	**(0.9)**	(0.1)
	0.8	18.3	**19.1**	23.8
Depreciation	–	(3.3)	**(3.3)**	(5.5)
Net book value at end of year	0.8	15.0	**15.8**	18.3

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
12. CANE ROOTS				
The carrying value of cane roots comprises:				
Carrying value at beginning of year	1 087.9	1 100.2	–	103.1
Change in fair value	92.2	84.1	–	–
Expansion of area under cane	0.2	11.1	–	–
Disposal of business	–	(22.2)	–	(103.1)
Disposal of farms	–	(1.7)	–	–
Exchange rate translation	36.0	(83.6)		
Carrying value at end of year	1 216.3	1 087.9	–	–
Area under cane at 31 March (hectares):				
South Africa	7 998	7 980		
Malawi	20 609	20 483		
Zambia	17 079	17 162		
Swaziland	8 646	8 657		
Tanzania	9 562	9 605		
Mozambique	5 570	5 570		
	69 464	69 457		

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.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
13. INTANGIBLE ASSETS				
Intangible assets comprise product registrations and a strategic cane supply arrangement.				
Product registrations	119.5	76.3	–	76.3
Strategic cane supply arrangement	98.6	97.7	–	–
	218.1	174.0	–	76.3
The carrying value of intangible assets comprises:				
Balance at beginning of year	174.0	179.1	76.3	72.9
Acquisition of business	22.4	–	–	–
Disposal of business	–	–	(76.3)	–
Current year expenditure	12.4	3.4	–	3.4
Amortised during the year	(3.9)	–	–	–
Exchange rate translation	13.2	(8.5)		
Balance at end of year	218.1	174.0	–	76.3

Product registrations represent the cost of registering the group's exclusive right to sell MultiGuard Protect, a furfural-based nematicide developed by the group, in the United States of America ("USA"). The product registrations of R76.3 million were transferred by the company to Illovo Sugar (South Africa) Limited as part of the group's restructure of the South African operations.

The product registrations were subsequently converted into a 70% shareholding in Agriguard LLC, a USA-based company established to sell MultiGuard Protect. The non-controlling shareholding in Agriguard LLC contributed additional product registrations.

The strategic cane supply arrangement represents the security over the cane for Zambia Sugar Plc that arose from the aquisition of Nanga Farms Plc. The strategic cane supply arrangement is considered to have an idefinate useful life and is tested for impairment annually.

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
14. INVESTMENT IN SUBSIDIARIES					
The principal subsidiaries of Illovo Sugar Limited are as follows:					
2012					
Direct investment					
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
East African Supply (Pty) Limited	–	100	–	–	–
Illovo Group Holdings Limited – ordinary	–	100	–	16.4	–
Illovo Group Holdings Limited – preference	2 279.3	100	2 091.9	–	–
Illovo Project Services Limited	–	100	–	–	–
Illovo Sugar (South Africa) Limited	569.8	100	569.8	622.0	–
Monitor Holdings Limited	250.0	100	17.5	–	(64.2)
Indirect investment					
Agriguard LLC	124.0	70	–	–	–
Glendale Sugar Limited	5.6	100	–	–	–
Illovo Distributors (Pty) Limited	–	100	–	–	–
Illovo Group Marketing Services Limited	–	100	–	27.0	–
Illovo Sugar (Malawi) Limited	36.2	76	–	68.0	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
Illovo Sugar España, S.L.	–	100	–	2.0	–
Illovo Sugar Ireland	–	100	–	6.1	–
Illovo Sugar (USA)	90.8	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	-
Illprop (Pty) Limited	1.3	100	–	–	–
Kilombero Holdings Limited	143.2	73	–	–	–
Kilombero Sugar Company Limited	1.2	55	–	27.2	–
Maragra Açúcar SA	468.6	90	–	13.3	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	–	–
Reynolds Brothers Limited	–	100	–	–	–
Sucoma Holdings Limited	482.1	100	–	–	–
Ubombo Sugar Limited	49.5	60	–	322.2	–
Zambia Sugar Plc	359.2	82	–	49.1	–
			2 680.1	1 153.3	(65.7)

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
14. INVESTMENT IN SUBSIDIARIES continued					
2011					
Direct investment					
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
East African Supply (Pty) Limited	–	100	–	–	(25.4)
Illovo Group Holdings Limited – ordinary	–	100	–	6.7	–
Illovo Group Holdings Limited – preference	2 014.8	100	2 091.9	–	–
Illovo Project Services Limited	–	100	–	0.5	–
Illovo Sugar (South Africa) Limited	521.0	100	521.0	424.4	–
Monitor Holdings Limited	250.0	100	17.5	2.9	–
Indirect investment					
Glendale Sugar Limited	5.6	100	–	–	(3.3)
Illovo Distributors (Pty) Limited	–	100	–	–	–
Illovo Group Marketing Services Limited	–	100	–	40.8	–
Illovo Sugar (Malawi) Limited	34.9	76	–	41.6	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
Illovo Sugar España, S.L.	–	100	–	1.9	–
Illovo Sugar Ireland	–	100	–	3.0	–
Illovo Tanzania Limited	–	100	–	–	–
Illprop (Pty) Limited	1.3	100	–	–	–
Kilombero Holdings Limited	126.6	73	–	–	–
Kilombero Sugar Company Limited	1.1	55	–	21.0	–
Maragra Açúcar SA	367.5	90	–	13.0	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	4.2	–
Reynolds Brothers Limited	–	100	–	–	–
Sucoma Holdings Limited	426.2	100	–	–	–
Ubombo Sugar Limited	49.5	60	–	810.0	–
Zambia Sugar Plc	355.9	82	–	36.3	–
			2 631.3	1 406.3	(30.2)

On 1 April 2011, the company further restructured its South African operations by disposing of the net assets of its furfural-based nematicide business to Illovo Sugar (South Africa) Limited, a wholly-owned subsidiary of the company, for R81.3 million. The assets transferred included the product registrations of R76.3 million for the exclusive right to sell MultiGuard Protect in the United States of America (USA).

Following the restructuring, Illovo Sugar (South Africa) Limited converted these product registrations into an equity contribution for a 70% shareholding in Agriguard LLC, a USA-based company established to sell MultiGuard Protect. The non-controlling shareholder contributed additional product registrations, plant and equipment, and receivables for a 30% shareholding in Agriguard LLC.

All subsidiaries have a 31 March year-end. A full list of subsidiaries is available on request from the Company Secretary.

15. INVESTMENT IN JOINT VENTURES

Principal joint ventures of the group	Year-end	Nature of business	% Holding 2012	% Holding 2011
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 assets, liabilities and profits of the above joint ventures are proportionately consolidated into the group's financial statements.

	2012 Rm	2011 Rm
The joint ventures of the group had the following capital commitments which have been included in note 37:		
– contracted	0.6	1.3
– approved but not contracted	3.0	15.6
	3.6	16.9

16. INVESTMENT IN ASSOCIATES

Principal associates of the group	Year-end	Nature of business	% Holding 2012	% Holding 2011
Gledhow Sugar Company (Pty) Limited	31 March	Sugar milling	30.0	30.0
Mitra Sugar Limited	30 September	Sugar export agents	49.0	49.0
Kilombero Sugar Distributors Limited	30 September	Distribution agents	20.0	20.0

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Investment in associate companies				
Balance at beginning of year	34.8	38.3	–	45.0
Disposal of business	–	–	–	(45.0)
Share of post acquisition profit/(loss)	7.2	(3.6)		
Exchange rate translation	(0.1)	0.1		
	41.9	34.8	–	–
Included in the group financial statements are the following items that represent the group's share of the assets, liabilities and profits of associates:				
Non-current assets	45.8	47.3		
Current assets	61.1	81.1		
Current liabilities	(65.0)	(93.6)		
Net assets	41.9	34.8		
Revenue	167.1	129.0		
Net profit/(loss) after taxation	7.2	(3.6)		
Directors' valuation of:				
Shares and loans in unlisted associate companies	46.9	46.6	–	–

With effect from 1 October 2009, an agency agreement has been concluded with Mitra Sugar Limited, a United Kingdom-based venture with fellow subsidiary, AB Sugar, which provides an effective route to the European Union market for the group's export sugars.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
17. INVESTMENTS				
Investment in Mali project	–	5.3	–	–
Defined benefit pension fund asset (refer note 35)	10.2	–	10.2	–
Other investments	1.6	1.6	1.6	1.6
	11.8	6.9	11.8	1.6
18. LOANS				
Long-term promissory note receivable	8.5	10.2	–	–
Loan to Mali project	–	60.6	–	–
Other loans	44.1	50.5	0.8	13.1
	52.6	121.3	0.8	13.1

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 prior year loan to the Mali project represented the underlying net assets of the project that would be converted to an equity contribution and the operation consolidated upon completion of the project. This has been impaired in the current year (refer note 7).

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

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
19. INVENTORIES				
Finished goods	218.0	190.8	–	3.6
Consumables and components	400.6	334.2	3.4	7.1
	618.6	525.0	3.4	10.7
20. GROWING CANE				
The carrying value of growing cane comprises:				
Carrying value at beginning of year	1 155.8	1 260.7	–	114.2
Change in fair value	144.0	(0.5)	–	–
Disposal of business	–	(15.1)	–	(114.2)
Disposal of farms	–	(1.2)	–	–
Exchange rate translation	46.9	(88.1)		
Carrying value at end of year	1 346.7	1 155.8	–	–

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

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
2012						
Expected area to harvest (hectares)	4 884.0	20 108.0	16 914.0	8 368.0	9 262.0	5 448.0
Estimated yield (tons cane/hectare)	71.6	108.5	116.2	106.4	81.0	94.0
Average maturity of cane at 31 March (%)	57.00	67.00	66.67	66.67	50.00	66.67
2011						
Expected area to harvest (hectares)	4 572.0	20 240.0	16 896.0	8 095.0	9 386.0	5 476.0
Estimated yield (tons cane/hectare)	53.5	109.6	118.4	103.0	80.4	96.7
Average maturity of cane at 31 March (%)	57.00	66.67	68.80	66.67	50.00	70.81

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
21. TRADE AND OTHER RECEIVABLES				
Trade receivables	**616.7**	559.3	**–**	0.3
Prepayments	**47.4**	32.0	**0.2**	0.2
Taxation	**35.9**	20.6	**15.6**	16.0
Other receivables	**177.8**	156.6	**50.0**	45.1
	877.8	768.5	**65.8**	61.6

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Additional disclosures concerning the management of credit risk have been provided in note 41.

An allowance has been made for impairment of receivables amounting to R3.3 million (2011: R3.0 million) in the group. No allowance for impairment of receivables has been provided for in the company (2011: nil).

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
22. FACTORY OVERHAUL COSTS				
Balance at beginning of year	**214.1**	221.7	**–**	82.0
Capitalised during the year	**280.5**	222.9	**–**	–
Amortised during the year	**(237.7)**	(221.7)	**–**	–
Disposal of business	**–**	–	**–**	(82.0)
Exchange rate translation	**6.4**	(8.8)		
Balance at end of year	**263.3**	214.1	**–**	–
23. DERIVATIVE FINANCIAL INSTRUMENTS				
Forward exchange contracts – recognised in profit and loss	**–**	10.9	**–**	9.9
Forward exchange contracts – designated as cash flow hedges	**7.6**	0.2	**10.9**	1.9
	7.6	11.1	**10.9**	11.8
Comprising:				
Assets	**14.0**	15.1	**11.6**	12.7
Liabilities	**(6.4)**	(4.0)	**(0.7)**	(0.9)
	7.6	11.1	**10.9**	11.8

The fair value of derivative financial instruments is determined by reference to quoted market prices in an active market for similar financial instruments. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in note 41.

	Group and Company 2012 Rm	Group and Company 2011 Rm
24. SHARE CAPITAL AND PREMIUM		
Authorised:		
900 000 000 (2011: 900 000 000) ordinary shares of 4 cents each	**36.0**	36.0
Issued and fully paid:		
460 011 157 (2011: 459 763 357) ordinary shares of 4 cents each	**18.4**	18.4
Share premium	**2 471.4**	2 773.1
	2 489.8	2 791.5
The movement for the year was as follows:		
Balance at beginning of year	**2 791.5**	3 075.7
Repurchase of shares in issue	**–**	(30.5)
Share options exercised	**1.9**	3.8
Transfer to distribution reserve (refer note 27)	**(303.6)**	(257.5)
Balance at end of year	**2 489.8**	2 791.5
25. SHARE-BASED PAYMENT RESERVE		
Balance at beginning and end of year	**13.1**	13.1

All outstanding share options are fully vested and as a result, no further expense is required to be recognised in respect of the equity-settled share option scheme.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
26. NON-DISTRIBUTABLE RESERVES				
Comprises:				
Realised surpluses on sales of property and investments	**82.0**	77.8	**282.5**	282.5
Capital redemption reserve fund	**37.1**	37.1	**35.6**	35.6
Hedging reserve	**5.5**	7.9	**7.8**	7.1
Transactions with non-controlling shareholders	**31.2**	31.2		
Foreign currency translation reserve	**–**	–		
Total non-distributable reserves	**155.8**	154.0	**325.9**	325.2
Movement for the year:				
Balance at beginning of year	**154.0**	224.7	**325.2**	317.4
Realised profit on disposal of property (refer note 28)	**4.2**	9.9	**–**	0.2
Transfer of (credit)/debit foreign currency translation reserve to retained earnings (refer note 28)	**(190.3)**	403.8		
Increase of interest in Maragra Açúcar SA	**–**	(90.0)		
Total comprehensive income for the year:				
Cash flow hedges	**(2.4)**	9.4	**0.7**	7.6
Hedge of net investment in foreign subsidiary	**(87.9)**	(2.1)		
Foreign currency translation	**278.2**	(401.7)		
Balance at end of year	**155.8**	154.0	**325.9**	325.2

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the gains and losses on instruments that hedge the group's net investment in foreign subsidiaries.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
27. DISTRIBUTION RESERVE				
Balance at beginning of year	**156.3**	248.5	**156.3**	248.5
Transfer from share premium (refer note 24)	**303.6**	257.5	**303.6**	257.5
Less distributions paid (refer note 9)	**(262.1)**	(349.7)	**(262.1)**	(349.7)
Balance at end of year	**197.8**	156.3	**197.8**	156.3

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
28. RETAINED EARNINGS				
Balance at beginning of year	2 076.3	1 940.6	397.0	242.4
Total comprehensive income for the year:				
Profit for the year	443.1	546.2	379.3	151.8
Actuarial (losses)/gains on post-retirement obligations	(6.7)	3.2	(5.2)	3.0
Movements in defined benefit pension plans	7.3	–	7.3	–
Realised profit on disposal of property (refer note 26)	(4.2)	(9.9)	–	(0.2)
Transfer of credit/(debit) foreign currency translation reserve from non-distributable reserves (refer note 26)	190.3	(403.8)		
Balance at end of year	2 706.1	2 076.3	778.4	397.0
29. LONG-TERM BORROWINGS				
Secured borrowings	1 916.3	473.1	–	–
Unsecured borrowings	12.6	67.4	–	–
Total borrowings	1 928.9	540.5	–	–
Less: Current portion redeemable and repayable within one year (refer note 32)	(383.5)	(305.2)	–	–
	1 545.4	235.3	–	–
The above borrowings are due for repayment in the following years ending 31 March:				
2012		305.2		–
2013	383.5	125.7	–	–
2014	319.5	39.0	–	–
2015	325.3	36.7	–	–
2016 and thereafter	900.6	33.9	–	–
	1 928.9	540.5	–	–

	Foreign currency million	Years of redemption/ payment	Interest rate %	Group 2012 Rm	Group 2011 Rm
Analysis of borrowings					
Unsecured loans:					
Euro	2.7	2012 – 2015	3.0 – 7.1	8.6	19.9
US Dollar				–	47.5
Tanzanian shilling	826.0	2014	14.0	4.0	–
Total unsecured borrowings				12.6	67.4
Secured loans:					
US Dollar*				–	13.9
US Dollar+	15.0	2012 – 2013	5.4	115.1	101.7
Zambian kwacha#	592 619.0	2012 – 2017	14.7	860.5	326.1
Tanzanian shilling^	3 611.0	2012 – 2014	6.9	17.4	31.4
Emalangeni~	923.3	2012 – 2019	9.3	923.3	–
Total secured borrowings				1 916.3	473.1
Total borrowings				1 928.9	540.5

* *These loans are secured by property, plant and equipment of Nanga Farms Plc.*
\+ *These loans are secured by property, plant and equipment of Maragra Açúcar SA.*
\# *These loans are secured by property, plant and equipment of Zambia Sugar Plc.*
^ *These loans are secured by property, plant and equipment of Kilombero Sugar Company Limited.*
~ *These loans are secured by property, plant and equipment of Ubombo Sugar Limited.*

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
30. DEFERRED TAXATION				
Balance at beginning of year	687.6	685.8	(24.3)	104.0
Current year income statement charge/(relief)	119.7	96.3	(0.8)	2.4
Prior year income statement relief	(0.6)	(13.9)	(2.5)	–
Current year other comprehensive income charge	2.7	4.4	1.1	4.0
Rate change adjustment	(8.5)	(40.0)	–	–
Disposal of business	–	–	–	(134.7)
Exchange rate translation	21.4	(45.0)		
Balance at end of year	822.3	687.6	(26.5)	(24.3)
Analysis of provision				
– property, plant and equipment	434.2	403.9	2.5	2.3
– growing cane and cane roots	530.8	483.4	–	–
– tax losses	(142.2)	(218.8)	–	–
– other	(0.5)	19.1	(29.0)	(26.6)
Balance at end of year	822.3	687.6	(26.5)	(24.3)
– asset	(31.7)	(30.9)	(26.5)	(24.3)
– liability	854.0	718.5	–	–
31. DEFERRED INCOME				
Co-generation electricity supply	140.7	40.0	–	–
Less: Portion to be recognised within one year (refer note 33)	(10.0)	(2.7)	–	–
	130.7	37.3	–	–

Deferred income represents an amount received for the exclusive right to purchase all surplus electricity.

The deferred income will be amortised to profit over the duration of the supply agreement.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
32. SHORT-TERM BORROWINGS				
Amounts due to bankers	–	628.7	–	405.0
Current portion of long-term borrowings (refer note 29)	383.5	305.2	–	–
	383.5	933.9	–	405.0

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

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
33. TRADE AND OTHER PAYABLES				
Trade payables	683.5	627.1	258.0	220.0
Accruals and other accounts payable	705.1	875.1	57.0	29.9
Leave pay (refer note 34)	55.0	51.1	7.2	6.7
Deferred income (refer note 31)	10.0	2.7	–	–
	1 453.6	1 556.0	322.2	256.6

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables approximate their fair value.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
34. PROVISIONS				
Leave pay				
Balance at beginning of year	–	53.0	–	27.5
Utilised during the year	–	(0.4)	–	(0.2)
Disposal of business	–	–	–	(20.6)
Reallocation to other payables (refer note 33)	–	(51.1)	–	(6.7)
Exchange rate translation	–	(1.5)		
Balance at end of year	–	–	–	–
Post-retirement benefits				
Balance at beginning of year	177.5	140.5	84.6	102.1
Raised during the year	18.8	14.9	1.0	2.1
Disposal of business	–	–	–	(15.4)
Actuarial losses/(gains)	9.3	(4.6)	7.3	(4.2)
Reallocation from other provisions	–	30.2	–	–
Exchange rate translation	1.6	(3.5)		
Balance at end of year	207.2	177.5	92.9	84.6
Other				
Balance at beginning of year	40.9	82.9	40.9	52.7
Utilised during the year	(2.5)	(11.8)	(2.5)	(11.8)
Reallocation to post-retirement benefits	–	(30.2)	–	–
Balance at end of year	38.4	40.9	38.4	40.9
Total provisions				
Balance at beginning of year	218.4	276.4	125.5	182.3
Raised/(utilised) during the year	16.3	2.7	(1.5)	(9.9)
Disposal of business	–	–	–	(36.0)
Actuarial losses/(gains)	9.3	(4.6)	7.3	(4.2)
Reallocation to other payables (refer note 33)	–	(51.1)	–	(6.7)
Exchange rate translation	1.6	(5.0)		
Balance at end of year	245.6	218.4	131.3	125.5

35. RETIREMENT BENEFITS

A total of three defined benefit pension funds and a number of 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 R4.3 million (2011: R4.1 million) was expensed in respect of defined benefit plans, and R78.6 million (2011: R69.3 million) in respect of defined contribution plans and statutory retirement arrangements.

South Africa

All South African plans are funded, with their assets held in administered trust funds which are governed by the Pension Funds 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 98 employees (2011: 98).

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

The statutory actuarial valuations of the defined benefit plans as at 1 January 2011 are complete and were submitted to the Financial Services Board (FSB). The independent consulting actuary found the plans to be in a sound financial position. The statutory valuations indicate surpluses aggregating R2.0 million (2009: R48.6 million). In addition, the fund holds an employer surplus account of R8.8 million at 1 January 2012. The surplus apportionment schemes of the funds as at 1 January 2003 were approved by the FSB, and the administrators are in the process of making payments to the affected pensioners and former members. The distribution of the surplus arising from the Illovo Sugar Pension Fund valuation as at 1 January 2009 has been completed, and the administrator is in the process of making payments to pensioners and former members.

The accounting actuarial valuations of the defined benefit plans were carried out as at 31 March 2012 in accordance with IAS 19. The combined fair value of the benefit plan assets amounted to R1 002.7 million (2011: R998.9 million), whilst the present value of promised retirement benefits totalled R857.2 million (2011: R826.3 million). As at 31 March 2012, the company is only unconditionally entitled to a surplus in the plan assets of R10.2 million (2011: nil). This surplus has been recognised as an asset.

In arriving at these findings, the actuary took into account a discount rate of 8.25% (2011: 9.25%), an expected rate of return on the assets of 8.75% (2011: 9.25%), an expected rate of salary increase of 6.50% (2011: 7.00%), an expected rate of pension increase of 4.95% (2011: 5.40%) and an expected rate of inflation of 5.50% (2011: 6.00%).

The assumptions and methods used in the accounting valuations are consistent with the requirements of IAS 19, but not necessarily consistent with the assumptions and methods used in the statutory valuations used for assessing funding requirements. The statutory valuations also make allowance for solvency and contingency reserves which are not incorporated into the accounting valuations in terms of the accounting standards.

A total of R4.3 million (2011: R4.1 million) has been recognised as an expense in the financial period relating to the two defined benefit plans. The current year contribution to the three defined contribution plans totalled R34.3 million (2011: R31.9 million).

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. Retirement benefits for other staff are provided for by the Employment Act regulations. The pension cost of R6.8 million (2011: R3.5 million) is recognised in the year in which it is incurred.

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

35. RETIREMENT BENEFITS continued

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 R11.5 million (2011: R10.2 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 of Zambia Sugar and Nanga Farms 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 R9.9 million (2011: R9.1 million).

Swaziland

The group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions of R6.2 million (2011: R6.0 million) 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 accounting actuarial valuation of the defined benefit plan was carried out as at 31 March 2012 in accordance with IAS 19. The fair value of the benefit plan assets amounted to R8.6 million (2011: R9.8 million), whilst the actuarial present value of promised retirement benefits totalled R11.5 million (2011: R10.8 million), resulting in a deficit of R2.9 million (2011: R1.0 million). In arriving at the valuation, the actuary took into account a discount rate of 8.50% (2011: 9.25%), an expected rate of return of 9.50% (2011: 9.75%) and an expected rate of pension increase of 0.46% (2011: 1.16%). The group has raised a provision for the actuarial deficit.

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 R8.4 million (2011: R7.7 million) and R1.5 million (2011: R0.9 million) was expensed in respect of these arrangements in Tanzania and Mozambique respectively.

Service-based retirement arrangements

The group has an obligation to provide severance pay to members of service-based retirement arrangements in Swaziland and Tanzania based on the length of permanent employment service. At 31 March 2012, the total provision amounted to R39.6 million (2011: R38.8 million).

The Employment Act in Malawi was revised in the current year and the provision requiring employers to accrue for severance pay has been removed and replaced with an obligation for employers to ensure employees are covered by registered pension arrangements. Companies have been given seven years to calculate and pay the obligation over to a defined contribution fund. At year-end, this has not been paid over to a defined contribution fund. The obligation provided for amounted to R51.7 million (2011: severance pay provision was R36.6 million).

Post-retirement medical benefits

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.

The unfunded liability for post-retirement medical benefits is provided on the projected unit credit method, determined actuarially. At 31 March 2012, the total provision amounted to R113.0 million (2011: R101.1 million). During the current year, R2.6 million (2011: R3.6 million) was expensed to the income statement whilst actuarial losses of R9.3 million (2011: actuarial gains of R4.6 million) were recognised in full in other comprehensive income.

A valuation of this provision was performed as at 31 March 2012. In arriving at his finding, the actuary took into account a discount rate of 8.25% (2011: 9.00%), an expected rate of health care inflation of 7.50% (2011: 7.75%) and an expected retirement age of 58 (2011: 58).

36. 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 option movements during the year are as follows:

	Company			
	2012		2011	
	Number of share options	**Weighted average option price Rand**	Number of share options	Weighted average option price Rand
Outstanding at beginning of year	**990 800**		1 631 524	
Forfeited	**(20 000)**	**6.50**	(68 900)	7.11
Exercised	**(247 800)**	**7.67**	(571 824)	6.71
Outstanding at end of year	**723 000**		990 800	
Exercisable at end of year	**723 000**		990 800	

All outstanding share options are fully vested and as a result, no further expense is required to be recognised in respect of the equity-settled share option scheme.

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

Grant date	Vesting date	Expected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
21/05/2003	21/05/2006	4	33.91	5.70	9.42
21/05/2003	21/05/2007	5	33.14	5.70	9.42
21/05/2003	21/05/2008	6	33.14	5.70	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 company issued cash-settled equity instruments to certain employees that require the company to pay the intrinsic value of the cash-settled equity instrument at the date of exercise. The grant price of the instrument is based on the average of the closing market price of the company's shares on the JSE Limited for the 30 trading days immediately preceding the date of grant.

At 31 March 2012, the fair value of the obligation in respect of the cash-settled equity instrument scheme was determined actuarially to be R38.4 million (2011: R40.9 million) and an amount of R2.5 million recognised as income (2011: R11.8 million). The vesting periods for the scheme are the same as those applicable to the equity-settled share option scheme.

36. SHARE-BASED PAYMENTS continued

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

		2012	2011
Share price	(cents)	2 630	2 735
Expected option lifetime			
– vesting period three	(years)	3	3
– vesting period four	(years)	4	4
– vesting period five	(years)	5	5
Expected rolling volatility			
– one-year expected option lifetime	(%)	19.10	22.62
– two-year expected option lifetime	(%)	20.86	27.67
– three-year expected option lifetime	(%)	24.65	31.10
– four-year expected option lifetime	(%)	28.43	30.96
– five-year expected option lifetime	(%)	28.84	29.88
Risk-free interest rate			
– one-year expected option lifetime	(%)	5.65	6.62
– two-year expected option lifetime	(%)	5.96	6.82
– three-year expected option lifetime	(%)	6.34	7.14
– four-year expected option lifetime	(%)	7.15	7.39
– five-year expected option lifetime	(%)	7.32	7.51
Expected dividend yield	(%)	2.73	3.22
Forfeiture rate per annum	(%)	5.00	5.00

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 equity-settled share option scheme and the cash-settled equity instrument 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.

	Group 2012 Rm	Group 2011 Rm
37. CAPITAL EXPENDITURE COMMITMENTS		
South Africa		
– contracted	9.2	22.5
– approved but not contracted	504.6	135.2
Malawi		
– contracted	8.9	2.1
– approved but not contracted	100.6	61.7
Zambia		
– contracted	4.8	1.7
– approved but not contracted	72.1	44.4
Swaziland		
– contracted	6.6	6.1
– approved but not contracted	36.7	95.6
Tanzania		
– contracted	136.3	17.2
– approved but not contracted	164.2	69.6
Mozambique		
– contracted	2.3	6.0
– approved but not contracted	35.6	21.7
Mali		
– contracted	–	7.6
– approved but not contracted	–	2 060.8
Corporate		
– contracted	–	–
– approved but not contracted	44.0	54.2
Contracted	168.1	63.2
Approved but not contracted	957.8	2 543.2
	1 125.9	2 606.4

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

38. CONTINGENT LIABILITIES

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Guarantees in respect of liabilities of third parties and claims against the group	175.0	175.0	–	–
Guarantees in respect of liabilities of subsidiary companies			459.0	289.2
	175.0	175.0	459.0	289.2

The group has guaranteed certain obligations of its associate company, Gledhow Sugar Company (Pty) Limited, to the extent of R100 million. The group has arrangements to recover any outflows associated with this guarantee from the other shareholders of the associate in proportion to their shareholding.

39. OPERATING LEASE COMMITMENTS

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

	2013 Rm	2014 Rm	2015 Rm	2016 Rm	2017 onwards Rm	**2012 Rm**	2011 Rm
Property	47.5	19.4	9.9	5.8	119.6	**202.2**	228.1
Plant and equipment	27.3	20.1	15.7	12.5	6.9	**82.5**	72.2
Total lease commitments	74.8	39.5	25.6	18.3	126.5	**284.7**	300.3

40. RELATED PARTY TRANSACTIONS

40.1 Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2012 has been disclosed in the Remuneration Report on page 55.

40.2 Subsidiaries, joint ventures and associates

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

40.3 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 142.

40.4 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.

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

Details have been included in the Director's Report on page 94.

40.6 Recovery of management services

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

41. FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash deposits with banks, investments and loans, trade and other receivables and payables, derivative instruments and bank borrowings. Financial instruments are carried at fair value or amounts that approximate fair value.

Categories of financial instruments	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Financial assets				
Loans and receivables	**2 320.5**	1 607.6	**434.9**	319.8
Investments	**11.8**	6.9	**11.8**	1.6
Derivative financial instruments recognised in profit and loss	**–**	2.8	**–**	1.9
Derivative financial instruments designated as cash flow hedges	**14.0**	12.3	**11.6**	10.8
Financial liabilities				
Derivative financial instruments recognised in profit and loss	**–**	2.6	**–**	–
Derivative financial instruments designated as cash flow hedges	**6.4**	1.4	**0.7**	0.9
Financial liabilities measured at amortised cost	**3 708.9**	2 883.1	**334.7**	661.6
Reconciliation to the statement of financial position				
Loans	**52.6**	121.3	**0.8**	13.1
Trade and other receivables	**877.8**	768.5	**65.8**	61.6
Cash and cash equivalents	**1 390.1**	717.8	**368.3**	245.1
Loans and receivables	**2 320.5**	1 607.6	**434.9**	319.8
Trade and other payables	**1 453.6**	1 556.0	**322.2**	256.6
Taxation payable	**141.5**	97.1	**–**	–
Long-term borrowings	**1 545.4**	235.3	**–**	–
Short-term borrowings	**568.4**	994.7	**12.5**	405.0
Financial liabilities measured at amortised cost	**3 708.9**	2 883.1	**334.7**	661.6

41.1 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 formulate 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, cross currency interest rate swaps, and forward exchange contracts. 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.

41. FINANCIAL RISK MANAGEMENT continued

41.2 Interest rate risk management

Taking cognisance of the seasonality of the group's cash flow and long-term interest rate forecasts, the treasury 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 of the group at 31 March 2012 is as follows:

		Floating rate		Fixed rate		
		Less than one year	Greater than one year	Less than one year	Greater than one year	Total borrowings
Borrowings	(Rm)	565.5	1 539.6	2.9	5.8	2 113.8
Total borrowings	(%)	27	73	0	0	100

Interest rate sensitivity

The group is exposed to interest rate cash flow risk in respect of its variable rate loans, 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 reporting date and the stipulated change taking place at the beginning of the financial year.

	2012 Rm	2011 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 decrease/increase by:	10.5	5.7

41.3 Commodity price risk management

Commodity price risk arises from the fluctuations in the world sugar price and the impact this may have on current or future earnings. In order to minimise this risk, management attempts to maximise the sale of sugar into each operating country's domestic market as well as the regional, European and American markets where premiums are sought. 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 relative to its pricing and hedging activities.

The quantities of sugar sold into the various markets are managed so as to ensure that the group realises the best possible return.

41. FINANCIAL RISK MANAGEMENT continued

41.4 Currency risk management

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

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

	Group			
	Assets 2012 Rm	Assets 2011 Rm	**Liabilities 2012 Rm**	Liabilities 2011 Rm
US Dollar	**48.1**	365.8	**219.4**	173.9
Euro	**93.5**	191.3	**10.7**	0.6
Other	**4.8**	2.4	**13.2**	9.4

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

	Group			
	2012		2011	
	Foreign currency millions	**Amount in Rm**	Foreign currency millions	Amount in Rm
Assets				
US Dollar	**4.0**	**30.6**	52.9	358.5
Euro	**9.1**	**93.5**	19.9	191.3
Other		**4.8**		2.4
		128.9		552.2
Liabilities				
US Dollar	**28.6**	**219.4**	10.2	68.9
Euro	**1.0**	**10.7**	0.1	0.6
Other		**13.2**		9.4
		243.3		78.9

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and the Euro. The sensitivity analysis below indicates the impact on the group's profit before tax resulting from the revaluation of unhedged and uncovered foreign currency denominated monetary items, outstanding on the reporting date, for an assumed 10% movement in the US Dollar and the Euro. A positive/(negative) number below indicates an increase/(decrease) in profit before tax 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.

	US Dollar 2012 Rm	US Dollar 2011 Rm	**Euro 2012 Rm**	Euro 2011 Rm
10% foreign currency sensitivity	**17.1**	(19.2)	**(8.3)**	(19.1)

41. FINANCIAL RISK MANAGEMENT continued

41.4 Currency risk management continued

The group has entered into certain forward exchange contracts which relate to specific items appearing on the statement of financial position or were entered into to cover forecast foreign currency proceeds not yet receivable and foreign currency purchases not yet delivered.

The contracts will be utilised for purposes of trade during the 2013 financial year.

	Group					
	2012			2011		
	Foreign currency million	**Average rate**	**Amount in Rm**	Foreign currency million	Average rate	Amount in Rm
Foreign currency sold						
US Dollar	**34.5**	**8.07**	**278.4**	36.5	7.21	263.3
Euro	**52.0**	**10.35**	**538.3**	25.5	9.66	246.3
Foreign currency purchased						
US Dollar	**2.9**	**8.17**	**23.7**	36.7	6.96	255.6
Euro	**0.1**	**10.00**	**1.0**	1.3	9.15	11.9
Other			**37.8**			0.7

41.5 Credit risk management

Credit risk consists mainly of short-term cash deposits and cash equivalent investments, trade receivables 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 counterparty. Trade receivables 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 2012, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

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

	Group 2012 Rm	Group 2011 Rm	**Company 2012 Rm**	Company 2011 Rm
Not past due	**577.4**	521.3	**–**	0.3
Past due by 30 days	**30.1**	16.1	**–**	–
Past due by 60 days	**6.5**	4.0	**–**	–
Past due by 90 days	**2.7**	2.8	**–**	–
Past due by 120 days and over	**3.3**	18.1	**–**	–
	620.0	562.3	**–**	0.3
Less : Allowance for doubtful debts	**(3.3)**	(3.0)	**–**	–
Trade receivables	**616.7**	559.3	**–**	0.3
No specific trade receivables have been placed under liquidation in either the current or the prior year.				
Allowance for doubtful debts				
Set out below is a summary of the movement in the allowance for doubtful debts for the year:				
Balance at beginning of year	**3.0**	5.4	**–**	2.2
Amounts written off during the year	**–**	(3.4)	**–**	–
Amounts recovered during the year	**–**	–	**–**	(0.1)
Increase in allowance	**0.1**	1.2	**–**	0.1
Disposal of business	**–**	–	**–**	(2.2)
Exchange rate translation	**0.2**	(0.2)		
Balance at end of year	**3.3**	3.0	**–**	–

41. FINANCIAL RISK MANAGEMENT continued

41.6 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 2012:

	Rm
Local, fixed and flexible term, general banking facilities	1 450.0
Foreign, fixed and flexible term, general banking facilities	3 376.0
	4 826.0

41.7 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 equity and debt, which includes borrowings net of cash and cash equivalents.

42. SEGMENTAL ANALYSIS

Business segments	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	De-preciation Rm
Year to 31 March 2012					
Sugar production	**6 310.1**	**803.4**	**5 237.3**	**243.7**	**157.8**
Cane growing	**1 995.9**	**398.7**	**3 984.0**	**69.1**	**57.2**
Downstream and co-generation	**867.2**	**146.7**	**753.8**	**124.6**	**24.5**
	9 173.2	**1 348.8**	**9 975.1**	**437.4**	**239.5**
Year to 31 March 2011					
Sugar production	5 543.9	742.8	4 595.7	864.7	125.1
Cane growing	1 779.3	193.9	3 708.1	176.4	52.2
Downstream and co-generation	784.7	92.6	769.0	429.8	10.8
	8 107.9	1 029.3	9 072.8	1 470.9	188.1

Geographical segments	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm
Year to 31 March 2012				
Malawi	**1 686.8**	**530.9**	**1 671.5**	**47.9**
Zambia	**2 208.3**	**445.8**	**2 915.7**	**35.5**
Tanzania	**702.1**	**144.6**	**639.6**	**150.0**
South Africa	**3 129.2**	**89.2**	**2 038.9**	**97.2**
Swaziland	**989.1**	**78.4**	**2 010.9**	**84.5**
Mozambique	**457.7**	**59.9**	**698.5**	**22.3**
	9 173.2	**1 348.8**	**9 975.1**	**437.4**
Year to 31 March 2011				
Malawi	1 447.8	430.1	1 456.9	59.2
Zambia	1 829.9	242.4	2 925.7	26.4
Tanzania	626.1	128.0	528.2	61.5
South Africa	3 219.2	148.0	1 672.7	130.8
Swaziland	738.0	78.2	1 922.3	1 147.5
Mozambique	246.9	2.6	567.0	45.5
	8 107.9	1 029.3	9 072.8	1 470.9

Note: *Total assets exclude cash and cash equivalents, deferred tax and derivative financial instruments.*

Sustainability

Introduction

As Africa's largest sugar producer, with agricultural and manufacturing operations in six African countries, Illovo is conscious of the strong interdependence with, and strives to make a meaningful contribution to the communities and natural environments in the regions in which it operates. We subscribe to the principles of sustainable development, and through our business strategies, we aim to ensure that sound, sustainable practices are developed and maintained across the group.

Illovo subscribes to the United Nations Global Compact Principles on human rights, labour, environment and anti-corruption, and in line with our integrated business approach, our reporting process is guided by the GRI Index and the SRI Index, local socio-economic and environmental issues key stakeholders' requirements (including those of its holding company, Associated British Foods plc) as well as the governance requirements of the JSE Listings Requirements and the King Code on Governance for South Africa 2009.

In 2011, we qualified for inclusion in the SRI Index, for the fifth consecutive year. A full index of the GRI sustainability performance indicators is included on our company website at www.illovosugar.com. SustainabilityServices.co.za has provided independent third party assurance over the sustainability information contained within this report, confirming that it meets the GRI's Application Level B requirements (B+ with its assurance). A summary of this assurance statement is provided on page 87, with the full statement appearing online on our website.

In 2011/12, 103 000 tons of green cane biomass and wood were used at Ubombo in Swaziland, at Nchalo in Malawi and at Noodsberg in South Africa (woodchips only) as renewable energy sources to generate electricity for our operations, replacing the use of fossil fuel sources such as coal and thereby reducing GHG emissions.

Scope of sustainability report

This section of the integrated annual report includes information on our social, economic and environmental sustainability relative to our primary activities (cane growing, sugar manufacturing and downstream production), in operations in which we have management control or influence, with focus on non-financial sustainability metrics, including:

- consideration for, and empowerment of, local communities;
- producing products in a responsible manner, securing continued access to raw materials and optimising the use of scarce natural resources;
- attracting, retaining and caring for employees;
- achieving and maintaining Illovo's licence to operate through responsible management of operations and their impacts; and
- ensuring good corporate governance in line with best practice standards.

The information has been benchmarked against the baseline of our Sustainability Development Review 2010/11, which is published on our website, and makes reference to performance indicators for which adequate information is available.

In areas of process technology and environmental impacts, the group continues to build on the cane sugar sustainability model depicted on page 43. At the core of this model is a demonstration of our key sustainability and operational imperatives to maximise our use of input materials, which results in the group's operations generating very few waste products and producing approximately 89% of its energy requirements from renewable energy sources. Making sugar and the downstream diversification of sugar products are technical processes that require significant resources, including labour, land use, water, energy and other materials to produce final products. Although the primary energy source for Illovo's production process, bagasse fibre, is renewable and delivered to the sugar factories as the fibre in sugar cane, other resources are constrained and require responsible management to ensure their sustainability and ultimately that of the business.

From a corporate social investment perspective, given the rural locations of its operations, the group provides much-needed employment, social benefits and supply opportunities in impoverished regions of Africa. Over and above the usual costs of production which would typically be found in the more developed sugar-producing countries, Illovo provides much needed social benefits to its employees, valued at approximately R193 million in the year under review. Apart from the employment opportunities it provides, Illovo provides revenue to the emergent farmers who supply sugar cane to Illovo's factories across the group, aggregating approximately R1 247 million in the year under review, benefiting these growers directly, and indirectly leading to significant multiplier effects within the associated communities. In addition, in the year under review, Illovo procured 75% of its supply requirements from local suppliers in the countries in which it operates, to the value of approximately R2 228 million.

In accordance with our commitment to the advancement of ethical business practices, we recognise that the scope of influence of our operations goes beyond our own internal policies and procedures, and includes the practices of its suppliers. Accordingly, through its procurement contracts with major suppliers of goods and services, Illovo seeks to secure undertakings from those suppliers:

- to protect their workers' rights, to provide safe and hygienic working conditions, freedom of association, the payment of living wages and working hours that are not excessive;
- not to engage in discriminatory practices, or indulge in harsh or inhumane treatment, or use of child labour;
- not to engage in corrupt practices, such as the giving or receiving of any improper financial payment or offering, or directly or indirectly making payments or gifts to any public official; and
- to implement environmental management programmes.

Accountability for sustainability

Management is assisted in the sustainable development of the business by the group Risk Management Committee, which ensures effective governance of risks that may have a potential impact on the achievement of sustainable development, such as safety and health, environment, regulatory, market and financial performance, as well as reputational and community relationships. Risk management is an integral part of Illovo's business management practices, which is fortified by Illovo's combined assurance framework and enterprise risk management (ERM) process, elaborated upon in the Risk Management Report.

The management of sustainability at the operational level is coordinated by a sustainability steering committee, which comprises people drawn from various disciplines within the company, including the operations director, human resources executive, the company secretary and technical specialists. The committee's main function is to guide the organisation and provide specialist input on sustainability issues. Final strategic and operational decisions for sustainability are made by the executive committee. The steering committee may establish subordinate committees to address specific sustainability aspects such as water, energy, human rights, as and when necessary. Operationally, the most senior executives are accountable for the different elements of the economic, social and environmental components of sustainability. For instance, the operations director is accountable for environmental issues, whilst the human resources executive is accountable for the social issues. As indicated in the Remuneration Report, incentive schemes are used to reward employees for the achievement of specified targets and objectives, including those pertaining to sustainability.

Illovo's cane sugar sustainability model

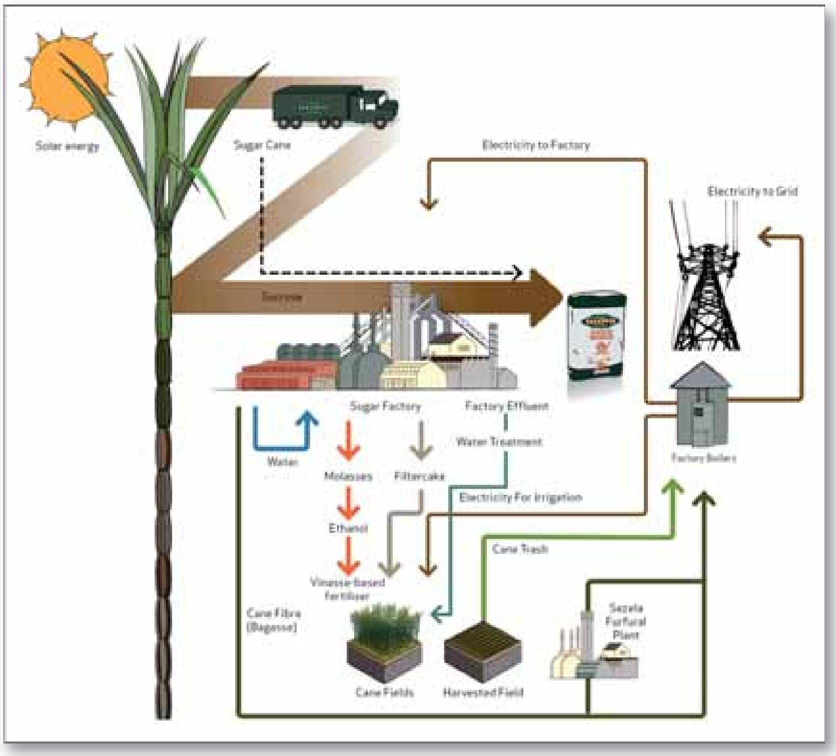
Maximum usage

The sugar cane manufacturing cycle makes maximum usage of all its input materials with very few waste products.

- Sugar cane contains between 13% and 15% sucrose, which is used in sugar factories to produce granulated brown and refined sugar.
- Cane fibre or bagasse, the fibrous residue following the extraction process, is used as a bio-renewable fuel source by the factory boilers to produce steam for processing requirements and to generate electricity to power the factory, other operations, and in certain cases, for supply to the national grid:
  - at the Sezela downstream plant in South Africa, plant material in the bagasse is extracted to produce low-volume/high-value downstream products. Once processed, the bagasse is routed to the boilers for electricity operations;
  - at Illovo's operations in Swaziland and Malawi, cane trash is blended with bagasse to increase the volume of fuel feedstock for the boilers, thereby providing for increased electricity generation; and
- Illovo's objective is to be self-sufficient in its own electricity requirements and, where feasible, to export surplus power into the national grids of the countries in which it operates. In 2011/12, 89% of the group's power requirements were produced by the group's own installed electricity-generating capacity from renewable resources.
- Water contained in sugar cane amounts to between 68% and 72% of total content. During the extraction process, this water is released and recycled for use within the factory, reducing reliance on external water resources.
- A by-product of the manufacturing process is molasses which is used by Illovo to produce potable and denatured alcohols for use in the cane-based liquor, pharmaceutical, cosmetic and printing industries and for ethanol production. The by-product of these production processes is called "vinasse" and is used to make fertiliser.
- Organic and non-organic impurities captured in the form of "filtercake" during the manufacturing process are returned to the fields for use as a fertiliser.
- Distillery vinasse from the Merebank factory and concentrated molasses solids from the Glendale distillery are sold as liquid fertiliser for use on sugar cane fields, thereby returning important minerals to the soils from which they were extracted.

Sugar cane

- Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe.
- Harvesting takes place in the southern hemisphere between April and December when the cane is 12 to 24 months old.
- Once harvested, the cane commences a new growing cycle from its existing roots; this re-growth is called a "ratoon". Replanting takes place only every 7 to 10 years, minimising soil disturbance and exposure to wind and water erosion.
- Rain-fed cane in South Africa, with industry yields of around 65 tons of cane per hectare, minimises the impact on subterranean water supplies, whilst in other countries of operation, where yields are approximately 100 tons of cane per hectare, water for irrigation is sourced from secure water resources such as large rivers, lakes and dams.



Corporate governance

Governance and accountability structures

Illovo is committed to strong ethical values and professionalism in all its activities. As part of this commitment, the board strives to achieve high standards of corporate governance by adherence to best practices, principles of accountability, transparency and integrity as well as ensuring that the group is managed in an efficient, responsible and ethical manner. In this respect, the board and Illovo's executive management give ongoing consideration to developments in the field of corporate governance and ensure implementation thereof within the group to the extent determined as appropriate.

Executive management ensures compliance with the corporate and accounting laws and regulations, including the Companies Act, the Companies Regulations and the JSE Listings Requirements. The board subscribes to the principles of King III, and the "apply or explain" approach has been adopted with regard to the implementation of its principles. A compliance assessment is included on pages 50 and 51 of this report.

Business ethics

Our fundamental policy, which embraces all group operations, is to conduct business with honesty and integrity and in accordance with the highest legal and ethical standards. We have established a Code of Conduct and Business Practices, which is disseminated throughout the group and reviewed annually by the company's Executive Committee. Our Code of Conduct and Business Practices embodies the key principles and values that guide and determine the minimum conduct required of all employees, and prescribes, inter alia that the group does not make contributions or donations for political purposes.

An anti-bribery and corruption policy is accommodated within our framework of policies. In pursuit of our goal of eliminating corruption and promoting ethical behaviour, 96% of employees in management positions throughout the group completed a group on-line anti-corruption and bribery training and assessment module during the first quarter of 2012, and employees throughout the group have been trained in Illovo's anti-corruption policies. We actively support the prosecution of employees who are found to have been involved in corrupt and/or fraudulent activities. In the year under review, one prosecution for fraud was successfully concluded, a second case is in progress and a third is under investigation.

"Crimeline" reporting facilities, inviting people from within and outside the group to report any wrong-doings anonymously, are operated by independent forensic accountants, and all matters reported are appropriately investigated and reported upon.

Compliance

The board takes measures to ensure that the group complies with all relevant laws, regulations and codes of business practice. To this end, the heads of each operational subsidiary, in the six countries in which the group operates, are required to provide written confirmation on an annual basis to the Risk Management Committee that such subsidiaries and their employees have complied with all relevant laws, regulations and codes of business practice during the year under review. To bolster this aspect of the business, the position of Group Compliance Manager has been established to give specific focus to the various requirements across the group. During the year under review there were no instances of major non-compliance, fines or prosecutions for non-compliance.

Board of directors

Illovo has a unitary board of directors which comprises a majority of non-executive directors. Similarly, the majority of the non-executive directors are independent and are chosen for their business acumen and skills pertinent to the business of the group, and to meet the criteria of King III. Brief curricula vitae of all the directors are included on pages 164 and 165 of this report. The roles of the chairman and chief executive are distinct, and the chairman is an independent non-executive director.

New appointments to the board are made in accordance with the recommendations of the Remuneration/ Nomination Committee and, following approval by the board, such appointments are subject to confirmation by shareholders at the next annual general meeting. The independence of the chairman and the non-executive independent directors is assessed on an annual basis by the Remuneration/Nomination Committee, which provides an appropriate report-back to the board. The chairman is appointed annually by the board, on the recommendation of the Remuneration/Nomination Committee.

At each annual general meeting of shareholders, not less than one-third of the directors (being those who have been longest in office since their appointment or last re-election) must retire, but may be proposed for re-election. The Remuneration/Nomination Committee conducts an assessment of the performance of each of the retiring directors who makes himself or herself available for re-election and submits its recommendations to the board. In turn, the board makes appropriate recommendations to the shareholders relative to the re-election of directors.

The members of the board undertake annual evaluations of the performance of the board, the chairman and the board committees.

At each meeting of the board, directors are required to declare any interest that any of them may have in any matter for discussion in respect of which the director concerned may have a conflict of interest.

In addition to having access to the advice of the company secretary, members of the board may, in appropriate circumstances, take independent professional advice at the company's expense.

The company provides insurance cover for directors' and officers' legal liabilities within the ambit of that permitted in terms of the Companies Act.

The board is ultimately responsible for the effective control of 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 and which prescribes, inter alia, that the board takes responsibility for:

- exercising leadership, enterprise, integrity and judgement in directing the company so as to achieve its Strategic Intent, and goals and objectives;
- acting as a focal point for and custodian of corporate governance;
- approving the strategic direction, and the goals and objectives of the company; always appreciating that strategy, risk, performance and sustainability are inseparable;
- ensuring that the business is a going concern;
- considering and approving annually the company's strategic plan and its operating and capital budgets;
- considering and approving all material investments, and acquisitions and disposals of business activities;
- defining and monitoring levels of materiality, reserving specific powers to itself and delegating other appropriate matters to the relevant board committees and/or management;
- determining the terms of reference of the board committees, and appointing or recommending the appointment of, as the case may be, the members of such committees;
- being satisfied that appropriate policies, procedures and practices are in place and are duly observed;
- identifying and monitoring the non-financial sustainability issues relevant to the business of the company;
- ensuring that the company maintains and develops good corporate governance standards;
- the governance of risk; identifying and monitoring the company's key risks and key performance indicators;
- ensuring that there is due compliance with all risk-related policies, procedures and standards; and that internal controls are effectively maintained and, where necessary, reviewed;
- ensuring that the company has an effective internal audit function;
- information technology governance; being satisfied that the technology and systems used in the company are appropriate to its business needs;
- ensuring that the evaluation of the board, its committees and individual directors is undertaken on an annual basis;
- endeavouring to ensure that the company complies with all relevant laws, regulations and codes of business practice;
- overseeing the preparation of and approving the company's annual financial statements, and ensuring that disclosures in the integrated annual report, particularly those pertaining to sustainability matters, are adequate and meet regulatory requirements;
- approving the company's interim and final results announcements, and determining distributions to shareholders;
- ensuring that:
  - succession planning is undertaken;
  - the remuneration strategy of the company is appropriate to the business; and
  - remuneration levels of directors and senior management are appropriate;
- recommending to shareholders at the annual general meeting, the level of fees payable to the non-executive directors; and
- ensuring that there is effective communication with the company's shareholders and other key stakeholders.

For the year under review, the board satisfied its responsibilities in compliance with its Charter. The board has defined and monitors levels of materiality, and has formally documented matters which it has delegated to the board committees and management, by way of committee terms of reference and policies.

The board has six regular meetings each year and the company's Articles of Association make provision for decisions taken between meetings to be confirmed by way of written resolutions. In the year under review, six meetings were held. Attendance at the meetings and the identity of the directors who retired, resigned, or were appointed during the year under review, is reflected in the table overleaf.

Attendance at board and committee meetings during the year ended 31 March 2012:										
	Board		Audit Committee		Remuneration/ Nomination Committee		Risk Management Committee		Annual general meeting	
	A	B	A	B	A	B	A	B	A	B
Abdool-Samad MH#	3	3	1	1(++)	N/A		0	0	0	0
Carr Dr M I	6	6	N/A		4	4	N/A		1	1
Clark G J	6	6	3	3(++)	4	4(++)	2	2	1	1
Dalgleish G B ##	3	3	N/A		N/A		0	0	0	0
Hankinson M J	6	5	3	3	4	4	2	2	1	1
Konar Dr D	6	5	3	3	N/A		N/A		1	1
Lister P A	6	6	N/A		N/A		N/A		1	1
MacLeod D G	6	6	3	3**	4	4	2	2	1	1
Madi P M	6	4	N/A		4	3	N/A		1	1
Molope C W N	6	5	3	3	N/A		N/A		1	0
Mpungwe A R	6	5	N/A		N/A		2	1	1	1
Munday T S	6	6	3	3(xx)	3	3(xx)	2	2	1	1
Pike R N	6	5	3	2(+)	N/A		2	2	1	1
Riddle L W	6	6	N/A		N/A		N/A		1	1
Stuart B M ###	6	6	N/A		N/A		2	2	1	1
Williams R A ####	2	2	1	1	2	2	1	1(x)	1	1
Zarnack K^	1	1	1	1(++)	N/A		1	1	0	0

Column A indicates the number of meetings held during the year the director was a member of the board/committee.

Column B indicates the number of meetings attended during the year the director was a member of the board/committee.

++ *Participation in his capacity as a member of the Executive Committee, as an attendee.*

Appointed on 1 September 2011.

Appointed on 16 September 2011

Retired on 31 March 2012.

Retired on 19 July 2011.

^ *Resigned on 31 May 2011.*

xx *Appointed as a member of the Audit and Remuneration/Nomination Committees on 27 May 2011.*

\+ *Participation in his capacity as a non-independent, non-executive director, as an attendee.*

** *Participation in his capacity as chairman of the board, as an attendee.*

Board committees

To assist the board in carrying out its responsibilities, various board committees have been appointed. For logistical reasons, the meetings of the various committees generally take place immediately prior to board meetings and consequently, the chairmen of the committees provide relevant verbal reports to the board at the ensuing board meetings.

The members of the committees undertake annual evaluations of the performance of the respective committees.

Audit Committee

In compliance with the Companies Act and the JSE Listings Requirements, the company has appointed an Audit Committee, whose responsibilities and activities are covered in the Audit Committee Report on pages 96 and 97 of this report. Audit committees are also established and operational at each of the operating subsidiaries.

Social and Ethics Committee

In terms of the Companies Act and the Companies Regulations, a social and ethics committee was appointed in March 2012, which comprises eight directors, four of whom are independent, non-executive directors, the company secretary, the human resources executive, and a member of senior management who acts as the secretary of the committee.

The committee operates under formal terms of reference. It will meet twice a year in order to fulfil the functions which are assigned to it in terms of the Companies Regulations, and such other related functions as may be assigned to it by the board. The committee is required to monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- social and economic development, including the company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, the requirements of the Employment Equity Act and the Broad-based Black Economic Empowerment Act;
- good corporate citizenship, including the promotion of equality, prevention of unfair discrimination and reduction of corruption, contribution to development of the communities in which the group's activities are predominantly conducted, or within which its products or services are predominantly marketed; recording any sponsorship, donations and charitable giving; the environment, health and public safety (including the impact of the company's activities and of its products or services); consumer relationships, (including the company's advertising, public relations and compliance with the consumer protection laws); and
- labour and employment, including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; the company's employment relationships, and its contribution toward the educational development of its employees;

The committee is required to draw relevant matters within its mandate to the attention of the board, and one of its members must report to the shareholders at the company's annual general meeting in relation to the functions of the committee.

Remuneration/Nomination Committee

The responsibilities and activities of the Remuneration/ Nomination Committee are covered in the Remuneration Report on pages 52 and 53 of this report.

Risk Management Committee

The Risk Management Committee presently comprises four non-executive directors (all of whom are independent), three executive directors, the company secretary and four members of senior management. Mr R N Pike was appointed as chairman of the committee effective 19 July 2011, and a member of senior management acts as the secretary of the committee. The directors who are members of the committee, and details of their attendance at committee meetings during the year under review, are indicated on page 46 of this report.

The committee operates under formal terms of reference approved by the board and meets at least twice a year. 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 group; reviewing any significant legal matters; reviewing the adequacy of insurance coverage; and providing reports and information to the social and ethics committee. The committee gives particular focus to operational risks, including health and safety and compliance with the legislative and regulatory requirements in each country of operation.

During the year under review, the committee satisfied its responsibilities in compliance with its terms of reference. In support of its responsibilities, the committee approved a group-wide Risk Management Policy and combined assurance framework for the purposes of procuring effective and consistent risk management across all operations, and adopted an ERM framework to ensure that necessary risk management processes and systems are developed and maintained.

Executive Committee

The executive directors constitute the Executive Committee, whose meetings are also attended by the executive responsible for human resources and the Company Secretary. The Executive Committee meets on a weekly basis to review operational performance, capital programmes and other relevant issues. 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. Daily involvement of the members of the Executive Committee with operational and functional executives ensures the interactive nature of the overall management reporting structure.

Company Secretary

During the year under review, Mr G D Knox retired as company secretary on 31 October 2011, and having been approved by the Nomination/Remuneration Committee and the board, Ms J A Kunst was appointed in his stead with effect from 1 November 2011. In accordance with the JSE Listings Requirements, the board has considered the qualifications of the company secretary and considers her to be qualified and competent to perform her duties in accordance with applicable legislation, and to be a fit and proper person for the position. Ms Kunst holds a BA LLB, Dip Mar Law and was a practising attorney for 35 years. The board considers that Ms Kunst has an arm's-length relationship with the board. She is not a director, nor is she related to, or in any other manner connected with, any of the directors in any manner which could cause there to be a conflict of interest. All directors have access to the advice and services of the company secretary, inter alia, with regard to legislation, corporate governance and compliance.

JSE Sponsor

J P Morgan Equities Limited acts as the company's Sponsor in compliance with the JSE Listings Requirements.

Internal controls

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 are 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 acts as an independent appraisal function established to conduct reviews of operations and procedures and report findings and recommendations to management, the Audit Committee or the board, as may be appropriate. The head of the department reports functionally to the chairman of the Audit Committee and administratively to the financial director, and also 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 these 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.

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) and the Companies Act. They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated, in which case full disclosure is made.

Going concern

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

Information technology (IT)

The board has assigned the responsibility of monitoring IT governance to the Audit Committee. Management has conducted an analysis of the implications of the relevant chapter of King III relative to its IT management philosophy, and has appropriately enhanced its governance framework and processes.

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 group chairman or chief executive before dealing in company shares.

Access to information

The company has complied with the requirements of the Promotion of Access to Information Act, 2000. The relevant manuals are available on the company's website: www.illovosugar.com. No requests for access to records were received during the year under review.

Combined assurance

King III introduces the combined assurance model, which requires assurance to be affected on three levels, by management, internal assurance providers and external assurance providers.

In accordance with these principles, Illovo has developed a framework to provide the principles and guidelines which will be utilised in implementing combined assurance across the group. Illovo's assurance providers are classified into the following three lines of defence:

	First line of defence	Second line of defence	Third line of defence
	Management-based assurance	Risk, compliance and legal-based assurance	Independent assurance
Objectives	Setting strategy, performance measurement, and establishing and maintaining risk management, control and governance across the business	Providing a formal, robust and effective risk framework to improve decision-making, planning, and prioritisation of business activities	Providing independent and objective assurance of the overall adequacy and effectiveness of governance, risk management, and control within the organisation, as established by the first and second lines of defence
Reporting lines	Executive management committees and operational committees providing direction, guidance and oversight of the focus areas	Executive Committee Risk Management Committee	Regulators Board and Audit Committees
Assurance providers	Management Quality and functional assurance Self-audits	Enterprise risk management Legal and compliance functions Safety, health and environment management	Internal audit Independent external auditors External regulators Certification bodies Customer audits Insurance and other independent assurance assessors

The combined assurance framework covers all the business operations of the group, irrespective of their legal structure or geographic location. The Audit Committee and the Risk Management Committee are responsible for monitoring the appropriateness of the group's combined assurance model, so as to ensure that it caters for the integration, coordination, and alignment of risk management and assurance processes, thereby optimising and maximising the level of risk, governance and control oversight across the group.

Our governance and combined assurance framework recognises corporate governance practices pragmatically so as to build and sustain an ethical corporate culture in the group, and provide, inter alia, for the identification and mitigation of significant risks, the promotion of sound decision-making, responsible and sustainable business practices, and the disclosure of necessary group information to secure the trust and confidence of all stakeholders. Our Combined Assurance Plan embraces, amongst other things, the approach, roles and responsibilities, methodologies, types and levels of assurance and reporting lines for combined assurance. It uses risk mapping and assessment and sets out the desired risk-based assurance coverage plan, including:

- the frequency and extent of assurance required;
- the reporting requirements; and
- management/committee responsibility.

The approach adopted in developing our combined assurance framework and ERM process is elaborated upon in the Risk Management Report. The Company Secretary provides a report to the board annually on all matters related to combined assurance.

Corporate governance continued

King Code of Governance for South Africa 2009: Compliance assessment

The table below records the respects in which Illovo applies the principles of King III:

Key		
	Applied	✓
	Partially applied	★
	Not applicable	✗

Chapter 1 – Ethical leadership and corporate citizenship	
The board should provide effective leadership based on an ethical foundation	✓
The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
The board should ensure that the company's ethics are managed effectively	✓
Chapter 2 – Board and directors	
The board should act as the focal point for and custodian of corporate governance	✓
The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
The board and its directors should act in the best interests of the company	✓
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act (note 1)	✗
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board (note 2)	✓
The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓
Directors should be appointed through a formal process	✓
The induction and ongoing training and development of directors should be conducted through formal processes (note 3)	★
The board should be assisted by a competent, suitably qualified and experienced company secretary	✓
The evaluation of the board, its committees and the individual directors should be performed every year	✓
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓
A governance framework should be agreed between the group and its subsidiary boards (note 4)	★
Companies should remunerate directors and executives fairly and responsibly (note 5)	✓
Companies should disclose the remuneration of each individual director and prescribed officer	✓
Shareholders should approve the company's remuneration policy	✓
Chapter 3 – Audit committees	
The board should ensure that the company has an effective and independent audit committee	✓
The audit committee members should be suitably skilled and experienced independent non-executive directors	✓
The audit committee should be chaired by an independent non-executive director	✓
The audit committee should oversee integrated reporting (note 6)	★
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities (note 6)	★
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
The audit committee should be responsible for overseeing of internal audit	✓
The audit committee should be an integral component of the risk management process	✓
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
The audit committee should report to the board and shareholders on how it has discharged its duties	✓
Chapter 4 – The governance of risk	
The board should be responsible for the governance of risk	✓
The board should determine the levels of risk tolerance	✓
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
The board should ensure that risk assessments are performed on a continual basis	✓
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
The board should ensure that management considers and implements appropriate risk responses	✓
The board should ensure continual risk monitoring by management	✓
The board should receive assurance regarding the effectiveness of the risk management process	✓
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓

Chapter 5 – The governance of information technology	
The board should be responsible for information technology (IT) governance	✓
IT should be aligned with the performance and sustainability objectives of the company	✓
The board should delegate to management the responsibility for the implementation of an IT governance framework	✓
The board should monitor and evaluate significant IT investments and expenditure	✓
IT should form an integral part of the company's risk management	✓
The board should ensure that information assets are managed effectively	✓
A risk committee and audit committee should assist the board in carrying out its IT responsibilities (note 7)	★
Chapter 6 – Compliance with laws, rules, codes and standards	
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓
Compliance risk should form an integral part of the company's risk management process	✓
The board should delegate to management the implementation of an effective compliance framework and processes	✓
Chapter 7 – Internal audit	
The board should ensure that there is an effective risk-based internal audit	✓
Internal audit should follow a risk-based approach to its plan (note 8)	★
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	✓
The audit committees should be responsible for overseeing internal audit	✓
Internal audit should be strategically positioned to achieve its objectives	✓
Chapter 8 – Governing stakeholder relationships	
The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
The board should delegate to management to proactively deal with stakeholder relationships	✓
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
Companies should ensure the equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓
Chapter 9 – Integrated reporting and disclosure	
The board should ensure the integrity of the company's integrated report	✓
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
Sustainability reporting and disclosures should be independently assured	✓

Notes

1. It has not been necessary to consider business rescue proceedings.
2. The chairman is an independent, non-executive director, but as he was not independent at the time of his appointment, a lead independent director was appointed.
3. Given the experience of the members of the board, mentorship and professional development programmes have not been considered necessary.
4. As five of the company's six operating subsidiaries are registered in countries outside South Africa, these subsidiaries are guided by local reporting requirements, and the integrated reporting of subsidiary companies as contemplated by King III is not applicable.
5. Given the generally high level of attendance at meetings, the board does not consider it appropriate for non-executive directors' fees to comprise a meeting attendance fee as well as a base fee. Fees are determined with due regard to relevant market surveys.
6. The Audit Committee reviews all disclosures in the integrated annual report, but responsibility for non-financial sustainability matters falls to the Risk Management Committee.
7. The Audit Committee, not the Risk Management Committee, has responsibility relative to IT risks.
8. The internal audit function does follow a risk-based approach to its plan, but assurance with regard to the realisation of strategic goals is not included in the internal audit mandate, but is the responsibility of executive management.

Remuneration report

Remuneration philosophy and policy

The principles of our remuneration policy are designed, not only to attract, retain and motivate employees, but also to reward them for their contribution to the group's operating and financial performance; to take into account market conditions at both industry and country levels; and to cater, apart from fixed remuneration, for an element of variable remuneration in the form of short and longer-term incentive schemes that are used to reward employees for the achievement and out-performance of specified targets and objectives, as well as assisting in attracting and retaining key personnel.

The group determines substantive wages and benefits for the unionised category of employees, through collective bargaining processes with representative trade unions in all countries of operation.

Criteria adopted for determining non-negotiated salary and wage increases are as follows:

- individual performance reviews;
- CPI (Inflation);
- market surveys, where the group subscribes to pegging key high performing employees at the median to upper quartile of the market;
- internal equity where applicable;
- shorter-term incentives, whereby all employees participate in a performance-related bonus scheme designed and implemented on a financial year basis, and are remunerated against pre-set performance criteria at the end of the group's financial year. The targets are both of a financial and operational nature, directly relevant to the performance expectations for each operation in the ensuing year. The former are set against financial parameters such as growth in headline earnings per share (HEPS) and profit after tax (PAT), as well as achievement of relevant return on net assets (RONA) targets, whilst the latter typically relate to the achievement of set production forecasts and safety standards and well defined operational efficiency metrics which are readily measured and progress towards achievement thereof is communicated on an ongoing basis; and
- longer-term incentives, including the share option and performance-related Phantom Share Scheme which is extended to key senior staff members and aligned to the company's share performance and incorporates a performance hurdle. These schemes are more fully described under the Directors' Report on pages 91 to 93 of this report

Other substantive benefits include in-house health care facilities, medical aid contribution subsidisation and provident and pension funds. In countries where these don't exist, company contributions to national security insurance-type funds are paid.

Remuneration governance

Remuneration/Nomination Committee

The company's Remuneration/Nomination Committee comprises five non-executive directors, four of whom are independent. In the year under review, Mr T S Munday was appointed from 27 May 2011 and Mr R A Williams retired at the end of July 2011.

The members of the committee are indicated on page 46 of this report. When dealing with remuneration matters, the committee is chaired by Mr M J Hankinson, and when considering nomination matters, the committee was chaired by Mr R A Williams until his retirement and thereafter by Mr D G MacLeod.

The committee has formal terms of reference approved by the board. Key responsible areas include:

- the assessment and approval of a broad remuneration strategy for the group, and for the development and determination of the company's general policy on executive and senior management remuneration;
- the positioning of senior executive salary packages relative to local and international industry benchmarks, such that they are sufficient to attract, retain and motivate executives of the quality required by the board. These include, but are but not limited to basic salary, benefits in kind, annual bonuses, performance-based incentives, share incentives, retirement and other benefits. The committee approves the proposals made for the remuneration to be paid to the executive directors each year;
- approving the terms of any scheme providing performance-based incentives;
- making recommendations to the board on the fees payable to the company's non-executive directors;
- reviewing the performance of all executive directors on a regular basis (at least annually); and
- ensuring compliance with relevant legislation;

The committee also gives consideration to the composition of the board and makes appropriate recommendations in this regard to the board as well as playing an integral part in succession planning relative to senior executives. It meets at least three times a year at which meetings appropriate members of executive management are in attendance. In the past year, four meetings were held, attendance at which is reflected in a table on page 46 of this report.

For the year under review, the committee satisfied its responsibilities in compliance with its terms of reference.

Executive and senior management remuneration

The group aims to adhere to the broad guidelines of executive remuneration as anticipated by King III, in respect of remuneration packages of the company's executive directors and senior management levels, ensuring that:

- the positioning of the remuneration packages is aligned between the market median and upper quartile of local and international industry benchmarks. To this end, external consultants are used to ensure that these levels are conducive to the attraction and retention of these key skills;
- there is an appropriate balance between fixed and variable remuneration which is modelled to achieve superior performance; and
- incentives in respect of short-term and long-term driven targets are implemented which contribute towards the achievement of company objectives and which are aligned to the delivery of sustained shareholder value.

A short-term (annual) incentive scheme is capped at 125% of annual salary. The respective breakdown of the scheme for executives is:

Group financial results	80%
Working capital management	10%
Key performance objectives	35%
	125%

Other than the directors, there are no employees of the company who are prescribed officers, as defined in the Companies Act, the directors being the only persons who exercise, and who are empowered to exercise, or who regularly participate to a material degree in the exercise of, general executive control over and management of the whole, or a significant portion of, the business and activities of the company, as contemplated in regulation 38 of the Companies Regulations.

Compensation of directors/prescribed officers

The remuneration of executive directors for the year ended 31 March 2012 was as follows:

	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits R000	Option gains R000	Total R000
Abdool-Samad M H#	1 458	1 323	193	1 853	–	4 827
Clark G J	4 163	3 705	491	315	–	8 674
Dalgleish G B*	709	638	134	125	–	1 606
Riddle L W	1 796	1 661	252	232	–	3 941
Stuart B M+	3 144	2 408	34	430	–	6 016
Zarnack K^	373	–	44	3 566	–	3 983
Total	11 643	9 735	1 148	6 521	–	29 047

\# *Appointed on 1 September 2011*

* *Appointed on 16 September 2011*

\+ *Retired on 31 March 2012*

^ *Resigned on 31 May 2011*

The remuneration of executive directors for the year ended 31 March 2011 was as follows:

	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits R000	Option gains R000	Total R000
Clark G J	3 616	752	437	206	5 584	10 595
Haworth D L#	276	–	41	1 329	776	2 422
Riddle L W	1 657	364	232	251	261	2 765
Stuart B M	2 761	501	149	448	–	3 859
Zarnack K##	2 086	334	245	185	2 176	5 026
Total	10 396	1 951	1 104	2 419	8 797	24 667

\# *Resigned on 31 May 2010*

\## *Resigned on 31 May 2011*

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

	2012 R000	2011 R000
Connellan B P*	–	58
Hankinson M J	590	444
Konar Dr D	380	335
MacLeod D G	1 854	1 275
Madi P M	290	270
Molope C W N	290	270
Mpungwe A R	380	260
Munday T S	424	260
Shaw M J*	–	146
Williams R A**	643	1 930
Carr Dr M I#	–	–
Lister P A#	–	–
Pike R N#	–	–
Total	4 851	5 248

* *Retired on 21 July 2010*

** *Retired on 19 July 2011*

\# *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.*

Post-retirement medical aid contributions paid on behalf of past directors amounted to R60 859 for the year (2011: R54 166).

Share options

Illovo Sugar 1992 Share Option Scheme

This option scheme is covered under the Directors' Report on pages 91 and 92 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 2012.

	Options as at 31 March 2011	Option price (cents)	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2012	Expiry date
Stuart B M #	45 700	680	–	–	45 700	20.05.2013
	46 000	770	–	–	46 000	01.06.2014
	91 700				91 700	

\# *Retired on 31 March 2012*

Illovo Sugar Phantom Share Scheme

This share scheme is covered under the Directors' Report on pages 91 and 93 of this report. Given that options in terms of this scheme are "cash settled" rather than "equity settled", the scheme is not classified as a share incentive scheme in terms of the JSE Listings Requirements.

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 2012.

	Options as at 31 March 2011	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2012	Expiry date
Abdool-Samad M H		2 702	150 000			150 000	26.05.2021
Clark G J	16 700	1 634				16 700	29.10.2016
	60 000	2 364				60 000	23.07.2017
	70 000	2 867				70 000	09.07.2018
	240 000	2 808				240 000	13.07.2019
	172 500	2 856				172 500	20.07.2020
		2 702	162 000			162 000	26.05.2021
	559 200		162 000			721 200	
Dalgleish G B	8 500	1 634				8 500	29.10.2016
	12 500	2 364				12 500	23.07.2017
		2 702	20 000			20 000	26.05.2021
	21 000		20 000			41 000	
MacLeod D G #	100 000	2 364				100 000	23.07.2017
	140 000	2 867				140 000	09.07.2018
	240 000					240 000	
Riddle L W	20 000	1 634				20 000	29.10.2016
	33 500	2 364				33 500	23.07.2017
	25 000	2 867				25 000	09.07.2018
	60 000	2 808				60 000	13.07.2019
	56 000	2 856				56 000	20.07.2020
		2 702	36 000			36 000	26.05.2021
	194 500		36 000			230 500	
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
	51 500	2 867				51 500	09.07.2018
	92 000	2 808				92 000	13.07.2019
	75 000	2 856				75 000	20.07.2020
	398 500					398 500	
	1 413 200		368 000			1 781 200	

Options granted to Mr MacLeod whilst an executive director

Risk management report

Risk management is an integral part of Illovo's business sustainability management, with the three critical components, economic, social and environment, being managed according to differing priorities and commitments. The safety, security and preservation of our people and property are essential for the group's sustainable growth.

The focus of Illovo's risk management 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 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.

In order to enhance the effectiveness of risk management across the group, we commenced an ERM project in February 2012. To ensure that the risk management process is consistently applied across all our operations, risk assessment workshops were conducted at the group executive level and at each operation during March 2012. The risk management policy documents the board's risk management responsibilities, objectives and appetite for risk. This provides a framework for the executive management to implement the ERM process. Risk categories have been standardised for the group and persons responsible for each risk category are identified at board and operational levels.

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

Key risk matrix

The key risks identified in the year under review are set out in the following table, which identifies those risks (both internal and external in nature), considered to have potentially the most material impact upon the group if realised. Each risk is identified in terms of its impact without mitigating controls, and those after mitigating controls.

Summary of material sustainability risks

The group's key risks extracted from the group risk register are shown in the following table, which reflects inherent and residual risk, after taking into account mitigating controls.

Key:

H = High; M = Medium; L = Low

Description of risk	Without mitigating controls		With mitigating controls		Mitigation/Controls/ Opportunities
	Likelihood	Impact	Likelihood	Impact	
STRATEGIC					
Projects Delays in new projects and operational expansions Cost overruns Failure to meet design specifications	M	M	L	L	Robust project management programmes and contracts with contractors Dedicated project management teams overseeing project implementation and monitoring project milestones Adequate insurance and retentions Opportunity: Knowledge-sharing from experience with previous projects within the group
Political risks Unstable political regimes Unfavourable legislative changes and policies	M	H	M	H	Engagement with governments to ensure the views of stakeholders are represented Anticipating and contributing to relevant changes in legislation and policy Pro-actively monitoring risks presented by political and legislative changes
Stakeholder relations Growers Community Government	M	M	L	L	Pro-active engagement with, and support of, growers Pro-active engagement with government/ local communities Active social investment programmes
MARKET					
World sugar price fluctuations Exposure to pricing variations due to world sugar price volatility	H	H	H	M	Forward sales contracts via SASA
Local market revenue Changes in market demand and supply	M	H	L	M	Marketing initiatives, distribution infrastructure development and inflation-linked increases given the local market circumstances
Regional market revenue Implementation of market protective measures	M	H	M	M	Liaison with governments, marketing initiatives, distribution infrastructure development and inflation-linked increases given the regional market circumstances Alternative market (EU) and group co-ordinated market strategy
Exclusion from access to preferential sugar markets	M	H	M	M	Focus on alternative markets and group co-ordinated market strategy

FINANCIAL AND TREASURY					
Foreign currency volatility Exposure to fluctuations in exchange rates	H	H	H	M	Forward cover contracts Hedging policies and procedures Foreign exchange cash-flow forecasting
Restrictions on access to funding	M	H	M	M	Monthly reporting of debt exposure and covenant Adequate facilities to manage working capital requirements Investment rates status with major South African institutions Pro-active working capital management Pro-active management of relationships with financial institutions
OPERATIONAL					
Factory utilisation and performance	H	M	M	L	Scheduled maintenance procedures Continuous improvement to enhance efficiencies, productivity and profitability
Exceptional input cost increases Adverse impact of above-inflation increases in operating costs, profitability and costs of capital projects impacting margins and long-term competitiveness	H	H	M	M	Central procurement function negotiating all significant supply arrangements Hedging of foreign currency-based goods and services Continuous improvement programmes
Contractor performance Failure of significant contractors to perform in accordance with contractual terms	M	M	M	L	Contractual agreements with appropriate contractual terms and penalty clauses Suitable reference and background checks
Delays in and/or unavailability of inbound and outbound logistics	M	H	M	M	Use of specialised logistical contractors Centralised logistic planning and management for all operations
Fraud/Corruption	H	L	M	L	Sound and entrenched internal controls and governance Anti-bribery and corruption policy and procedures Crimeline Internal audit of controls and assurance of effective functioning thereof
Cane supply Inadequate supply of cane to meet production requirements in respect of quantity, quality and timing Climate changes and other factors affecting sucrose levels and yields	H	H	M	M	Cane grower development strategies and programmes Collaboration with government Programmes for the development of claimant communities (mentorship programmes) Irrigation; planting cane varieties; weather forecasting; cane supply agreements; replant programmes; provision of extension services
HUMAN CAPITAL					
Recruitment and skills retention Risk or insufficient attraction and retention of key skills impacting negatively on current operations and growth aspirations	M	H	L	M	Active capacity development Remuneration policies focused on attracting, motivating and retaining high calibre employees Employee retention strategy Investment in skills development programmes Succession planning and talent management programmes

HEALTH AND SAFETY					
Occupational health	H	L	M	L	Health care facilities and wellness programmes focusing on primary and secondary health care, occupational health, HIV/AIDS, malaria and TB and other tropical diseases, working closely with national programmes in countries of operation
Employee safety	M	H	L	L	Safety training; mandatory group management systems, standards and performance requirements based on best practice standards
PRODUCT SAFETY AND QUALITY					
Inadequate product quality impacting reputation and sales Product liability exposure	M	H	L	M	Mandatory group management systems, performance requirements based on best practice standards
LEGAL AND REGULATORY					
Legislative and regulatory compliance	M	M	L	L	Group compliance function, monitoring compliance with applicable laws Internal audit
Direct and indirect tax exposure Exposure to complex tax legislation in the international environments Failure to comply with local tax law resulting in underpayment of exposure to interest and penalties	M	H	M	M	Engagement with tax authorities Regular review of relevant tax structures
Legal and commercial exposure due to prejudicial contractual arrangements	M	H	L	M	Stage and gate process
ENVIRONMENT					
Climate: Adverse impact of floods, droughts, abnormal weather conditions, and changing weather patterns, affecting cane productivity	M	H	L	H	Enhanced planning and risk assessment Infrastructural protections against floods, lightning and other weather-related risks Drainage systems, dykes and canals Irrigation systems, river and dam level monitoring; Improved weather monitoring and forecasting
Sustainability imperatives Risks associated with air emissions, effluent and waste not being in compliance with changing environmental legislation Legal sanction and reputational damage due to non-compliance with regulations and licences	M	M	L	L	Continuous improvements and implementation of treatment measures for effluent and solid waste Use of renewable biomass as primary energy source reduces overall carbon footprint, improves reputation and contributes towards climate change mitigation Compliance with local environmental laws
Power/electricity supply	M	M	M	L	Improvement of co-generation capacity and efficiencies from renewable fuel sources, allowing for power self-sufficiency, reducing the consumption of primary energy Opportunity: Export of excess power to the national grid
WATER					
Risk of continuity of water supply due to increased water demand, land expansions and manufacturing capacity; Potential climate change impacts on future water security.	M	M	M	L	Strategy for more effective water management and measurement to reduce water use Improved irrigation efficiency and scheduling; Irrigation systems investment.

Stakeholder engagement

Illovo recognises that its long-term sustainability objectives are supported through engaging with our stakeholders to address matters of mutual interest. We are aware that our corporate reputation is based on how well it functions against the legitimate interests and expectations of stakeholders. Illovo appreciates the benefits derived from stakeholder dialogue and endeavours to maintain active and productive relationships, identifying and addressing relevant issues on an ongoing basis. Stakeholder support or lack thereof, may influence the group's performance. The type of stakeholders with which the group interacts and the nature of the interaction are products of the operating environment and consequently vary from country to country. However, the group's stakeholder engagement is underscored by management's responsibility to maintain its visibility to and accessibility by our stakeholders, with clear commitment not to profit at the expense of the environments and communities in which we operate.

The following table sets out the key stakeholders which have generally been identified across the group, and includes a brief explanation of the relevant interactions:

Important stakeholders include employee dependants to whom Illovo's medical services are extended. Health care services are also provided to surrounding communities where no such facilities exist.

Key stakeholder
Employees
Trade unions
Shareholders; investors; analysts
Media
Regulators: The JSE Limited; Lusaka Stock Exchange; Malawi Stock Exchange and other regulators
Customers
Raw material suppliers: providers of sugar cane
Suppliers and service providers
Governments
Communities; traditional and civil society

The group participates in relevant 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, along with its membership across the group of other private and public forums to promote and facilitate the economic business landscape in the various countries of operation. In addition, there is ongoing contact with chambers of commerce and other relevant business forums across the group, together with Illovo's associations with international sugar-specific organisations such as the EU African, Caribbean and Pacific/Everything But Arms lobby initiatives.

In its employment practices, the group remains committed to human rights and fair treatment of our employees in line with International Labour Organisation Conventions on employment, which in most countries of operation are also enshrined in employment-related legislation. The group's employment policies are explicit in their commitment to equity, ensuring that forced and child labour do not take place at any of our operations.

As a consequence of this commitment to human rights and fair employment practices, for the year under review, the group did not incur any fines for non-compliance with relevant legislation in any of the countries in which we operate.

Type of interaction
An array of internal communication channels are used to reach employees across the group regarding ongoing business-related information and strategy, through to training and personal development, and also including the use of group-wide staff magazines, intranet, a customised Illovo business understanding programme, managing director's briefs, notice boards, etc.
Approximately 84% of all Illovo employees are unionised and the group interacts across a range of labour forums, e.g. regular union meetings, collective bargaining forums, etc, to ensure sound employee relations and compliance with internationally recognised labour practices
Bi-annual investor/analyst presentations; one-on-one meetings; site visits; regular operational and financial communications; annual general meetings
Regular interaction with all forms of media to communicate developments, successes, strategy, financial results and to deal with issues which are reported in the public domain. Interaction includes one-on-one interviews, site visits, media statements, SENS announcements, the group website and general contact to promote understanding
The company and its subsidiaries comply with the various regulatory requirements in the countries in which they operate, including regular contact and interaction with these regulators and relevant government departments
Trade market: Ongoing interaction with supermarket chains and wholesalers; promotion of sugar distribution and depot systems amongst existing/potential entrepreneurs; direct consumer stakeholder contact; involvement in community-based initiatives; support of annually-sponsored sporting events. Industrial market: Customer interaction in respect of both sugar and downstream products; focus on specific technical, logistical and operational requirements of the customer with ongoing liaison through various channels
Ongoing communication at both industry and local level with grower associations and member groups; operational discussions of mutual concern; contact through industry structures, e.g. SA Sugar Association, SA Cane Growers' Association, Swaziland Sugar Association, Sugar Producers' Association of Zambia, Maragra Outgrowers' Association, Tanzania Sugar Producers' Association, etc.
Support of local industry suppliers; development programmes to identify and maintain strategic group suppliers; annual recognition of top performing suppliers via awards programmes; business and operational update meetings; negotiation of service level agreements
Ongoing discussion at industry and company level with government departments and industry bodies relating to sugar cane growing and milling across the group together, for example, with departments dealing specifically with land reform and rural development in South Africa, etc; regular contact to update government representatives on the state of ongoing business, strategy, capacity expansions, etc; and ongoing interactions/communications with development initiatives and agencies such as the New Partnerships for African Development (NEPAD), together with African trading blocs such as the SACU, SADC, Common Market for East and Southern Africa (COMESA) and East African Customs Union (EACU)
Strong identification and communication with communities surrounding operations relating to cane development, community/company projects of mutual interest; support of community-based social investment requirements; provision of community infrastructure and advocacy of community issues

Examples of important issues addressed with stakeholders during the year, and reported elsewhere in appropriate sections, include:

- The securing of EU funding for cane development programmes in Zambia (Maggobo Project) and Tanzania (funding of feasibility study to determine irrigation potential of Kilombero's outgrower cane lands), and in Swaziland, under the EU-supported LUSIP project, where the development smallholders are playing a key role in increasing Ubombo's annual sugar production to more than 300 000 tons;
- The securing of government grants and commercial finance on behalf of small and medium-scale growers under Illovo's emergent grower mentorship programme in South Africa, resulting in the continued development and economic viability of this sector of the industry;
- Finalisation and implementation of the commercial agreement with the Swaziland Electricity Company governing the export of electricity into the national grid from the newly-upgraded co-generation plant at Ubombo. Power exports of 33 GWh into the national grid in 2011/12 exceeded minimum contract commitments;
- Negotiations with representatives of the government of Tanzania, who are 25% shareholders in Kilombero Sugar Company Limited, and other relevant national and local authorities, for necessary approvals in respect of the construction of a new ethanol distillery at Kilombero. The approvals were secured and construction of the distillery commenced in 2011, with first product expected to come off the production line in 2013.

Economic impact

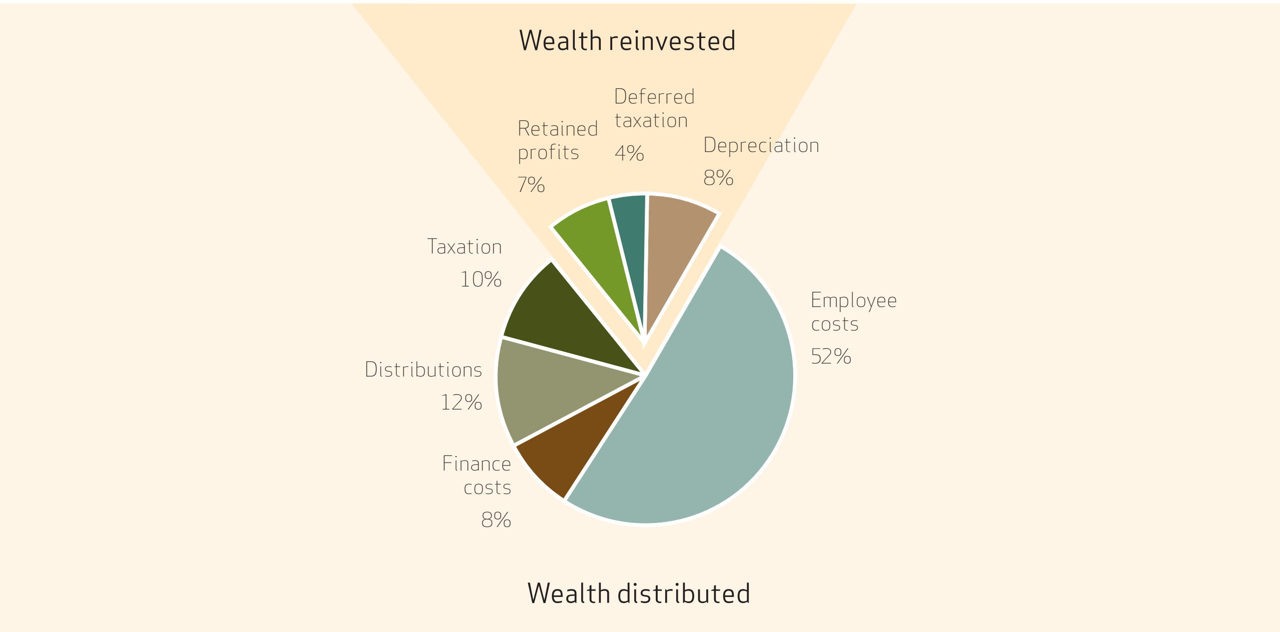
As a creator of wealth and a major employer across the six African countries in which we operate, Illovo plays a significant economic role as it:

- frequently contributes towards empowering emerging markets and supplements local governments' efforts to provide associated communities with infrastructure, education and health care; and
- creates value by transforming raw materials into products for our many customers, makes substantial payments to the value chain of suppliers, contractors, distributors, customers; to our employees and to governments through direct and indirect taxes, as well as to shareholders and other providers of capital.

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 2012 financial year, R3 154 million was created, which is 17% more than in 2011. Of this amount, R2 567 million was distributed to employees, providers of capital and to governments. Of the wealth created, 51% 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.



Value added statement

	March 2012 Rm	March 2011 Rm
Wealth created		
Revenue	9 173	8 108
Dividend income	4	2
Paid to growers for cane purchases	(2 662)	(2 519)
Manufacturing costs	(3 361)	(2 898)
	3 154	2 693
Wealth distributed		
To employees as salaries, wages and other benefits	1 624	1 399
To lenders of capital as interest	245	96
To shareholders as distributions	370	456
To governments as taxation	328	254
	2 567	2 205
Wealth reinvested		
Retained profits in holding and subsidiary companies	236	258
Depreciation	240	188
Deferred taxation	111	42
	3 154	2 693
Analysis of taxes paid to and collected on behalf of governments		
Central and local governments		
Current taxation (including secondary tax on companies)	225	206
Rates and taxes paid to local authorities	12	6
Customs duties, import surcharges and excise taxes	91	42
Net contribution to central and local governments	328	254
The above amount contributed excludes the following:		
Employees' taxation deducted from remuneration paid	229	218
Net VAT amount collected on behalf of governments	240	102
Withholding taxation	47	58
	516	378

Economic impact continued

Five-year review

	Ten-year compound annual growth % 2002-2012	**2012 Rm**	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Consolidated income statement						
Revenue	4	**9 173.2**	8 107.9	8 467.9	8 601.7	6 794.1
Operating profit	6	**1 348.8**	1 029.3	1 498.6	1 386.2	1 064.5
Net financing costs		**244.6**	95.5	139.0	185.4	171.7
Profit before taxation and non-trading items		**1 107.7**	935.9	1 363.5	1 202.5	894.1
Profit attributable to ordinary shareholders		**443.1**	546.2	662.0	739.1	599.8
Headline earnings	6	**609.8**	516.1	702.5	741.8	599.6
Reconciliation of headline earnings						
Profit attributable to ordinary shareholders		**443.1**	546.2	662.0	739.1	599.8
Adjusted for:						
(Profit)/loss on disposal of property, plant and equipment		**(6.8)**	(10.3)	(1.7)	2.7	(0.2)
(Profit)/loss on disposal of business		**–**	(19.8)	27.9	–	–
Impairment of investments		**173.5**	–	14.3	–	–
Headline earnings		**609.8**	516.1	702.5	741.8	599.6
Consolidated statement of financial position						
Property, plant and equipment		**5 328.0**	4 984.5	4 262.7	4 025.9	2 968.1
Intangibles assets		**218.1**	174.0	179.1	61.8	46.4
Cane roots		**1 216.3**	1 087.9	1 100.2	1 132.3	821.7
Investments and loans		**106.3**	163.0	180.8	150.2	90.3
Current assets		**3 120.4**	2 678.5	2 579.7	2 894.2	2 336.3
Cash and cash equivalents		**1 390.1**	717.8	1 345.4	655.6	1 157.9
Total assets		**11 379.2**	9 805.7	9 647.9	8 920.0	7 420.7
Equity attributable to shareholders of Illovo Sugar		**5 562.6**	5 191.2	5 502.6	2 773.8	2 373.3
Non-controlling interest		**902.7**	784.1	812.1	671.2	555.6
Total equity		**6 465.3**	5 975.3	6 314.7	3 445.0	2 928.9
Deferred taxation		**822.3**	687.6	685.8	701.1	639.0
Borrowings		**2 113.8**	1 230.0	1 132.2	3 066.7	2 326.2
Interest-free liabilities		**1 977.8**	1 912.8	1 515.2	1 707.2	1 526.6
Total equity and liabilities		**11 379.2**	9 805.7	9 647.9	8 920.0	7 420.7

			2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Consolidated statement of cash flows							
Operating profit before working capital movements			**1 348.4**	1 132.9	1 419.9	1 173.0	1 034.2
Working capital movements			**(291.6)**	146.3	(183.2)	362.8	46.2
Cash generated from operations			**1 056.8**	1 279.2	1 236.7	1 535.8	1 080.4
Net financing costs			**(244.6)**	(95.5)	(139.0)	(185.4)	(171.7)
Taxation paid			**(209.0)**	(186.4)	(304.2)	(230.3)	(151.6)
Dividend and deferred income			**113.5**	42.1	3.9	1.7	1.3
Distributions/dividends paid			**(370.3)**	(455.9)	(490.2)	(449.2)	(386.9)
Net cash inflows from operating activities			**346.4**	583.5	307.2	672.6	371.5
Investment in future operations			**(210.6)**	(1 274.5)	(897.6)	(1 711.9)	(848.7)
Replacement of property, plant and equipment			**(239.2)**	(199.8)	(181.1)	(169.5)	(154.9)
Acquisition of business			**–**	–	(249.9)	–	–
Proceeds on disposal of businesses			**–**	130.9	118.7	120.0	–
Other movements			**(58.9)**	(78.6)	(82.6)	(38.4)	(13.1)
Net cash outflows from investing activities			**(508.7)**	(1 422.0)	(1 292.5)	(1 799.8)	(1 016.7)
Net cash outflows before financing activities			**(162.3)**	(838.5)	(985.3)	(1 127.2)	(645.2)
Long-term borrowings raised/(repaid)			**1 356.7**	(366.9)	(200.0)	170.6	796.4
Short-term borrowings (repaid)/raised			**(541.5)**	629.9	(1 226.6)	482.0	(64.5)
Issue/(repurchase) of share capital net of associated costs			**1.9**	(26.7)	2 956.7	6.5	6.5
Other financing activities			**–**	–	255.8	–	(0.6)
Net cash inflows from financing activities			**817.1**	236.3	1 785.9	659.1	737.8
Net increase/(decrease) in cash and cash equivalents			**654.8**	(602.2)	800.6	(468.1)	92.6
Earnings and distribution per share							
Earnings	cents	1	**96.4**	118.8	161.4	210.9	171.7
Headline earnings	cents	2	**132.6**	112.2	171.2	211.6	171.6
Distribution/dividend (interim – paid; final – declared)	cents	3	**66.0**	56.0	86.0	106.0	85.5
Distribution/dividend cover on headline earnings	times	4	**2.0**	2.0	2.0	2.0	2.0

		Notes	2012	2011	2010	2009	2008
Profitability and asset management							
Operating margin	%		**14.7**	12.7	17.7	16.1	15.7
Return on average shareholders' equity	%	5	**8.1**	10.1	14.8	28.6	29.9
Return on net assets	%	6	**15.9**	13.8	21.9	22.0	24.1
Return on total assets	%	7	**12.9**	11.1	16.8	17.1	18.6
Working capital per rand of revenue	cents	8	**13.8**	9.8	12.6	11.7	11.8
Liquidity and borrowings							
Net debt: equity ratio		9	**11.2**	8.6	(3.4)	70.0	39.9
Gearing	%	10	**10.1**	7.9	(3.5)	41.2	28.5
Total liabilities to total equity	%	11	**76.5**	64.6	53.2	160.5	154.2
Current ratio	times	12	**1.9**	1.2	1.8	1.0	1.3
Interest cover	times	13	**5.5**	10.8	10.8	7.5	6.2
Employee statistics							
Total number of employees at year-end		14	**12 474**	12 159	12 031	12 457	12 266
Average number of employees			**12 423**	12 189	12 338	12 362	12 441
Revenue per average number of industrial employees	R000		**1 425.2**	1 275.0	1 251.8	1 249.6	991.9
Net assets per average number of employees	R000		**520.4**	490.2	511.8	278.7	235.4
Headline earnings per average number of employees	R000		**49.1**	42.3	56.9	60.0	48.2
JSE Limited statistics							
Ordinary shares in issue	'000		**460 011**	459 763	460 160	350 924	349 859
Weighted average number of shares	'000		**459 863**	459 787	410 279	350 514	349 424
Net asset value per share	cents	15	**1 405.5**	1 299.6	1 372.3	981.7	837.2
Total volume of shares traded	'000		**53 961**	86 462	119 117	79 492	80 160
Total value of shares traded	Rm		**1 389.1**	2 347.2	3 650.4	2 126.9	1 970.2
Ratio of shares traded to issued shares	times		**11.7**	18.8	25.9	22.7	22.9
Headline earnings yield at year-end	%	16	**5.2**	4.2	5.8	7.4	5.8
Distribution yield at year-end	%	17	**2.6**	2.1	2.9	3.7	2.9
Price: headline earnings ratio at year-end	times	18	**19.1**	23.9	17.3	13.5	17.3
Market price per share							
– year-end	cents		**2 533**	2 685	2 970	2 849	2 964
– highest	cents		**2 902**	3 270	3 700	3 500	3 115
– lowest	cents		**2 221**	2 420	2 499	1 710	1 850

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

Notes to the five-year review	
1.	Earnings per share
	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.	Distribution/dividend per share
	The 2010 to 2012 distributions per share include capital distributions out of share premium. For all other years presented, the distributions have been declared and paid out of distributable reserves.
4.	Distribution cover on headline earnings
	Headline earnings per share divided by distribution/dividend per share (interim – paid; final – declared).
5.	Return on average shareholders' equity
	Profit attributable to ordinary shareholders expressed as a percentage of average shareholders' equity.
6.	Return on net assets
	Operating profit expressed as a percentage of average net operating assets.
7.	Return on total assets
	Operating profit expressed as a percentage of total average assets excluding cash and cash equivalents.
8.	Working capital per rand of revenue
	Average of inventories and trade and other receivables less trade and other payables, divided by revenue.
9.	Net debt : equity ratio
	Interest-bearing liabilities (net of cash and cash equivalents) divided by total equity. A negative net debt : equity ratio indicates that the group is in a net cash position.
10.	Gearing
	Interest-bearing liabilities (net of cash and cash equivalents) expressed as a percentage of total equity and interest-bearing liabilities (net of cash and cash equivalents). A negative gearing ratio indicates that the group is in a net cash position.
11.	Total liabilities to total equity
	Interest-bearing liabilities and other liabilities expressed as a percentage of total equity.
12.	Current ratio
	Current assets divided by current liabilities.
13.	Interest cover
	Operating profit divided by net financing costs.
14.	Total number of employees at year-end
	The total number of employees excludes those employed by associate companies.
15.	Net asset value per share
	Total assets less total liabilities divided by the number of shares in issue.
16.	Headline earnings yield at year-end
	Headline earnings per share as a percentage of year-end market price.
17.	Distribution/dividend yield at year-end
	Distribution/dividend per share (interim - paid; final - declared) as a percentage of year-end market price.
18.	Price : headline earnings ratio at year-end
	Year-end market price divided by headline earnings per share.
19.	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.

Economic impact continued

Local economies

In line with our Strategic Intent to be cognisant of the rural locations of our operations and our corporate governance objective of being socially responsible, Illovo strives to support the advancement of all communities where its operations are located. Sustainable community development is achieved inter alia through our employment, procurement and supply chain development, as well as direct and indirect support for outgrower initiatives.

Employment

Illovo provides substantial employment, with the group's aggregate permanent employee complement as at 31 March 2012 standing at 12 456. Temporary employment was also provided to 17 055 people on a fixed-term contract basis and a large number of contractors on project-specific work across the group.

Preferential procurement

A key component of the broad-based black economic empowerment (B-BBEE) strategy is to promote emerging small, medium and micro enterprises and black-empowered business. We have a preferential procurement policy in place that encourages the participation of historically disadvantaged communities in economically beneficial activities. This commitment extends beyond the realm of South Africa, where Illovo supports the long-term growth and stability of the surrounding communities at our other operations by sourcing correct quality at an acceptable premium, notwithstanding the economic advantages that would otherwise be gained by sourcing bulk supplies and technologies through the group procurement function in South Africa.

Outgrower development and revenue

Illovo works closely with emergent farmers through established cane grower development programmes to improve cane yields and quality, enabling them to boost their income while ensuring sustainable cane supply to the mills. This includes agricultural, technical, financial and administrative competence to grow their own businesses, together with assistance to access grant and other funding for agricultural projects, such as irrigation schemes. Total cane supplies from these farmers across the group amounted to about 3.8 million tons, generating revenue of R1 247 million in 2011/12. This revenue promotes economic growth, enterprise development and job creation, through support services such as cane hauling and land preparation, within the communities concerned.

Outside South Africa, we support various community development farm projects, with a view to providing opportunities for sustainable development of communities surrounding our operations. The projects aim to develop profitable community-owned cane farms, which by supplying cane to our mills, can generate sufficient income to finance crucial development initiatives, particularly as many of the regions are predominantly rural, with limited infrastructure and significant development needs.

Projects have been successfully initiated in Malawi, Mozambique, Tanzania and Zambia; while in Swaziland, we have partnered with the Lower Usuthu Smallholder Irrigation Project. LUSIP is a large-scale irrigation programme initiated by the government of Swaziland that is providing a comprehensive small-scale grower intervention with future potential to develop additional agricultural land for small-scale farmers. In turn, we offer technical skills and support through wide-ranging extension services, whilst donor funders cover the costs of development and management of the area under cane. Through such grower intervention and support programmes, the financial risk for communities is significantly reduced and income is generated within the communities to support further enterprise development and poverty alleviation in rural areas.

Financial assistance received from government

Illovo receives limited financial assistance from governments in the form of tax relief/credits, subsidies, investment grants, research and development grants, awards and financial assistance from export credit agencies or financial incentives.

Within our South African subsidiary company, Illovo SA, several investment grants allocated to small-scale growers by the South African government for development schemes, are administered and managed by ourselves on behalf of the growers. This forms part of ongoing initiatives coordinated by Illovo SA and local cane growing bodies to increase cane supply from the small-scale grower sector and includes rehabilitation of existing land under cane, as well as the development of new land to sugar cane agriculture.

Total cane supplies from emergent growers in 2011/12 amounted to 3.8 million tons generating revenue of R1 247 million.

Case study: **The Magobbo Project, Zambia**

The Magobbo Project, a landmark outgrower initiative which has provided for the development of some 80 farmers in the Magobbo community into smallholder sugarcane growers, saw the commencement of cane deliveries to the Nakambala factory in 2011/12. This initiative was started in 2010 with principal support from the European Union (EU). The project was initiated at the time Zambia Sugar was expanding and the EU offered to support the project. The project farmers approached Zambia Sugar to be included in the expansion programme with the assured funding from the EU. Ground work for implementation started in 2009 and the EU provided 60% financing of the €5 million project through a grant while 8% was contributed by the Mazabuka Sugar Cane Growers' Trust, a community support entity supported by Zambia Sugar. The balance of the finance was sourced through a loan from ZANACO, a local commercial bank.

The infrastructure development at Magobbo started in April 2010 under the project management services provided by the Mazabuka Sugar Cane Growers' Trust. A number of contractors undertook construction of water supply, irrigation and drainage infrastructure as well as land development and crop establishment. The cane was fully planted by December 2010. To ensure capacity building for the farmers, they were trained in cane production, gender sensitisation, cane pricing, safety and environment, and HIV/AIDS issues.

The project involved the engagement of the 80 farmers at Magobbo who farmed a total of 434 hectares of cane fields. The first 189 hectares of these fields produced cane for delivery to the Nakambala factory in the 2011/12 season, while in the current 2012/13 season, cane will be harvested from all 434 hectares. The farmers have fields ranging in size from four to six hectares although initially the area is being farmed collectively. In terms of deliverables, more than 21 600 tons of cane was delivered in the 2011/12 season from the 189 hectares first harvested, while an estimated 60 000 tons of cane is expected to be delivered in the 2012/13 season. The 2011/12 crop generated revenue of around R7.6 million from which operating and financing costs were deducted prior to payments to the farmers.

The management of the Magobbo cane fields is currently provided by Nanga Farms, a cane growing subsidiary of Zambia Sugar plc, which includes a minority shareholding from the government of the Republic of Zambia. The project will eventually be managed by the Magobbo Management Company, a non-profit joint venture of the Mazabuka Sugar Cane Growers' Trust and the Magobbo Cane Growers' Trust.

The benefits of the project will not only accrue to the 80 families but will impact on the Magobbo community and the Mazabuka community at large. The Magobbo project is part of the expansion programme for Zambia Sugar and the company has undertaken to continue supporting the development of smallholder outgrower farmers in Mazabuka.

Social impact

Our core principles are based on the contribution that we can make to the economic and social development and wellbeing of the people and communities within which we operate, aiming to enhance our social footprint by promoting safe production, equity and the development of human capital.

We recognise the importance of our people in the delivery of Illovo's stated goals and objectives. Human resource policies and operational strategies take into account the business needs of our group's operating entities with direction from the corporate office. They appropriately include an understanding of national imperatives and relevant legislation in each country of operation and alignment is achieved through our group Strategic Intent.

Underpinning this strategy, 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.

The effective management of human resource issues, in alignment with Illovo's strategic agenda, has a material bearing on the group's capacity to create and sustain value. In order to achieve its objectives, we have structured human resource expertise to provide group-wide and company-specific guidance in the areas of:

- staffing and targeted manpower succession planning, coupled with the provision of psychometric assessments where applicable;
- foreign staffing deployment and administration;
- organisational development, structure and change management;
- talent and performance management programmes that combine to deliver formal career planning;
- technical skills and managerial development coupled with business understanding programmes;
- senior and executive programmes designed to ensure that our leadership of the group is at the cutting-edge of business trends;
- employee reward and benefits incorporating payroll and policy administration via sound human resource information management and systems;
- ensuring the maintenance of collaborative industrial relations;
- B-BBEE-linked employment equity and localisation programmes;
- the health and welfare of employees and their dependants; and
- best practice benchmarking via relevant measurable human resource metrics.

People highlights

- 12 456 permanent and on average 17 055 seasonal and contractual employees, adding value in six countries of operation.
- Safety indicators improved, with a reduction in the group 12-month rolling average DIFR from 0.44 to 0.24.
- R45 million invested in employee training and development.
- Strong focus maintained on talent management and career reviews.
- Fast-track senior management development programme introduced to support both employment equity and localisation initiatives.
- In South Africa the ongoing target of ensuring that greater than 70% of external recruitments and internal promotions are from designated groups, was again achieved.
- Organisational effectiveness enhanced through right-sized and relevant manpower structures.
- Retention of Level 5 contributor status in terms of the Codes of Good Practice on Black Economic Empowerment, with good progress towards reaching a Level 4 status.
- Formal introduction of the Illovo Best Practice programme aimed at driving continuous improvement through the group.

Relations with employees

Success in a competitive industry cannot be achieved without a motivated, committed and unified workforce that is focused on achieving common objectives. To this end, we strive to create an environment in which our employees feel valued and support the company's ethics, strategies and priorities.

For Illovo, as a multi-national organisation, communication with our employees is considered an important criterion towards the building of their understanding of the prevailing business context within Illovo. To this end, every year we present a group-facilitated Business Understanding Programme to all employees, promoting an understanding of the prevailing business climate at all levels. In 2011/12, approximately 29 000 of our people were exposed to this programme.

With diverse and widespread senior management teams operating across six countries, regular communication forums and executive-led site visits are also undertaken. At group and country management team level, formal management forums are held, aimed both at reviewing operational performance and engagement in strategic planning processes.

Illovo complies with internationally recognised labour practices as legislated in our countries of operation, ensuring that sound employee relations prevail. Freedom of association is acknowledged and where our employees have adequate representation, recognition agreements are put into place. 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 country-legislation. The management of collaborative relationships with trade unions, along with open communication forums, allows for internal issues to be dealt with effectively. Trade union involvement is a normal part of this process and on average 84% of our permanent employees are unionised, together with a large majority of seasonal employees.

During the year under review, there was no industrial action of a material nature undertaken in any part of the business.

We uphold the principles of the ILO and endeavour, at all times, to maintain fair, open and constructive relations with all employees within the legal framework of its countries of operation.

The core objective of the company's employee relations strategy focuses on:

- enabling productive partnerships with organised labour unions on collective bargaining and other issues;
- improving employee engagement; and
- ensuring that all employees are encouraged to contribute fully to the business objectives in their areas of expertise.

Relationships with the trade unions in our business are managed by human resources departments, through open communication forums, which allow for internal issues to be dealt with effectively. Trade union representatives are included in formal joint management-worker health and safety committees.

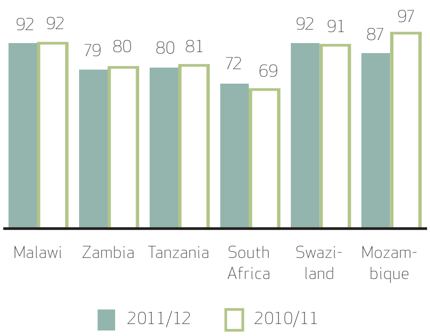
Total employment

We provide substantial employment with 12 456 people employed on a permanent basis and some 17 055 seasonal employees engaged on a fixed-term contract basis. In South Africa, severe drought conditions on the south coast of KwaZulu-Natal in 2010 and 2011 impacted significantly on the cane yields of both private growers and our own company's growing operations, resulting in the temporary closure of the Umzimkulu sugar mill which, in a normal season, employs more than 250 people. During the closure, to ensure there were no retrenchments, we worked to redeploy these people to alternative positions either at Umzimkulu itself, or to other positions within the group. Good rains were received in the 2012/13 summer rainfall period and the mill has recommenced milling operations for the 2012/13 season with a full complement of staff.

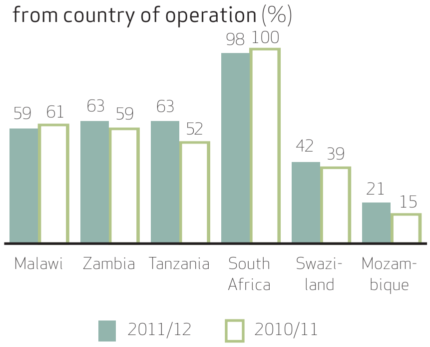
We place emphasis on ensuring diversity within both our local workforce and senior management positions. This is to increase capacity building and promote advancement of members of the local communities, thereby stimulating economic benefits in these areas and fostering our understanding of local needs. Vacancies are advertised in the countries of operation first to ensure preference is given to local candidates, whereafter consideration is given to external candidates. On occasion, however, key positions are filled by seconding or employing persons employed in other group companies.

Members of our senior management are appointed by executive management according to group policy guidelines, whilst outside South Africa, we follow the country-based local hiring and localisation policies.

Trade union membership (%)



Percentage of senior management sourced from country of operation (%)



Total employment complement of permanent and non-permanent/fixed contract (seasonal) employees		
Malawi	**2011/12**	**2010/11**
Permanent	5 400	5 383
Non-permanent	4 529	4 499
Zambia		
Permanent	1 848	1 844*
Non-permanent	3 530	3 755*
Tanzania		
Permanent	879	848
Non-permanent	2 156	1 941
South Africa		
Permanent	2 052	2 012
Non-permanent	1 841	2 093
Swaziland		
Permanent	1 256	1 249
Non-permanent	1 394	1 392
Mozambique		
Permanent	1 021	1 017
Non-permanent	3 605	3 509
Total		
Permanent	12 456	12 159
Non-permanent	17 055	16 417

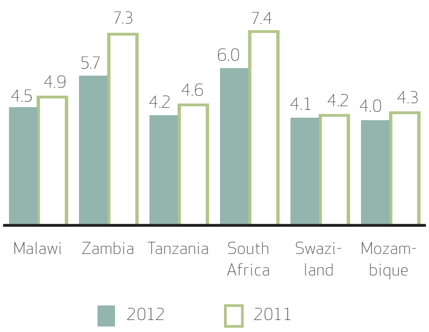
** Restated to include permanent and non-permanent employees contracted to Nanga Farms plc, acquired in 2009*

Organisational effectiveness and talent management

The staffing of our operations within effective organisational structures, with competent personnel, both from an operational and managerial perspective, remains a priority to ensure that our goals and objectives are achieved.

We continue to focus on talent management and manpower succession planning to develop and retain managerial and technical skills, especially within our identified key disciplines and positions. A structured approach to career reviews leads to individual career and performance plans, contributing to both the succession and retention of key personnel, i.e. being an employer of choice.

% Turnover



Our remuneration packages are merit-based and market-competitive in all countries of operation and are appropriately reviewed. Similarly, incentives such as performance-related bonuses, share purchase and phantom share schemes are utilised and are reviewed periodically and updated when necessary to cater for targeted outcomes.

In the different categories, employee turnover was as follows:						
	Malawi		**Zambia**		**Tanzania**	
Gender	**M**	**F**	**M**	**F**	**M**	**F**
Age range						
<30	8.6	5.8	1.8	9.1	1.6	0
30 to 50	3.0	7.1	2.6	2.5	3.1	8.9
>50	7.4	8.3	21	22	5.5	5.3
	South Africa		**Swaziland**		**Mozambique**	
Gender	**M**	**F**	**M**	**F**	**M**	**F**
Age range						
<30	4.6	8.3	4.0	4.7	4.7	7.0
30 to 50	5.0	4.9	3.0	7.7	2.5	0
>50	10.0	2.1	5.0	10.5	6.9	13.0


Educational assistance to our employees in 2011/12 amounted to R19 million

Examples of additional benefits offered to employees	
Retirement funds	Contributions towards post-retirement benefits Includes risk benefits such as death, disability and critical illness
Accommodation	Predominantly on estates outside of South Africa, combined with associated utilities
Health care	Group-run primary health care clinics/hospitals or medical insurance Includes public health services (water, sanitation, refuse removal)
Educational assistance	Assistance with dependants' education Allocation of bursaries, grants and loan funding in support of achieving higher/further education
Environmental	Includes the provision of utilities such as potable water, sanitation, electrification, sewerage disposal and refuse removal
Community	Includes club and community centres, day-care centres, estate community policing and estate football league and other sport sponsorships

Remuneration and benefits

Remuneration

We strive to be an employer of choice and offer competitive wages above country-based standard minimum wages. Local entry-level minimum wages are, in all cases, above those set according to in-country government labour legislation and statutes, whilst other wage levels are determined through negotiations with relevant country labour unions via collective agreements and bargaining councils. All labour-related practices are framed within the context of the ILO Decent Work Agenda, to which several countries of operation are signatories.

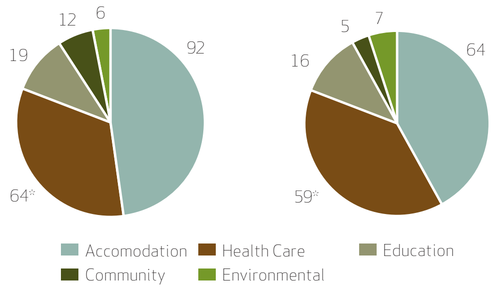
Local company entry level wages, as a percentage of relevant local national minimum wages, are on average above 150%.

Additional benefits

In addition to competitive wages, we offer our employees additional benefits based on factors such as performance or length of service, including the opportunity to purchase shares in two of those countries in which we have listed companies, Malawi and South Africa. During the year under review, the group spent approximately R193 million on the provision of benefits to our employees, focused primarily on accommodation and amenities, health care and education.

Company expenditure per employee benefit category, excluding contributions to retirement funds

2011/12 R193 million | 2010/11 R151 million



* *The calculation of health care costs was revised in 2012 to include employee medical aid contributions paid by the company*

Accommodation

The accommodation that we offer our employees and their families varies between formal staff housing, informal villages and hostel dwellings for fixed-term contract employees. The accommodation includes the provision of all amenities such as potable water and electricity, together with basic maintenance. During 2011/12, R92 million was spent on employee accommodation including the associated amenities.

Educational assistance

As part of our ongoing commitment towards social empowerment, we assist our employees with costs associated with their dependants' education. Assistance further includes the allocation of bursaries, grants and loan funding for higher/further education. We also support local projects to upgrade schools, such as classroom-building, and provide assistance to improve school administration and management at 27 schools across the group, some of which are funded entirely by Illovo. During 2011/12, R19 million was allocated to education.

Retirement funding schemes

In addition to the benefits of legislated national retirement funds, we offer membership of a number of provident and defined contribution pension funds. Elected employee trustees represent the interests of members and assist with the prudent management of the various funds. The benefits associated with our retirement schemes include, inter alia, retirement, death, disability, funeral, critical illness and life insurance.

Employee share purchase schemes

Share purchase schemes are offered to employees of our listed subsidiaries in Malawi and South Africa. The share purchase scheme provides our employees with the opportunity to share directly in the continued profitability and growth of the business.

Health and safety management systems

The NOSA Integrated Five-star System covering safety, health and environmental management is implemented at our cane growing and factory operations, all of which were accredited with a minimum Four-Star NOSA rating during the year under review. Both the agricultural operations at Eston and Umzimkulu obtained five-star ratings. Additionally, the Merebank and Glendale distilleries in South Africa received Occupational Health and Safety Management System OHSAS 18000:2007 accreditation.

Occupational safety

Safety remains a core priority for our employees at Illovo. Our goal is to achieve an increasingly safer workplace while promoting a culture of safety among staff so that injuries are reduced and safety rules are understood and upheld. Each business unit has robust processes to manage health and safety, advised by a group-wide policy. These processes are implemented in accordance with the statutory requirements of the relevant in-country occupational health and safety regulations. Health and safety committees are maintained at each operation, with full staff representation, reporting directly to senior management to ensure compliance with all internal and legal requirements.

The DIFR measurement of safety performance is used at all our operations, and is included as a "line-of-sight" target for Illovo's group performance-related bonus scheme. The targeted group DIFR, for the year under review, of 0.5 was met, with an average of 0.24 having been achieved, an improvement from the 0.44 achieved last year. To drive continual improvement throughout Illovo, the target has been revised to 0.4 for 2012/13.

Regrettably, one of our employees was fatally injured in Zambia, in an incident which occurred at night, during the year under review. The vehicle in which she was travelling collided with a stationary truck that had been abandoned by the driver. The truck was partially parked in the travelling lane with no warning signs to alert incoming traffic. The incident was subjected to a full management review and resulted in amendments to the existing safe travel programme, including a restriction on night driving.

Illovo safety statistics for 2011/12

Operation	Disabling Injury Frequency Rate 2011/12	Disabling Injury Frequency Rate 2011/10	2011/12 DIFR target (0.5)
Malawi	0.18	0.40	Achieved
Zambia	0.47	0.48	Achieved
Tanzania	0.07	0.45	Achieved
South Africa	0.52	0.62	Not achieved
Swaziland	0.29	0.21	Achieved
Mozambique	0.17	0.40	Achieved

The TIFR was recorded for the first time this year, the group achieving an overall rate of 3.50 against an internal target of less than 5.0.

A disabling injury is one where an employee is booked off duty for at least one full shift following the shift in which the injury occurred.

The TIFR is a measure of the frequency of injuries, regardless of whether the person was able to continue duties or not.

Occupational health

Providing a working environment in which our employees can operate in a healthy, energised and engaged manner is vital to maintaining personal development and to Illovo's success. We aim to proactively manage and reduce health risks by providing access to quality healthcare and educating, informing and empowering our staff to take responsibility for their own health and wellbeing.

Occupational health is a primary function of medical services delivered at all of our operating sites. Qualified nursing practitioners and doctors provide occupational health services, including regular job-related medical examinations, base-line assessments, and ongoing monitoring and management of health status, such as hearing and lung-function testing. During the year under review, 14 151 medical assessment procedures were conducted on contractors, permanent and seasonal employees. Employees who work in demarcated "risk areas" are subjected to base-line medical examinations on engagement and routinely monitored by the occupational health care staff and are subject to regular assessments. In the same period, we conducted 30 506 medical examinations on permanent and seasonal employees, and contractors. Illovo's Group Medical Consultant is engaged on all matters of health and safety and takes particular responsibility for ensuring that the more significant health hazards are appropriately managed in the workplace.

Health care services

Access to health care is provided to all our 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. Total spend on employee health in 2011/12 amounted to R64 million. Where no other public medical facilities exist, these services are extended to members of our surrounding communities. We operate 24 primary health care clinics and four hospitals, staffed with 17 full and part-time doctors, together with 218 clinical and auxiliary staff. In South Africa, the health facilities are clinic-based and focus on occupational health, injury-on-duty care, primary health care and HIV/AIDS, whilst at other operations, the majority of our facilities are hospital-based and focus on primary and secondary health care, occupational health, HIV/AIDS and malaria and other tropical diseases.

We have adopted a holistic approach to our managed health care policy by providing public health services such as potable water, sanitation and refuse removal, where these are not provided by respective local authorities. We continue to take a proactive stance against life-threatening epidemics such as HIV/AIDS, malaria and TB. These diseases are being managed, largely on a preventative and integrated basis, to negate their impact on the business and the employees themselves.

Strategies towards controlling the spread of HIV/AIDS among our employees include preventative awareness programmes, together with an established in-house Wellness Programme. These programmes continue to be developed in accordance with appropriate "best practice" and 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, HIV counselling and testing (HCT), use of prophylactic antibiotics, effective screening for TB, referral for further care and the promotion of a healthy lifestyle.

Determining the impact of any HIV/AIDS intervention is difficult, largely due to the confidentiality restrictions with respect to the testing and recording of the disease. However, we recognise the importance of HCT as it enables individuals to become aware of their HIV status, empowering our people to act safely and responsibly, and is therefore key to controlling the spread of the disease. To this end, we continue to campaign for employees and their dependants to "get to know their status". By the end of 2011, 5 444 had attended these sessions, which included a further 290 employees who had previously not known their HIV-positive status. We have increased the number of operations offering HCT, and in addition to this, HIV-positive employees are identified and referred-in by surrounding health centres, antenatal clinics and our hospital services. A total of 1 757 employees attended the Wellness Programme and a total of 1 289 employees are currently on highly-active anti-retroviral therapy.

Government interventions relative to the provision of anti-retroviral treatment (ART) are closely monitored in all countries of operation. Where we are requested to assist in the process, it is particularly important to ascertain the long-term sustainability of the 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; and
- in Malawi, Zambia, Tanzania and Swaziland, the group assists in implementing the government-funded ART programmes at its mill-based medical facilities. Affected employees and dependants in Mozambique are presently being referred to government facilities.

Disease outbreaks are managed proactively by Illovo in the interest of maintaining both the health and welfare of our employees and their dependants.

We implement integrated malaria control programmes, in conjunction with national programmes, which include spray programmes and the distribution of insecticide-treated bed nets in all recognised malaria areas. 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 our health centres are recognised as sentinel sites for the collation of malaria

Medical benefits across the group amounted to R64 million in 2011/12 and included activities such as the hosting of employee wellness days at which key health indicators were checked and measured.

Human resources development spend as a percentage of payroll in 2011/12						
%	Malawi	Zambia	Tanzania	South Africa	Swaziland	Mozambique
	3.6	1.7	1.5	3.8	2.9	4.4

statistics and research. The number of malaria cases dropped across the group in the year under review. Since September 2011, malaria diagnostic testing has replaced presumptive treatment in Malawi, resulting in a significant reduction in the number of diagnosed malaria cases among our employees.

In the case of TB, we work closely with national programmes, and assist with the diagnosis, treatment and follow-up of TB cases where appropriate. The integrated management of TB in HIV-infected individuals is prioritised. During the year under review, 367 new cases of tuberculosis were diagnosed and treated.

Development and training

"Continuous improvement" and employee development are key elements for harnessing our human resource talent and potential, with learning activities aimed at satisfying both current and future business needs, while also supporting employment equity and localisation initiatives. The group invested approximately R45 million in this area over the year under review, representing 3.1% of the group payroll.

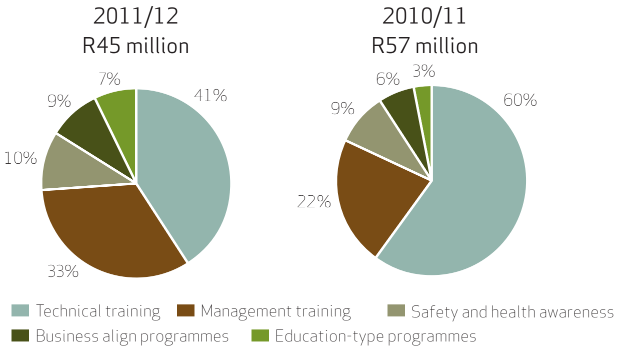
A wide range of leadership and educational programmes are offered to our employees with the aim of encouraging "lifelong learning" through training and education, providing them with the opportunity to improve their qualifications, learn new skills, upgrade and realign skills with new technologies, and improve overall work effectiveness. In this way, we encourage our people to reach their full potential while affording Illovo the opportunity of recruiting for key roles. This ensures we have a talent pipeline to provide the required number and quality of managers and specialists for operations.

Training programmes offered at Illovo

Examples of the type of programmes include:

- the implementation of internationally recognised safe working practices and health care programmes;
- 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 implementation of a customised supervisory development programme;
- the delivery of group-based management development programmes, aimed at both first-line and upper management, 178 managers having completed these programmes during the year under review;
- leadership programmes, conducted in partnership with business schools, targeting high potential middle, senior and general managers identified via the succession planning process, 38 managers having completed these programmes in 2011/12;
- the provision of Illovo bursaries, currently to 33 students, mainly from the engineering discipline, to further their tertiary education in preparation for inclusion into the Management Trainee Programme upon successful completion of their studies. In the year under review, at any given time, there were 71 graduates progressing through this programme;
- structured formal technical apprenticeships, with 97 employees presently enrolled in such programmes across the group;
- training-related exchange arrangements between Illovo and AB Sugar, the representative of the holding company, for Engineer-in-Training students whereby two engineers were hosted at Illovo from AB Sugar during the year under review;
- the leveraging of operational best practice across the group;
- accredited arrangements in South Africa for graduate accountants to continue their chartered accountant studies whilst in full-time employment with the company, through the Training Outside Public Practice programme;
- the encouragement of employees to further their study in fields relevant to their positions through a study assistance scheme which is available to all permanent employees; and
- Adult Basic Education and Training (ABET) for employees in need in order to enhance their opportunities to improve personal job competencies and facilitate future career development. This programme in South Africa is aligned with the National Qualifications Framework to assist in building formal education qualifications.

Development and training investment



Diversity and equal opportunity

To fully realise growth of the organisation, we work to ensure that our workforce sufficiently reflects the demographic profile in terms of race and gender of the economically active population of the regions in which we operate. Whilst abiding by local laws and regulations, we actively promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination. We also encourage inclusiveness with regard to human resource practices, irrespective of race, gender, nationality or religious affiliation in an effort to promote global diversity throughout our workforce. For instance, there is no arbitrary distinction on remuneration levels based on any of these grounds and any differentiation is based on objective grounds largely related to performance and market considerations, although in some cases, it is based on length of service where these are mainly a product of past agreements with trade unions.

In South Africa, Illovo is committed to contributing to and promoting social transformation in the interest of nation building, most notably through the continued advancement of B-BBEE issues. Employment equity is a business strategy that strives to ensure that South Africans from all cultural backgrounds are able to participate in, and benefit from, the activities of the business in a fair manner. We submit annual Employment Equity and Income Differential reports to the Department of Labour and the Employment Equity Commissioner respectively, which detail progress made in respect of the company's Employment Equity Plan, a key pillar of our B-BBEE programme. Progress is monitored through a group Central Co-ordinating Forum which includes representation from local consultative forums in place at the various operations.

Case study: **Employee rises through the ranks to senior management supported by the company's human resources management and development initiatives**

Mr Mark Gounder who currently holds the position of Group Finance Manager: IT Systems and Projects in the corporate finance department, is an example of the kind of personal development and growth that can be achieved through the company's human resources management and development mechanisms.

Even before joining Illovo, as the son of an Illovo employee (his father was the late Mr Krishna Gounder, who retired as an Assistant Cane Supply Officer in Noodsberg in South Africa after 36 years' service with the company), Mark benefited from the company's children's grant, which is available to children of employees, for his schooling. On completing his schooling Mark then joined Illovo in Noodsberg in 1995 as a cost clerk.

Whilst working for the company, Mark made use of the company's continuation of studies scheme to improve his education. Through the scheme Mark completed the Bachelor of Commerce and Bachelor of Commerce Honours degrees, Certificate in Accountancy and the Advanced Certificate in Financial Management, all done on a part-time basis while working as a permanent employee.

Mark was the first Illovo employee to qualify as a Chartered Accountant through the company's Training Outside Public Practice (TOPP) programme. The company also exposed Mark to various other training programmes. As a result of him acquiring additional qualifications, attending training courses as well as in recognition of his performance in his work over the years, Mark was promoted to various positions, including those of accountant and finance manager, to the position that he now holds.

Relevant statistics in respect of designated employees are shown in the table overleaf. They generally reflect a good performance, particularly in the recruitment and promotion of senior management, an area that has received considerable focus over the past few years, i.e. 63% (2011: 36%) and skilled ranks, up to 92% (2011: 90%).

Representative areas	% designated 2011/12	2010/11
Senior management level	44	40
All management levels	66	65
Skilled level	92	90
Management trainees	62	70
Recruitment and promotions:		
Senior management	63	36
Management – all levels	70	76
Skilled	89	94
All levels	91	93

We continue to give overall focus to designated appointments in the more senior levels of management.

Relative to the Codes of Good Practice on Black Economic Empowerment (the Codes), issued in terms of the B-BBEE Act 2003, for the year ended 31 March 2011, the company was audited by an accredited external verification agency and its rating was re-confirmed as a Level 5 contributor with good progress being made towards a Level 4 contributor, having attained an aggregate score of 62.06% (2010: 60.7%).

The component B-BBEE verified scores were as reflected in the table below:

Element	Score (%) 2011	2010	Maximum possible score (%)
Ownership equity	4.69	4.69	20
Management control	2.74	2.67	10
Employment equity	9.58	8.51	10
Skills development	6.62	6.27	20
Preferential procurement	18.43	18.57	20
Enterprise development	15.00	15.00	15
Socio-economic development	5.00	5.00	5
Aggregate	62.06	60.71	100

This rating earned Illovo a ranking of 96th place overall and 8th place in the food and beverages sector in the Financial Mail Top Empowerment Companies report in South Arica.

In order to progress its B-BBEE rating from 62.06% to 65% (Level 4 contributor), Illovo has undertaken a B-BBEE scenario planning exercise to identify key areas for improvement. This identified three potential areas for improvement:

- increasing the number of black women employed under the employment equity pillar;
- increasing the number of learnerships offered to black qualifying learners under the skills development pillar; and
- increasing preferential procurement from "Black women-owned businesses".

These opportunities are being suitably pursued.

Human rights

We are distinctly aware of the diverse cultures and the differences in laws, norms and traditions which the business needs to acknowledge and respect. Illovo is committed to upholding the values of the international community, in particular the United Nations Universal Declaration on Human Rights, the ILO, Tripartite Business Declaration of Principles concerning Multinational Enterprises and Social Policy and the ILO Core Conventions on Labour Standards.

We do not tolerate discrimination of any kind, nor any form of forced or child labour. We strive to provide fair working conditions and maintain a safe and healthy working environment. Open communication is encouraged to resolve workplace issues between team members or between our employees and management. Where employee issues cannot be resolved by direct line management, these are taken up through various dispute resolution mechanisms. Permanent employees receive training in our values, which include unfair discriminatory practices and employee and trade union rights, as part of induction upon commencement of service. Human rights principles are also included in Illovo's labour relations policies pertaining to safety, health and environment, and corporate social responsibility.

In South Africa, human rights abuses are monitored by the South African Human Rights Commission, under the auspices of the Human Rights Commission Act 54 of 1994. Outside of South Africa, communications relating to human rights abuses are generally directed through the relevant labour unions.

The company has a robust, independently managed anonymous reporting facility "Crimeline", which employees and people outside the group may utilise to report any wrong-doing anonymously.

No incidents of discrimination, limitation or violation of employees' right to exercise freedom of association and collective bargaining or of forced, compulsory or child labour were reported by any Illovo employees during the year under review.

Society

As embodied in our Strategic Intent, we endeavour to "be cognisant of the rural locations of our operations and the impact that they have on job creation and poverty alleviation in these areas", as the prosperity and sustainability of our business is closely aligned to the well-being and advancement of these communities.

Social investments

The aim of Illovo's social investment is to contribute to the development of thriving and vibrant societies. This is in line with and is considered against the company's Strategic Intent principle for the organisation to "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". The majority of our operations are located in relatively undeveloped areas of developing countries, with limited infrastructure and significant development needs.

These challenges are most evident in our countries of operation outside South Africa, four of which are classified by the United Nations as Least Developed Countries. Consequently, in line with the group's Strategic Intent, as a long-term investor and major economic partner in these countries, over and above the considerable contribution towards employee social benefits, active social investment programmes are in place at each of our operations and are directed primarily towards infrastructure development, such as providing roads, running water and community centres, education, job creation, health and wellbeing, culture and sports development, with some limited once-off grants and donations.

We consider projects that are motivated by community members and designated company representatives and are subject to a thorough assessment of the extent to which they meet prescribed criteria. To gain support, the potential projects must be shown to be meaningful and sustainable, with significant community reach and participation. Initiatives are managed either at a group or business unit level, depending on circumstance.

Case study: **The first group of pupils at a school that is a beneficiary of Illovo's Corporate Social Investment to write final school examinations in 2012 – Eston Mill, South Africa**

In a positive working relationship involving Illovo SA's Eston mill, a local sugar cane grower, members of the community, Illovo's IT partner, Bytes Systems Integration (Bytes) and a local non-governmental organisation, a school that has benefited from Illovo SA's corporate social investment programme will see its first group of pupils write their final school examinations at the end of 2012.

Hope Valley Farm School, situated on a local farm owned and managed by Mr Nigel Stainbank and his wife Trish in the Eston cane supply area, was established in 1975 with five children and one teacher. Since then, it has served the educational needs of the farm workers' children and those from surrounding farms, growing to 86 children in 2012. The school currently has a headmistress and two volunteer qualified teachers, together with seven volunteer assistant teachers, two of whom are past students of Hope Valley.

According to Mr Stainbank, the aim is to give rural children the best education possible, and as part of this goal, computers were also introduced in 2008 for use by the pupils, and by their parents and community members when teaching resources permit. In recent years, in order to provide a holistic approach to education, the school has introduced adventure learning, which Mr Stainbank says builds childrens' self-esteem and confidence.

Illovo was approached at the end of 2008 to help support a renovation programme which, in addition to the rehabilitation of the existing three classrooms, also included new roofs for the kitchen and principal's office, completion of the school hall and the construction of cubicle toilets. The company agreed to support the classroom renovation at a cost of R95 000, utilising the services of Project Build, a non-governmental organisation with a proven track record in school building and renovation projects. A further request from the school in 2011 saw the donation of seven computers at a cost of R30 000 with all technical installation carried out by Bytes. In 2012, the computers were in full use and being used on projects by final-year pupils.

The school has garnered partnerships with other schools locally and also has strong ties with the Wood End Academy and Chalfont St Giles Infant School in the United Kingdom, using the internet to interact with one another. "With the enthusiasm that the pupils are showing now, I am sure that they will all be trying their best for matric. We trust and hope that their marks will match their eagerness," the Stainbanks wrote to Mr Dave Howells, the Managing Director of Illovo SA.

During the year under review, we contributed R14.7 million towards social investment projects, mostly for the benefit of the communities within the immediate vicinity of the operations.

Ongoing social investment activity includes:

- upgrading of schools and administration assistance at schools; 27 schools in five countries benefiting from this support;
- ongoing support of government and corporate education-related campaigns, including national literacy programmes, teacher support initiatives and provision of equipment; and
- support of community-based welfare and fund-raising organisations across the group, involving national health initiatives, feeding schemes, upgrading of public facilities and self-help programmes.

Social investment spend		
	Rm	Rm
Categories	2011/12	2010/11
Health care	3.9	3.9
Education	3.9	3.3
Community	6.6	6.5
Donations	0.3	0.9
Total	14.7	14.4

Public policy

We participate in public policy development through:

- sugar industry structures;
- tripartite business, labour and government public policy development structures;
- civil and local authorities; and
- other relevant business associations.

We are proactively involved in the facilitation of broader national strategic objectives through participation in organisations such as the National Business Initiative, NEPAD Business Forum (NBF) and the Business Trust (in South Africa), along with membership across the group of other public and private forums to promote and assist the economic environment.

Public policy in South Africa

The sustainability of our cane supply is a primary focus of public policy in South Africa as 49% of the total cane area supplying cane to our mills has been subject to land claims in terms of the Restitution of Land Rights Act, 1994. To date, just over 6% of the area claimed has been successfully transferred to claimants, leaving 43% still under claim. While the protracted process of settling land claims continues, independent cane growers affected by the process are reluctant to reinvest in their crops, thereby impacting further on cane yields. Reduced reinvestment has been evident in delayed replant in some areas and reductions in key inputs such as fertiliser, resulting in declining cane yields and overall cane supply.

To counteract this, we have a well-established strategy for working with the affected growers, land claimants and the government to ensure that such farms are appropriately transferred in accordance with the terms of the restitution process. Illovo assists the sugar industry and government in developing best practice regarding the submission, control and implementation of grant and loan funding for agricultural development under the umbrella of land reform. Land reform committees are active in all of our mill areas and we are playing a leading role in sugar industry land reform initiatives. This is being achieved through close collaboration with the SASA, via broad consultation with both growers and other millers in an effort to expedite grower development and thus ensure future growth and sustainability of cane supply from claimed properties.

Area under cane (AUC)				
	Total AUC	Total AUC transferred	Total area still subject to claim	
Operation	Hectares	Hectares	Hectares	%
Noodsberg	32 674	193	10 312	32
Sezela	41 430	3 960	13 439	32
Eston	35 415	1 685	23 679	67
Umzimkulu	27 512	2 194	11 031	40
Total	137 031	8 032	58 461*	

* *Of the 58 461 hectares of cane land still subject to land claims, the validity of such claims respresenting approximately 27 000 hectares is in dispute and has been referred to the Land Claims Court by the landowners.*

Environmental impact

Illovo's direct environmental impacts are primarily associated with our agricultural and manufacturing operations. As the largest sugar producer in Africa, Illovo has a substantial agricultural footprint. It uses intensive manufacturing processes that consume water, generate solid waste and result in emissions to air and discharges to water bodies.

Our environmental sustainability reporting, guided by the Global Reporting Initiative (GRI), is structured to reflect the inputs, outputs and modes of impact the organisation has on the environment. Materials, energy and water represent three standard types of inputs used by all of our operations. These inputs result in outputs of environmental significance, which are captured under the parameters of emissions, effluent and waste. Land and biodiversity are also related to the concepts of inputs to the extent that they can be viewed as a natural resource.

Environmental philosophy

Our underlying environmental philosophy is to continually investigate means to reduce the environmental impact of our operations. Against the background of our Strategic Intent principle to maximise the return on every stick of cane, we are particularly mindful of the possible impacts of our operations on the use of natural resources and strive to minimise our impacts through efficient use in a responsible and sustainable way and through committing ourselves to continuous improvement. We strive to comply with in-country environmental regulations.

Environmental management at our operations is implemented according to the NOSA Integrated Five-Star Management System and ISO 14001. When considering new business ventures and expansions, comprehensive due diligence and environmental impact assessments are undertaken to ensure that potential negative environmental impacts are identified and mitigated.

We have identified energy, water, air emissions, effluent and waste, and biodiversity as the most material environmental indicators throughout the group's operations.

Technology, research and development

Illovo's future sustainability objectives are underpinned by technology, research and development. In order to optimise the return from our existing installed capacity, we have well established in-house resources which provide technical expertise in agricultural production and sugar and downstream product manufacture to all operations. A centralised core of expertise exists to ensure technical standards are optimised and 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 our operations, and in the planning and implementation of approved projects.

Our collaboration with regard to the application of new technology and energy and process performance optimisation between our own technical service function and AB Sugar is ongoing. This collaboration is expected to benefit Illovo in the long term.

Benchmarking to improve productivity and reduce unit costs is a major area of attention at all operations, resources having been allocated to enhance operational performance and benchmarking across the group. We also participate in operational performance benchmarking and best operating practices within the AB Sugar group.

We continue to benefit from research and development undertaken by the South African Sugar Milling Research Institute and the SASRI. 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, we undertake ongoing collaboration with both local and international research organisations, and contract work is outsourced as appropriate.

Operational aspects

Agriculture

As far as our agricultural operations are concerned, we have adopted farming practices based on field conservation guidelines as advocated by the SASRI, 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 field 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 and catchment areas, and the removal of alien vegetation.

In addition, sugar cane, upon harvesting, immediately recommences another growing cycle from its existing roots. This process, called ratooning, recurs until the cane yield of the plant reduces below a predetermined level, whereafter replanting is undertaken. This generally takes place every seven to ten 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.

Our agricultural operations in South Africa are rain-fed, thereby minimising the impact on subterranean water supplies, whilst in our other countries, 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 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 to our operations as a renewable energy source as a feedstock for the sugar factory boilers. We have successfully integrated the use of cane leaves and tops as biomass feedstock for the boilers, as a supplement for bagasse, into our 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, 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 of our sugar factories, and under normal operating conditions, our factories are self-sufficient in terms of electrical requirements, save that the downstream plant at Sezela relies on power from the national grid. Whilst our 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. In Swaziland, an integrated co-generation plant enables the factory to export power into the national grid.

The unique process of utilising bagasse and biomass as an energy source also results in our group having minimal reliance on fossil fuels, such as coal, for its energy requirements. Coal usage within the group comprises only approximately 7% of total energy usage.

Downstream

As the major by-product of the sugar manufacturing process, molasses is used in several value-added 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 ethanol. We utilise a significant portion of molasses output in the production of ethanol at our Merebank plant in Durban and Glendale distillery on the KwaZulu-Natal north coast. In Malawi, molasses is supplied for the production of fuel and potable ethanol, whilst in Kilombero, construction has commenced on an ethanol distillery which will make use of all the molasses produced by our two sugar mills in Tanzania.

At the Sezela complex on the KwaZulu-Natal south coast, a portion of the bagasse is converted to produce value-added downstream products, comprising furfural and its derivatives. The residual bagasse from this process is then routed back to the sugar factory boilers for steam and electricity generation.

Materials

Input materials used are relevant to the company's sustainability as they impact on our contribution to:

- the conservation of the global resource base;
- efforts to reduce resource intensity; and
- management of the operations' overall costs.

Where practical, we use input materials, in both cane growing and sugar and downstream processing, that supports the sustainability initiative. Factory by-products, in the form of filtercake, vinasse and boiler ash are applied to the fields, while herbicides, pesticides and fungicides are applied at an average rate of less than one litre per annum for every seven tons of cane grown. Various chemicals are used in both sugar and downstream processing, with the biggest quantities being phosphoric acid 39 000 tons, urea 32 000 tons, caustic soda 16 000 tons and flocculent 9 000 tons in 2011/12.

Associated with the above, Illovo used 3.1 million litres of oils and lubricants, and 333 000 tons of packaging materials.

Energy

Energy efficiency has become increasingly important to Illovo, given the growing demand for and increasing cost of energy, and the corresponding impact on the environment along with the risk of power outages from national grids. We are focused on reducing the environmental impact of our products, including efforts to drive new levels of energy-efficient performance. We proactively monitor and manage energy consumption throughout the group's operations, and constantly look for ways to improve the energy efficiency of its production processes.

This includes employing better management systems, improving our own staff awareness and investing in new technologies. Sugar cane offers excellent opportunities and competitive advantages for the production of renewable energy sources compared to other agricultural crops. During the year under review, 89% of the energy consumed within Illovo's operations was sourced from renewable resources, replacing fossil fuel alternatives.

Percentage consumption of energy types across Illovo operations

%	Bagasse	Coal	Electricity	Imported steam	Biomass and wood	Other
2011/12	86	7	3	1	3	0
2010/11	88	4	4	2	1	1

Investing in renewable energy

Various by-products of the sugar manufacturing process present the industry with the opportunity of generating the bulk of its energy requirements. A world-wide trend has seen sugar mills reaching a point where they have generated surplus energy to be exported, creating significant ecological and economic benefits. We have kept abreast with these developments and are pioneering cane trash biomass collection in the Southern African sugar industry.

Co-generation

Dry, fibrous bagasse, remaining after the extraction of juice from the crushed stalks of sugar cane, provides us with a substantial renewable energy opportunity for co-generation, replacing fossil fuel sources such as coal and electricity generated from coal, thereby reducing GHG. In addition to bagasse, certain of our operations, Ubombo in Swaziland, Nchalo in Malawi and Noodsberg in South Africa, are able to supplement their co-generation capacity by utilising additional green cane biomass and wood as boiler feedstock. During the year under review, these operations utilised approximately 103 000 tons of biomass and wood as renewable fuel sources to produce heat and energy in their dual-fired boilers. We are continuing to assess opportunities to increase the co-generation capabilities of all our operations. This could have the further advantage of producing enough energy for use by our facilities during the off-crop maintenance period, thereby substantially reducing our current grid electricity requirements and consequently our cost base.

In addition to the environmental and cost benefits, co-generation provides a potential source of additional revenue through the export of energy into national grids. With its integrated co-generation facility, it is anticipated that our Ubombo mill in Swaziland will, when at full capacity, export 55 GWh to the national grid over a 48-week period. During the year under review, a total of 33.2 GWh was exported to the grid, which exceeded the annual minimum contractual commitment.

Bioethanol

An additional renewable energy opportunity provided from the by-products of sugar processing is the fermentation of molasses to produce bioethanol. We continue to give consideration to entering the bioethanol market at certain operations, as we believe that there are significant potential commercial opportunities associated with renewable energy, which currently only represents a very small fraction of the total global energy use. Following a series of preliminary investigations, detailed technical feasibility studies are currently underway. However, our move into the market will depend largely on the commercial viability and implementation of enabling mechanisms within the countries of operation.

The production of bioethanol would provide us with the opportunity to further decrease our fossil fuel usage and greenhouse gas emissions, as well as provide an additional revenue stream.

Non-renewable energy

The largest use of non-renewable energy across Illovo occurs within our South African subsidiary, Illovo SA, at four sugar mills and an ethanol distillery. During the year under review, our manufacturing operations collectively consumed 92 000 tons of coal, representing 100% of Illovo's total coal usage. This increase over the 66 000 tons reported in 2010/11 was due partly to the reduced crop in Noodsberg, which resulted in less bagasse availability, which in turn necessitated the use of coal to provide power for our normal operations, as well as for sugar refining activities during the off-crop maintenance period. In addition, more coal than last year was required at Ubombo in Swaziland as the plant settled into a stable state following the commissioning of the major expansion and co-generation project in April 2011.

In an effort to reduce overall coal consumption and improve energy efficiencies within these business units, we have initiated a broad-scale Performance Optimisation Plan (POP) at an operational level. Together with the planned increased substitution of coal with renewable sources of energy, such as bagasse, we anticipate that notwithstanding the increase during the year under review, there will still be a substantial reduction going forward in the consumption of coal and purchase of electricity. Illovo SA aims to reduce its coal consumption during the crushing season by 25% by 2017. During the year under review, progress towards this goal was not made as the coal consumption grew by 40% against the 2010/11 consumption due to the above furnished reasons.

In advance of the United Nations COP 17 congress, which was held in Durban, South Africa, in 2011, an insert on our renewable energy initiatives at the Sezela operation in South Africa was flighted a number of times on the CNN TV news channel as part of a wider programme called the "Road to Durban".

Continuing energy saving projects undertaken at operations within Illovo Sugar SA during 2011/12

- Operation of only one of two boilers at our Glendale distillery during the summer season in an attempt to reduce coal consumption.
- The manufacture and use of polyfuel, a blend of natural organic compounds formed as by-product of the furfural manufacturing process, burned as a supplementary fuel in Sezela's boilers (previously a waste product with high disposal costs).
- Energy mass balance assessments of the Sezela and Noodsberg mills in order to maximise factory modifications and monitor energy reduction equipment performance.
- Installation of a thermal compressor at Noodsberg mill. Initial mass balance calculations showed savings in the order of 6 tons of (high pressure) steam per hour which equates to a coal saving of 0.82 tons per hour.

Emissions

In 2011/12, we responded to the Carbon Disclosure Project (CDP) Investor Response for the first time and will do so again in 2012/13, demonstrating our commitment to reducing GHG emissions at our operations, in an effort to support global climate change mitigation. We also disclose our GHG emissions annually through Illovo's participation in the JSE Socially Responsible Investment (SRI) Index.

The group's primary source of energy is from the use of carbon-neutral bagasse which substantially decreases process GHG emissions at Illovo's operations, in comparison to the use of fossil fuel sources. Certain of our operations have adopted "green cane harvesting" where practical, which decreases agricultural emissions caused by the burning of sugar cane prior to harvesting. During "green cane harvesting", green biomass is stripped off the cane, either mechanically or by hand, as an alternative to the traditional practice of burning. This trash removed from the cane is either left infield to render back into the soil, potentially improving soil moisture retention, nutrient levels and carbon sequestration, or used as a renewable boiler fuel. Green cane harvesting operations are currently being undertaken in Malawi, Swaziland and South Africa.

As a result of these initiatives and the investment in renewable energy sources, good progress was made in the 2010/11 season to reduce our Scope 1* emissions from coal combustion in South African sugar mills. Actual GHG discharges decreased by 19% against the 2009 target to reduce emissions by 25% to 109 000 tons of carbon dioxide equivalents (tCO_2e) by 2017. However, as a result of increased coal usage in 2011/12, for the reasons already explained, emissions from South African mills actually increased to 277 000 tCO_2e. Nevertheless, we remain committed to achieving our target.

Water conservation

Ensuring access to a reliable supply of water is a critical strategic priority for Illovo, to meet both its business needs and that of surrounding communities. Risk factors for sustainable procurement of water are exacerbated by issues of scarcity and accessibility across community and national boundaries and often involve interdependent factors that vary from country to country and region to region.

We undertake water abstraction operations in compliance with existing water-use licences, which are issued by the relevant authorities within the countries of operation. Illovo's greatest water use is for cane irrigation in its agricultural operations outside of South Africa. Operations in Malawi, Zambia, Swaziland and Mozambique are under full irrigation, whilst those in Tanzania are under partial irrigation. Furthermore, water abstraction for irrigation is likely to increase in future years as we expand our irrigation capacity to improve and increase cane supply, and formalise water supply agreements to assist in supplying water to small-scale outgrower developments.

By comparison, process water requirements at our mills and downstream plants are minimal. Water is often recycled extensively through the factory in an "open-loop" system, following which it is discharged to supplement irrigation water. Water discharge volumes and methods vary by site, but are usually monitored and regulated to ensure compliance with relevant national statutes. We continually evaluate and implement new processes to improve efficiencies in an effort to reduce overall water consumption and maximise the recycling of water in its secondary processes.

As a means to manage and monitor water use, we have sought specialist services to provide guidance with respect to improving our water footprint accounting and to standardise methods used to estimate water abstraction, which is currently estimated based on pump abstraction velocities and water mass balance calculations. Once our consumption baseline has been established, attention will be given to the potential to reduce the consumption level. Future water management strategies will also take into account the challenges and delays that often accompany the consideration of, and application for, future water-use licences.

Greenhouse gas emissions (1 000 tCO_2e)

	Malawi		Zambia		Tanzania	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Scope 1	9	18	11	16	7	7
Scope 2	46	75	0	0	3	2
	South Africa		Swaziland		Mozambique	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Scope 1	179	138	69	45	3	5
Scope 2	98	139	10	24	10	10

Note: South Africa shows substantially higher emissions compared to other operations due to the increased use of coal and the high GHG intensity of electricity used as a direct result of the significant effects of the drought which reduced cane throughput and thereby, bagasse for electricity co-generation.

* *Scope 1 emissions are as a result of fuel combustion whilst Scope 2 emissions are from electricity and steam purchases.*

Total water abstraction across all operations				
Source	Volume (million litres)		%	
	2011/12	2010/11	2011/12	2010/11
Surface (rivers)	916 557	936 660	99.79	99.76
Ground (borehole)	735*	985	0.08	0.10
Municipal	1 216	1 304	0.23	0.14
Total	918 508	938 949	100.00	100.00

* *Not quantified in Zambia*

Waste

As part of our drive to use resources efficiently, we are currently working towards promoting waste minimisation and reduction at our operations through the reuse of resources where possible, and the recovery of recyclable waste. All waste generated by Illovo operations is managed and disposed of according to the specific regulations of the relevant country of operation. Where these do not exist, as is sometimes the case with environmental legislation and guidelines in developing countries across Africa, or have yet to be finalised, we ensure that the waste is disposed of in an environmentally responsible manner. Where possible, operations endeavour to reduce, reuse and recycle waste and make use of in-country service providers to remove waste off-site.

South Africa is recently seeing the emergence of a new era in waste management with the promulgation of the National Environmental Management: Waste Act 2008. In response to this, a comprehensive legal review was undertaken by Illovo SA during the 2011/12 season to ensure adherence to the new legislative requirements. Outside of South Africa, operations are developing internal waste management strategies in order to provide suitable systems for waste disposal, including the licensing of hazardous and general landfill sites as well as the regular monitoring of effluent and emissions.

In the year under review, the company generated 10 428 tons of non-hazardous waste and 368 tons of hazardous waste. Of the non-hazardous waste, 84% went to landfill, with the majority of the balance being reclaimed, recycled or reused. A small amount of <0.3% was incinerated.The majority of the hazardous waste, around 72%, was generated in South Africa and was disposed of in either internal or external landfill sites. The balance was generated by operations outside South Africa, with 89% of this waste being either stored on site until a feasible quantity for off-site disposal was reached or disposed off-site. The balance was incinerated.

The effluent produced outside South Africa is, after treatment up to an acceptable level, disposed of under permit in local rivers, except for our operations at Dwangwa and Nchalo, where the effluent is retained in a dunda dam and then used for irrigation. Treatment outside Malawi varies from lime application to being mixed with clean water to being retained in settling ponds/maturation ponds, before discharge into rivers/waterways.

In South Africa effluent is, after various treatment processes at our different sites, discharged under permit either into rivers, the sea, settling dams, a municipal sewage works, or, as is the case with the Glendale distillery, used for irrigation.

The majority of operations measure the quality of effluent discharged in terms of chemical oxygen demand, biochemical oxygen demand, total suspended solids, total dissolved solids and pH.

Environmental compliance

Only a single environmental non-compliance was recorded in Swaziland during the year under review. An evaporator cleaning chemical, caustic lye, was incorrectly flushed into one of the Ubombo estate irrigation canals. Fish in the immediate vicinity of the discharge were killed. A fine of R100 000 was paid to Swaziland Environmental Authority following an unsuccessful appeal.

The spill that occurred was a once-off accidental discharge which occurred during the 2011 expansion and co-generation project. After a thorough investigation, all necessary measures were taken to prevent a re-occurrence of this or any other type of water pollution.

Agriculture and biodiversity

We operate over vast tracts of land, some of which are situated in close proximity to areas of potential sensitivity. The protection of biodiversity issues is addressed formally in new projects through environmental impact assessments (EIAs) and in existing agricultural operations through managing farming activities according to field conservation guidelines as advocated by the SASRI, so as to ensure agricultural production on a sustainable basis with limited impact on the environment.

Illovo makes every effort to preserve and manage the natural surrounding areas, as well as certain areas within the group's operations due to their high conservation status. We are mindful of our potential impacts on these areas and accordingly support a number of initiatives to preserve ecosystem integrity and protect biodiversity. These include:

- management of the Mhlongsinga Nature Reserve at Ubombo in Swaziland;
- management of the Nyala Park at Nchalo in Malawi;
- continued support of the Mwananchingwala Conservation area adjacent to the Nakambala estate in Zambia;
- continued support of conservation projects to protect the Magombero Forest adjacent to the Kilombero estate in Tanzania; and
- ongoing support of the Malawian Government Reforestation Initiative.

Effluent produced						
m^3	Malawi	Zambia	Tanzania	South Africa	Swaziland	Mozambique
2011/12	2 377 209	9 051 461	1 410 518	3 198 853	1 080 000	551 433

Product responsibility

Illovo manufactures a wide range of sugar and downstream products which are sold into domestic and international markets. We endeavour to produce consistently high-quality products for our consumers and as such have a formalised support structure to ensure an appropriate, ordered, group-wide response towards product stewardship. This includes a set of detailed standards relating to raw materials, packaging materials and to production processes.

Customer health and safety

The health and safety of our customers is of utmost importance for Illovo. We comply with all relevant safety, health, environmental and quality legislation in the relevant countries of operation as well as industry best practice standards:

- all our production facilities have been certified under the ISO 9001:2008 quality management system;
- in South Africa, the Hazard Analysis and Critical Control Point (HACCP) SANS 10330:2007 food safety system has been adopted for the pre-packed sugar facilities at Noodsberg, and Umzimkulu and the syrup packing facility at Lower Illovo;
- other operations in South Africa, as well as those in Malawi and Zambia are currently making progress towards ISO 22000 accreditation with the Nchalo mill in Malawi having achieved HACCP accreditation; and
- the operations in Malawi and Zambia are registered with the Supplier Ethical Data Exchange (SEDEX), a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.

Illovo ensures our products do not pose unintended hazards to the health and safety of its customers. Certain downstream products: furfural, furfuryl alcohol, diacetyl, 2.3-pentanedione, methanol and ethyl alcohol require specific handling and storage as they may be considered hazardous. To this end, all of our products are supported with Material Safety Data Sheet (MSDS) documentation, together with certificates of analysis which endorse the quality of the products, and provide recommended procedures relating to health, safety, handling and storage.

Product and service labelling

All products carry product labels containing pertinent product information, in compliance with the respective country legislation and labelling regulations. In addition, downstream products supplying the pharmaceutical industry are highly regulated and are required to meet the South African Food and Drugs Act standards. Any amendments to food labelling and advertising legislation is promptly adopted, as evidenced by the our rapid response to the new food labelling and advertising legislation promulgated in South Africa in March 2010 under the Consumer Protection Act, 68, 2008.

Market communications

We strive to conduct all marketing and communication activities in a responsible manner and in accordance with the relevant legislation and in-country requirements. Together with our advertising agencies, we subscribe to good marketing practices and the code of responsible advertising, including the communication rules and guidelines as prescribed by the Advertising Association of South Africa. There were no incident reports relating to marketing and communications, including advertising, promotion and sponsorship during the year under review.

Customer relations

Formal complaints from our customers are processed through an internal sugar customer care line facility in South Africa, Malawi and Zambia, details of which are reflected on all domestic sugar and syrup prepacks. This enables customers to contact Illovo directly to address any issues relating to products and/or service.

Customer complaint procedures are implemented according to the HACCP procedural document, which provides guidelines and best practice on how customer complaints are required to be handled and resolved and for maintaining an accurate customer complaints register.

Support for our industrial customers is provided by a specialised department, providing valuable assistance to the group's industrial customers across all countries of operation.

In respect of quality and technical support, additional support is supplied through factory visits, presentations and educational workshops.

Regular supplier and customer audits are undertaken while customer feedback mechanisms guarantee open communication between Illovo and our customers subsequent to complaints and investigations.

In Swaziland, Tanzania and Mozambique, customer complaints are handled directly by the respective marketing departments and distribution companies which distribute sugar within the countries of operation. All customer queries and complaints are investigated internally by Illovo operations and rectified where appropriate.

Compliance

As a result of its initiatives and interventions as reported above, in the year under review, we did not experience any incidents of non-compliance with any laws, regulations, standards or voluntary codes concerning product responsibility, i.e. customer health and safety, product and service labelling, marketing communications and customer privacy.

Independent third party assurance

SustainabilityServices.co.za has provided independent third party assurance over the sustainability information contained within this report, in accordance with the requirements of AccountAbility's AA1000AS (Type I, moderate) assurance standard. Although further improvements in the quality of some assertions and/or data could be further improved in future reports, it has been noted that this report represents a significant improvement over previous reports, and no significant concerns were identified. As per our review, it has been confirmed that the Report adequately meets the GRI's Application Level B requirements (B+ with our assurance). To review our assurance statement, please revert to the report online at www.illovosugar.com, or email sustainabilityservices.co.za at michael@csap.co.za.

Michael H Rea
Partner, SustainabilityServices.co.za

SustainabilityServices.co.za

Don MacLeod (65)
BCom, AMP (Oxford)

Joined the sugar industry in 1971
Appointed to the board in 1983

Committees served
Chairman of Nomination Committee
Member of Remuneration Committee
Member of Risk Management Committee
Member of Social and Ethics Committee

Chairman's statement

Overview

The Illovo management team successfully addressed many challenges in the past season, including difficult weather conditions and a volatile exchange rate environment, whilst simultaneously continuing to position the group for future growth.

Although group sugar production was lower than last year, largely as a result of the continued impact of the drought conditions experienced in South Africa, the market conditions we experienced were buoyant, driving higher group revenue and improving operating margins compared to the previous year. This resulted in increased operating profit, and headline earnings per share rose by 18.2% year-on-year. The group's return on net assets increased commensurately from 13.8% to 15.9%.

Strong cash generation and a healthy balance sheet positions our group well to continue with its growth plans to increase cane, sugar and downstream production in Africa. Africa offers considerable growth prospects and the focus and positioning of the group during the past few years will enable us to take advantage of available opportunities. In addition, the group remains focused on being the lowest-cost producer in every country in which we operate and amongst the lowest-cost producers in the world, optimising the return on every stick of cane by adding value to its core commodity products of sugar, molasses and fibre. This strategy is both sustainable and robust.

Investments in our group operations will continue to 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 market potential and returns.

Recent cane and factory expansions have increased the group's sugar production capacity. The commissioning of the major factory expansion and power co-generation plant at Ubombo in Swaziland during the past year was a significant milestone for the group. The project will not only increase sugar production but also generate sufficient electricity to cover all of Ubombo's power requirements and provide for the export of surplus electricity into the national grid. The amount of electricity supplied into the national grid during the 2011/12 year exceeded the annual minimum contractual commitment.

The construction of a new potable alcohol distillery at our Kilombero operation in Tanzania has commenced. This plant will utilise all of the molasses produced at Kilombero and supply high quality alcohol into East African markets. The plant is scheduled to be commissioned in mid-2013.

The group's South African operation has identified a number of strategic opportunities to enable it to overcome the impact of declining cane supplies, sub-optimisation of installed factory capacity and low operating margins. Work has commenced on a number of new initiatives to grow the cane supply. A mentorship programme for small and medium-scale growers is being supported by government financing, the provision of free seed cane is being offered for new land development, replant programmes in respect of existing fallow or poor yielding cane land have begun, leasing of low yielding areas by the company is underway, and our assistance in the utilisation of new grant funding provided by the government in improving the transition of ownership in respect of land claims are some of the areas of focus we are currently progressing to increase cane supplies. The return to more normal weather conditions in South Africa has seen the Umzimkulu sugar mill reopening in the 2012/13 season. The bagasse demand required to optimise available furfural capacity at Sezela will be supplemented by bagasse transfers from both Umzimkulu and Eston. The market for Agriguard products, which are manufactured by converting furfural to a natural environmentally-friendly agricultural chemical to control plant root nematodes, continues to grow albeit slowly with registration in the USA having been further expanded during the past year.

The construction of a custom-designed central warehouse in Pietermaritzburg will significantly improve supply chain logistics and impact favourably on sugar distribution costs. Overall our South African business is a leading player in the country's sugar industry with strong downstream operations. Focus is therefore on maintaining a long-term sustainable business based on a structured plan to grow cane supplies, a cost reduction programme and capital investment in strategic opportunities.

The failure of the proposed Markala Sugar Project in Mali is a great disappointment. We have invested significant time, effort and capital in the project but failure to finalise key elements together with the changing political and security situation, have become a major concern in recent months. These factors have resulted in us deciding that the social, political and economic fundamentals are no longer positive and therefore it has been decided to terminate involvement in the project. Accordingly it has been resolved to fully impair and write-down the group's investment in pre-project expenditure.

Good use of the all-round exposure in regard to promotion of this potential project has enhanced the group's ability to undertake large-scale project development, and this remains available to be deployed into other growth opportunities in Africa as they arise. The focus of the group remains Africa.

A strength of the Illovo business lies in the diversity of our market opportunities. A strong presence is maintained in the domestic markets in all of the countries in which we operate and in addition, we have preferential access to markets in the EU and the USA, whilst in Africa, deficit sugar markets in close proximity to the group's operations remain a strong focus. Illovo's proven sugar distribution into some of Africa's most remote and rural areas has further enhanced sales. Only a small proportion of total group sales is exported to the volatile world raw sugar market from the South African operations through the single export channel of the South African Sugar Association. The mix of downstream product sales is predominantly export-orientated, where prices which were strong in the past year are governed by international market forces. Domestic sales of downstream products continue to provide us with positive returns on the basis of quality and availability.

The cane sugar industry holds a major competitive advantage in that the residual fibre from the cane extraction process, bagasse, is used primarily as a bio-renewable fuel feedstock for factory boilers to produce electricity to power its own operations. A further enhancement to this internal electricity generation model is our commercialisation of the process to utilise biomass normally left behind in cane fields after harvesting. Blended with bagasse, this increases boiler fuel feedstock and, with additional installed co-generation capacity, further increases electricity production with a significant reduction in coal consumption. Power shortages are a growing issue across Africa with considerable negative consequences for economic development in many countries. In addition to Illovo's stated objective to become self-sufficient in its own power requirements, there exists significant potential to supply surplus power into national electricity grids from existing and new operations, provided that there is a stable regulatory environment within which to operate. The Swaziland expansion provides a sustainable sugar/power co-generation production model that can be used in existing operations or new sugar projects as appropriate.

Molasses, as a by-product of the sugar manufacturing process, is already used in South Africa to produce high-quality grades of potable and denatured ethanol. In most other countries in which Illovo operates, there are opportunities which could expand the group's involvement in this area of operation. The Tanzanian potable alcohol project which will come on stream in 2013 is a good example of our objective to continue to add value to every stick of cane. Opportunities to produce alcohol for potable use or fuel blending programmes also exist in Malawi and Zambia.

Corporate governance

The directors and employees of Illovo strive to ensure that the company is managed in an efficient, accountable, responsible and moral manner and to this end the board subscribes to the principles contained in King III. A system to apply the principles of the Code has been established, except for those instances where the board has decided that certain principles are not appropriate, in which case reasons for this are provided.

The company also complies with the South African Companies Act, 2008 and the relevant requirements of the Listings Requirements of the JSE Limited.

Sustainability is a critical component of corporate governance and the group aims to ensure that sustainable development principles underpin all business activities. In the integrated report the issues which are material to achieving the long-term sustainability of the group are considered. The focus of managing the risks facing the business is based on identifying, assessing, mitigating, managing and monitoring all known forms of risk, whilst accepting that there must be an appropriate balance between risk and reward. We aim to ensure that sound and sustainable practices are developed and followed across the group. Our integrated approach is guided by the Global Reporting Initiative Guidelines and the JSE's Socially Responsible Investment Index whilst taking cognisance of local socio-economic and environmental challenges and our key stakeholder requirements. The group is cognisant of the rural locations of its operations and the impact that it has on job creation and poverty alleviation in such areas. In addition, a key objective remains for the group to be welcomed by the communities in the areas in which it operates because of what it does and the manner in which it performs. The group has a long-standing track record of successfully delivering meaningful social development interventions, extending from the provision of basic services to direct financial investment to improve education and the delivery of appropriate health services. In the past year, we spent R208 million on both employee-related and community development programmes. Transformation and broad-based black economic empowerment are key elements of sustainability in the South African context. We have made encouraging progress in employment equity, skills development and socio-economic development. The company has a Level 5 empowerment rating.

Prospects

Overall, the strength of the group's existing base business and the growth prospects available in Africa should result in sustainable earnings growth in the future. In the current year, an increase in group sugar and cane production is anticipated. However, volatility of local currencies will continue to impact on revenue realisations for both sugar and downstream exports and the conversions of profits.

Directorate/Company Secretary

Barry Stuart retired as an executive director at the end of the financial year and I thank him for his significant contribution to the group over a long period of time. In addition, Gordon Knox retired as Company Secretary in November 2011 and similarly I thank him for his extended and meaningful contribution to the board.

We are pleased to welcome Mohammed Abdool-Samad and Gavin Dalgleish as executive directors and Jennifer Kunst as Company Secretary of the company and look forward to their contribution to our future deliberations.

Appreciation

On behalf of the board, I wish to extend my appreciation and thanks to the employees for their commitment and dedication to Illovo in what has been a tough year. To Graham Clark and his executive team, I acknowledge their hard work and leadership in what has been a challenging year. I extend thanks and appreciation to all my fellow board members for their valuable guidance, input and support during the year.

D G MacLeod
Chairman

Graham Clark (56)
BAcct (Hons), FCA (Australia)

Joined the sugar industry in 1980
Joined the board in 1997

Committees served
Member of Risk Committee
Member of Social and Ethics Committee
Chairman of Executive Committee

Managing director's review

Overview

We achieved satisfactory results in the past year, despite abnormal weather conditions and volatile exchange rates. In South Africa, the impact of a second year of drought in the dry land cane growing areas of KwaZulu-Natal was pronounced and depressed overall group sugar production, again to a level below that of the previous year. Increased sugar production elsewhere was insufficient to offset the decline in South Africa.

Key strategic risks addressed

Projects

- Delays in new projects and operational expansions
- Cost overruns
- Failure to meet design specifications

Political risks

- Unstable political regimes
- Unfavourable legislative changes and policies

Shareholder relations

- Growers
- Community
- Government

Refer to Summary of material sustainability risks on page 57 for further information.

Despite lower sugar production, a drive to maximise our opportunities in a favourable market environment, together with a focus on cost control, enabled the group to grow profit year-on-year. Group turnover grew by R1.1 billion to R9.2 billion, whilst sugar sales volumes fell by 5% as a consequence of lower sugar production. Pleasingly, the group operating margin increased from 12.7% to 14.7% resulting in a 31% increase in operating profit. Net financing costs of R245 million reflected the cost of servicing the group's expansion-related debt. The effective tax rate for the group normalised at 30.3%, resulting in after-tax profits attributable to the group increasing by 15.1% year-on-year. Material items include the impairment of the group's pre-production costs in Mali following the decision to terminate further involvement in the Markala Sugar Project. Headline earnings per share improved by 18.2% to 132.6 cents.

Cane supply

The consolidation of our own cane supply continued during 2011/12 and despite a climatically challenging season, a total of 6.2 million tons of cane was produced on our estates. This was slightly lower than the record cane production of 2010/11. The marginal reduction was the result of a second consecutive drought-affected season in South Africa and lower cane yields experienced in Malawi and Zambia due to harvesting those crops at a younger age than normal. In the case of Zambia, this was necessary to realign the expanded cane growing area with the significantly increased milling capacity. These cane crops will benefit in future from harvesting at an optimal age of twelve months. In Tanzania, an extended wet season disrupted harvesting and resulted in a large area not being harvested and carried over for harvest in 2012/13. Significant increases in our Swaziland and Mozambique operations were achieved, reflecting good growing conditions and an expanded area under cane.

We believe the current season should see a new record volume of group cane production. Adequate summer rainfall and a return to normal weather should drive a recovery in South Africa to near normal levels. In Zambia, cane volumes are expected to increase in response to the extended growing period, whilst in Malawi, improved growing conditions will sustain good cane yields. The final phase of an irrigation conversion programme in Swaziland will also benefit cane yields and our Tanzanian operation will continue to experience the positive results from an ongoing irrigation and drainage upgrade, strengthened by the introduction of new cane varieties. Normal growing conditions and an increased area under cane will secure higher cane volumes in Mozambique.

The performance of our third party private cane growers was commendable in 2011/12, despite the stresses of drought in South Africa. Initiatives continue across the group to support outgrower cane production and to maximise cane deliveries to the group's factories. In South Africa, in particular, a number of targeted interventions are underway to assist with post-drought recovery and to grow cane production from small and medium-scale growers, including new freehold growers' farming areas where land claims have been settled. The provision of financial support from the provincial and national governments, channelled via our South African operations, has been pivotal to this initiative in parallel with a subsidised fertilizer scheme, the provision of free seedcane for new land development and mentorship provided by larger commercial farmers. This bodes well for the future of cane production in the areas surrounding Illovo's operations.

Whilst cane production has been positive, sucrose levels in 2011/12 were generally well below expectation. The extended drought in South Africa adversely affected cane quality, but elsewhere reduced sucrose levels were likely the result of unusual climatic variations, with unseasonal rain also playing a part. The 2012/13 season looks set to be a more normal year for sucrose production, with early season trends supporting this likelihood.

Sugar production

Group sugar production fell in total by 7% in 2011/12, from 1.639 million tons to 1.526 million tons. In South Africa, the drought-impacted reduction was pronounced, sugar production being some 24% below that of 2010/11, and cumulatively 33% below that of 2009/10. This reduction in South Africa was only partially offset by increased sugar production in Malawi, Mozambique and Swaziland whilst small reductions were recorded in Zambia due to a reduced crushing season and in Tanzania, where an abnormally wet season restricted factory throughput.

In South Africa, the reduced cane volume on the south coast of KwaZulu-Natal resulted in the Umzimkulu factory remaining closed for the season, with cane diverted to Sezela to optimise available factory capacity. Umzimkulu factory personnel were deployed elsewhere in the group for the season and we achieved a net saving in operating costs after the cost of cane diversions. Performance in the Sezela, Eston and Noodsberg factories was satisfactory against a background of poor cane quality and the Noodsberg refinery operated close to its expanded capacity.

The two factories in Malawi operated well in 2011/12 and combined, enjoyed much improved mechanical efficiency and better recoveries than in the previous year. In Zambia the expanded factory had an excellent season, crushing at an above design capacity and achieving recoveries well above those of 2010/11. Our expanded factory in Swaziland was commissioned in 2011/12 and early in the season, experienced operational difficulties as the new plant was brought into production. These were largely overcome in the latter half of the season. In Tanzania, the two factories operated well although they were constrained by disrupted cane supply due to wet weather. The Mozambique operation enjoyed a much improved factory performance compared to that of 2010/11, crushing closer to the expanded capacity and significantly improving recoveries year-on-year.

Sugar marketing

The primary focus of our group marketing initiatives is to adequately supply the opportunities provided to us by the domestic markets in each of the countries in which we operate. A total of 64% of total sugar sales volumes was sold into domestic markets in 2011/12 via a range of bulk and prepacked industrial and direct consumption sugars in both refined and brown sugar offerings. Logistics and distribution systems remain key to our optimisation of domestic market realisations and we continue to adapt to market requirements. Rural distribution outside of South Africa was effective, whilst in Pietermaritzburg in South Africa, work has commenced on the construction of a new custom-designed central warehouse which will streamline storage and distribution to all segments of the domestic market at a lower cost. Product quality remains a high priority and upgraded food quality standards are integral to all operations.

Our expanded Nakambala factory in Zambia crushed above design capacity in 2011/12, achieving sugar recoveries well above the previous season. Total group sugar production amounted to 1.5 million tons.

The operations in Zambia and Malawi are geographically well positioned to supply large deficit markets in East and Central Africa. We were able to take good advantage of enhanced pricing in these regions and a range of direct consumption and industrial sugar was supplied from Malawi and Zambia. Preferential exports to the EU and the USA grew during the year. European sugar prices rose compared to the previous year and bulk raw sugar contracts with European refiners delivered higher prices than in 2010/11. Niche speciality sugars, including "Fairtrade" sugar, continue to provide premium prices in Europe and the USA.

World bulk raw sugar market sales are only made from South Africa via the single desk export marketing function of the South African Sugar Association. A significantly lower industry sugar crop in South Africa during 2011/12 resulted in only a small volume being sold on to the world market, with the Illovo group share amounting to 40 215 tons, priced at US25.4 cents/lb. World market prices remain positively supported by longer-term supply and demand fundamentals and pricing for the 2012/13 season has commenced above US23.9 cents/lb.

Downstream products

The diversion of cane to our Sezela factory in South Africa enabled the sugar and associated downstream products plants to operate close to capacity in 2011/12. This resulted in a 21% increase in furfural production compared to the previous year, with furfuryl alcohol production matched to optimise demand opportunities. Pricing for furfural products has remained positive in 2011/12 and we derived increased returns in this market, enhanced by a reputation for the reliable supply of high quality products. Diacetyl and lactulose production were matched to meet market demand.

Further development of furfural as a core component of a natural agricultural chemical to control plant nematodes continued during the year following registrations received in the USA for use of the product on golf courses and turf farms. Acceptance of the product continues to grow at anticipated prices. Market development is ongoing and further registrations are being sought for use on food crops.

Production of potable and denatured ethanol was maximised at the Merebank and Glendale distilleries in South Africa from available molasses. Alcohol demand and pricing have been firm in both local and export markets. We have started construction of a new potable alcohol distillery in Tanzania, designed to utilise all available molasses from the Kilombero factories for the production of high quality potable alcohol which will be sold into the lucrative and growing East African market. Further molasses beneficiation opportunities are being evaluated in Malawi and Zambia.

Co-generation of electricity is being progressed across the group in an effort to become self-sufficient in power for our own requirements and where attractive to commercially export electricity into national grids. Commissioning of the co-generation plant in Swaziland has been successfully completed and surplus power is now sold into the national grid in Swaziland in terms of a power purchase agreement. Pleasingly, the export of power in Swaziland exceeded minimum contracted levels in the first year of operation. The use of cane biomass to supplement bagasse as a boiler feedstock in Swaziland and at Nchalo in Malawi continues to be developed, perfecting our unique model to be utilised elsewhere in the group where conditions make this attractive. An added attraction of this model is the possibility of reducing or eliminating coal consumption with cost reduction opportunities where appropriate.

Prospects

Prospects for the 2012/13 season are driven by an anticipated increase in sugar production, expected from a more normal season in South Africa and further increases elsewhere in the group. This will be underpinned by further increases in cane supply and stable factory operations. Market opportunities remain positive and an ongoing focus on lowering costs of production should limit the impact of inflation on the group cost base. Exchange rate volatility will continue to be a major influence on export earnings and the conversion of foreign subsidiary profits into rand. Strong cash generation will be deployed to reduce our group debt and lower financing costs.

Investments to grow the group's existing cane growing and sugar production capability are now complete and the full realisation of this internal growth opportunity is a key objective for all operations. Opportunities for future growth are continually being evaluated and, where attractive, investments will be made to grow the group's operations further. The skill and experience obtained in Mali, in the promotion of large-scale projects, will be deployed as these opportunities arise.

Mali

Failure to finalise key elements required for the promotion of the Markala Sugar Project has resulted in a decision to terminate further group involvement in this project. Incomplete funding of the agricultural component of the project via bilateral concessional funding to the government of Mali and its inability to complete key undertakings for the project to proceed were key determinants in this decision. In addition, the deteriorating security situation in Mali and its uncertain political future have increased the project risks associated with a greenfield development of this size. Accordingly, the group's investment in pre-project expenditure associated with this project has been fully impaired and written-off in the year under review.

The project team deployed in the promotion of the Markala Sugar Project in Mali has acquired considerable skill and experience in the promotion of greenfield opportunities in Africa. The group is thus well positioned to evaluate other large-scale projects and this capability will be deployed as opportunities arise.

G J Clark
Managing Director

Strategic review

The group's goals and objectives continue unchanged, with primary objectives being to remain a world-class, low-cost and highly efficient organisation seeking to enhance shareholder wealth and optimise growth, whilst at the same time achieving a sustainable, balanced and integrated economic, social and environmental performance.

High standards of corporate governance are demanded from all group operations and compliance is regularly reviewed.

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. Annual strategic plans and budgets are prepared with these aspects in mind.

Growth philosophy

Investments in the group's operations will continue to 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 and downstream markets with good export potential and returns.

Strategic update

Malawi

- At Nchalo and Dwangwa, the latest agricultural practices are being deployed in order to achieve optimum yields and further increase cane supplies to the mills.
- Illovo is also exploring alterations to its packing facilities to ensure continued high quality output and potential access to new speciality markets.

Zambia

- At Nakambala, the installed milling capacity will be consolidated as average cane yields are normalised and additional land is developed. Illovo has begun investigations to evaluate a further marginal mill expansion.
- The production of ethanol is being evaluated utilising molasses as the raw material feedstock, producing fuel ethanol for incorporation into the national fuel pool in terms of the gazetted blending legislation.

Tanzania

- Cane supply is to be enhanced mainly through outgrower developments in which Illovo looks to actively participate and has reorganised its agricultural team in order to provide additional support.
- Further investment will also occur in the factory operations as part of marginal expansions and the augmentation of prepack production.
- Illovo approved a distillery investment which is already under construction and will commence operation in the 2013/14 season.

South Africa

- Focus remains on aiding the increase of cane supply from Illovo's outgrowers, for which Illovo is proactively supporting government and other initiatives, primarily through the introduction of a mentorship incentive scheme.
- Mill energy efficiency reviews have been instigated with the objective of reducing the requirements for external power supplies.
- Sugar distribution and route-to-market improvements will be achieved through the development of a new central warehouse due to be commissioned for the 2013/14 season.
- Downstream activities will benefit from increases in cane supplies and furfural volumes are due to return to near-installed capacity.
- Commercialisation of Agriguard developed further in early 2012 with the product's expanded use on golf courses including tees, greens, fairways and rough. Illovo continues the registration application for further access to the lucrative USA food market.

Swaziland

Following the completion of the factory expansion and co-generation project at Ubombo, the short-term focus will be on increasing annual sugar production to around 300 000 tons over the next three years as cane supplies from the Lower Usuthu Smallholder Irrigation Project increase, in terms of its phased development.

- Land under cane and yields exceeded expectations in 2011/12 and are forecast to continue to exceed plans in 2012/13 as outgrowers look to maximise their supply to the expanded mill.
- Mill performance is expected to normalise in 2012/13 following the expansion commissioning in the prior year.
- Power generation and exports to the national grid continue to exceed project expectations.

Mozambique

Objectives are in place to increase sugar production to more than 100 000 tons and, over the medium-term, to focus on increasing cane supplies to the factory in order that it reaches its design capacity.

- Progress continues to be made to increase cane supply to the Maragra factory through the encouragement of outgrower cane development and yield improvements.
- Mill enhancements have also been undertaken to reduce the need for power imports whilst also improving factory operating practices.

Mohammed Abdool-Samad (41)
BCom, CA(SA)

Joined the sugar industry in 2011
Appointed to the board in 2011

Committees served
Member of Risk Management Committee
Member of Social and Ethics Committee
Member of Executive Committee

Financial review

Highlights

- Revenue increased by 13%
- Operating profit increased by 31%
- Operating margin increased by 16%
- Headline earnings growth of 18%
- Strong cash flow generated from operating activities
- Total distribution of 66.0 cents per share
- Strong balance sheet to fund growth

Key financial and treasury risks addressed

Foreign currency volatility

Exposure to fluctuations in exchange rates

Restrictions on access to funding

Refer to Summary of material sustainability risks on page 57 for further information.

Purpose

The purpose of this review is to provide further insight into the financial performance and financial position of the group and should be read in conjunction with the consolidated annual financial statements presented on pages 91 to 141.

Key financial risks

Exchange rates

Of the group's operating profit, 88% is derived from non-rand-based countries, which exposes Illovo to fluctuations of the rand against those currencies. In particular, the fluctuation of the rand has a significant impact on the translation of local profits into rands which are converted at the average exchange rate for the year. During the financial year, the average rand/US Dollar exchange rate weakened from an average of 7.19 to 7.45 year-on-year, with the 2012 closing rate weakening by 13% from the previous financial year to 7.67. Similarly, the rand weakened against the Euro exchange rate by 7% year-on-year.

The rand did not move significantly against the Malawi kwacha, Zambian kwacha or Tanzanian shilling in the 2012 financial year. However, subsequent to year-end, on 7 May 2012, the Malawi government floated the kwacha exchange rate against the US Dollar. This had an immediate impact of devaluing the Malawi currency by 50%. Although this did not affect the 2012 results, it will impact the earnings in the 2013 season. The kwacha/rand translation exchange rate has moved from an average of 21.61 in 2012 to the new floated rate of 32.30. In the normal course of business, Illovo enters into transactions denominated in foreign currencies and as a result, are subject to transaction and translation exposure from fluctuating foreign currency exchange rates. In order to protect the business from the effects of exchange rate volatility, forward exchange contracts are utilised, enabling more effective management of cash flows and debt.

World sugar prices

The South African business is the only operation that exports sugar into the world market. These sales, together with the related hedging activities, are undertaken on behalf of the sugar milling companies by SASA. The company participates in all decisions made by SASA relative to its pricing and hedging activities. With the reduced South

African production during the past season as a result of the continued impact of the drought, exposure to the world market was significantly reduced.

Our regional sales prices are indirectly exposed to the world market price through import parity pricing. Sugar deficits in the regions, together with the higher world sugar price, have seen these prices increase significantly year-on-year.

The impact of inflation and cost containment

It is a group imperative to ensure that local market price increases are aligned with country-specific inflation. Generally, inflation in most countries in which the group operates has been relatively stable, except for Tanzania, however, global demand for certain input materials has resulted in higher operating costs in recent years, and this cost pressure is expected to continue in the short-term.

To mitigate these effects, Illovo has continued to maintain strict cost disciplines through a combination of efficiency and productivity improvements as well as economies of scale. To the extent possible, purchasing contracts are negotiated for bulk commodities.

Interest rate risk management

The group is exposed to interest rate risk in respect of variable rate loans and short-term cash investments. Interest rate swap contracts which exchange floating interest rates for fixed interest rates are entered into on a case-by-case basis in order to reduce the exposure to variable interest rate borrowings.

If interest rates applicable to existing borrowings were to increase by 50 basis points, the group's profit before tax would reduce by around R10.5 million.

Changes in accounting principles

During the financial year, the group adopted a number of new accounting principles as set out in the accounting policies in the notes to the annual financial statements, none of which had an impact on the financial performance or position.

Acquisitions, disposals and investments

There were no major acquisitions or disposals of businesses during the 2012 financial year, with only the finalisation of the South African operation restructuring taking place, which involved the disposing of the furfural-based nematicide business from the company to Illovo Sugar (South Africa) Limited, a wholly-owned subsidiary of the company.

Following Board approval in July 2011, the construction of the new potable alcohol distillery in Tanzania has commenced. The project is being funded 50:50 debt:equity with Illovo owning 80% of the equity and ED&F Man the remaining 20%. The anticipated project spend is R340 million with commissioning scheduled for May 2013. To date, R99 million has been spent on the project. This project is expected to achieve an internal rate of return of 23.3% and a payback period of 5.5 years.

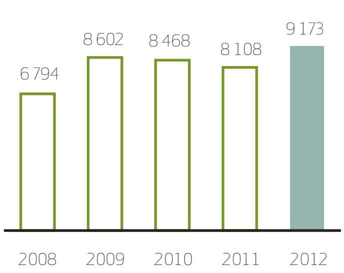
Material items and impairments

The failure of the Government of Mali to complete the funding requirements on the agricultural component of the Markala Sugar Project, and to finalise key undertakings for the project, exacerbated by the uncertain political situation in Mali, has resulted in a decision to fully impair the Mali investment of R174 million in respect of pre-project expenditure. This has been included as a material item and adjusted in headline earnings.

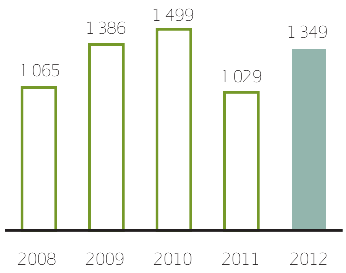
Financial performance

The financial performance of the group is measured in terms of various key financial ratios which include the operating margin, headline earnings growth, gearing and cash operating profit as set out below:

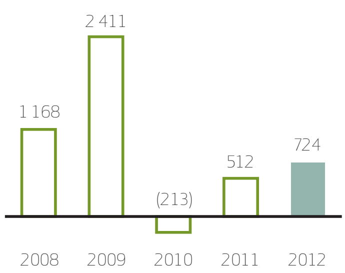
Revenue (Rm)



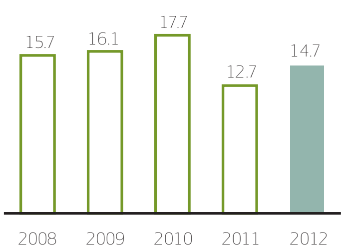
Operating profit (Rm)



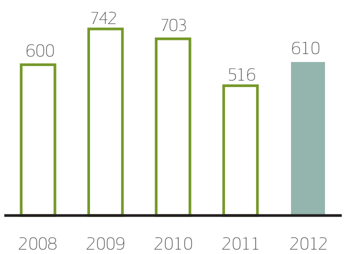
Total net borrowings/(cash) (Rm)



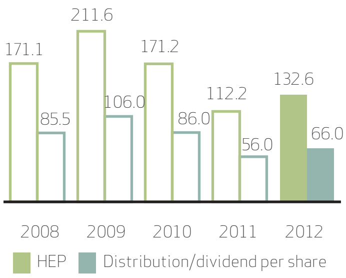
Operating margin (%)



Headline earnings (Rm)



Headline earnings and distribution/ dividend per share (cents)



Operating performance

Revenue increased by 13%, operating profit 31% and headline earnings 18% for the year. The increase in revenue resulted primarily from improved domestic prices achieved. Good regional prices as a result of deficits in these markets and improved EU premiums further enhanced group revenue. Downstream profits increased year-on-year as a result of the higher furfural and alcohol prices, together with exchange gains achieved on export sales and the inclusion of Swaziland co-generation profits. Improved anticipated sucrose quantities and prices translated to an increase in the fair value of standing cane. Cost containment remained a focus area throughout the year, with additional savings achieved off last year's low-cost base as a consequence of efficiency improvements and centralised procurement benefits. Despite the decline in production and sales volumes, margins increased on the back of higher prices and good cost discipline.

Aside from the Euro and US Dollar exchange rates, average foreign currency translation rates year-on-year remained fairly static with little impact on operating profit.

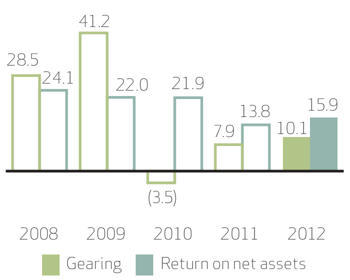
Exchange rate (average)	2012	2011
Rand/Euro	10.24	9.51
Rand/US Dollar	7.45	7.19
Malawian kwacha/rand	21.61	21.28
Zambian kwacha/rand	670.25	673.52
Tanzanian shilling/rand	216.72	206.76
Mozambican metical/rand	3.78	4.56

FINANCING COSTS

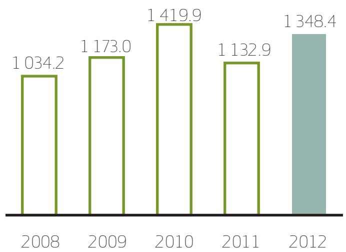
R million	2012	2011	Variance
Malawi	(19)	(26)	7
Zambia	(232)	(189)	(43)
Kilombero	(9)	(11)	2
Illovo South Africa	(58)	(65)	8
Ubombo	(102)	6	(108)
Maragra	(3)	(7)	4
Group operations	178	196	(19)
Total	(245)	(96)	(149)

Financing costs increased from the prior year as a result of renegotiating the Zambia Sugar loans into local currency facilities which are linked to the local T-bill rates, and the subsequent significant increases in T-bill rates. Additional financing costs arose out of the servicing of the expansion capital funding in Swaziland, whilst the prior year included significant exchange rate gains on facilities in Mozambique as a result of the strengthening of the metical.

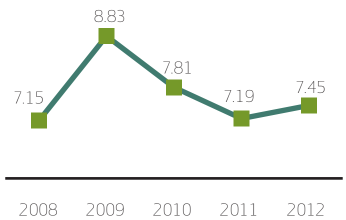
Gearing and return on net assets (%)



Cash operating profit (Rm)



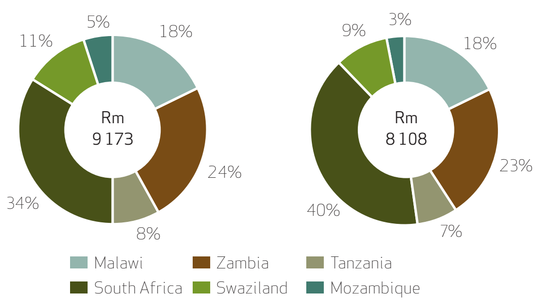
Average Rand/US Dollar rate



Revenue

2012: R9 173 million

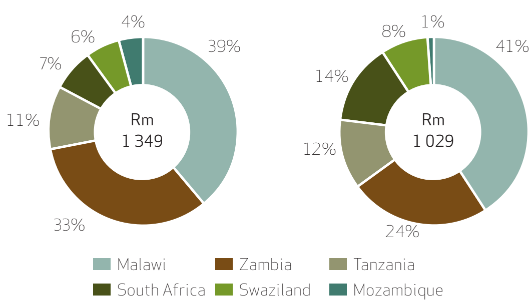
2011: R8 108 million



Operating profit

2012: R1 349 million

2011: R1 029 million



Taxation

The effective tax rate increased from 26.6% to 30.3% in the past year due to the following factors:

- The 2011 financial year included a net deferred tax credit for tax rate changes in Swaziland and Zambia of R40 million, bringing in the benefit of temporary differences on assets reversing during the tax holiday periods.
- The 2012 financial year includes a deferred tax credit of R26 million from Zambia due to a rate change for agricultural operations from 15% to 10%, but this was offset by a charge of R20 million as a result of writing off assessed losses created in the first years of the expansion that will expire before they can be utilised.
- In addition, the 2012 financial year includes a deferred tax charge of R6 million in Swaziland, relating to timing differences on expansion allowances which will reverse outside of the tax holiday period.

Effective tax rates	2012 (%)	2011 (%)
Normal tax	15.4	15.9
Deferred tax	10.0	4.5
Withholding tax	4.9	6.2
Effective tax rate	30.3	26.6

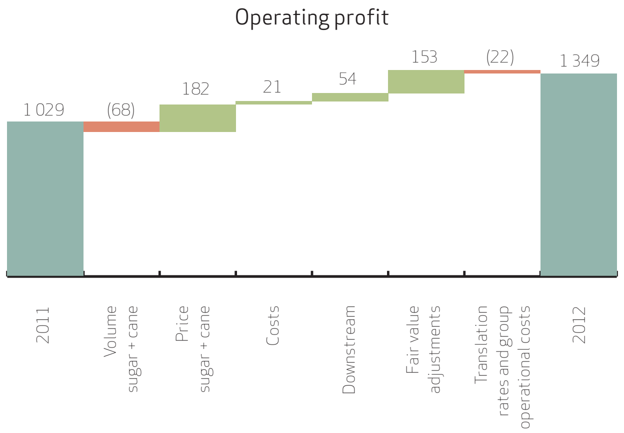
Headline earnings

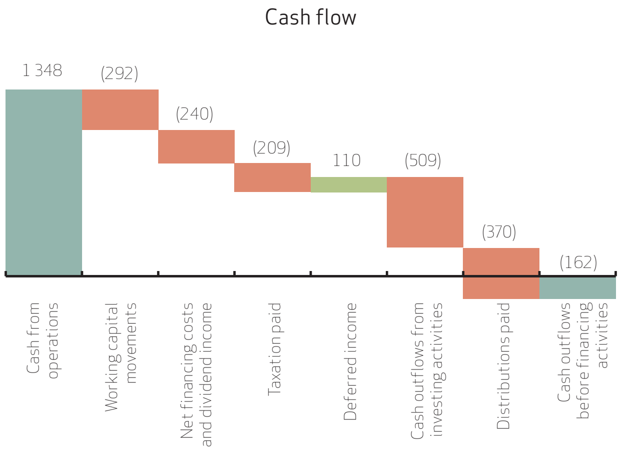
Headline earnings increased by 18% to R610 million (2011: R516 million). The weighted average number of shares in issue increased marginally by 75 240 shares to 459.9 million as a result of the issuance of shares in terms of the Illovo Sugar 1992 Share Option Scheme.

Cash flow

During the year under review, the group continued to focus on cash flows generated from operations with the intention of ensuring that Illovo's operating profit was more than covered by cash. To maximise cash flow generation across the group, management continued to focus on revenue enhancements and cost reductions, as well as optimising working capital requirements and minimising financing costs and taxation.

In the year under review the group's cash operating profit increased from R1 133 million to R1 348 million. The group invested R198 million in expansion capital projects which primarily relates to the construction of the distillery in Tanzania and the remaining assets for the Swaziland expansion. In addition, R239 million was spent on replacement capital. Distributions to shareholders totalled R370 million. The group's cash flows were funded by an equity inflow of R2 million and an increase in net borrowings of R160 million.





Borrowings

Net borrowings/(cash) is made up as follows:

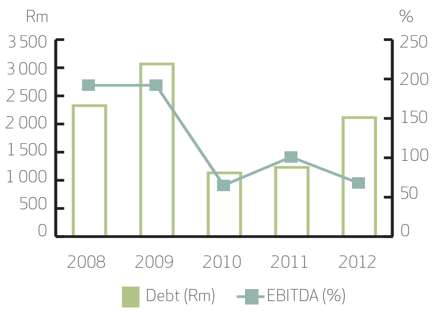
Rm	2012	2011
Long-term borrowings	1 545	235
Short-term borrowings	384	934
Bank overdraft	185	61
Total borrowings	2 114	1 230
Less: Cash and cash equivalents	(1 390)	(718)
Net borrowings	724	512
Increase in funding (excluding currency translation)	160	865

All capital projects are funded by each of the businesses, primarily in the same currency as the underlying project costs. Any residual funding is financed through group treasury which in turn is financed through the local debt markets. The group borrowings profile is long-term in nature, which reflects both the capital investment programme and the cash generated by the operations. Capital expansion projects are financed by a combination of floating and fixed rate long-term debt and are repaid from project cash flows.

The borrowings exposure at 31 March is analysed by currency as follows:

	2012 Rm	%	2011 Rm	%
Rand	12	1	405	33
US Dollar	115	5	390	32
Euro	9	0	20	2
Zambian kwacha	861	41	327	26
Tanzanian shillings	96	5	80	6
Malawian swacha	94	4	8	1
Mozambique metical	4	0	0	0
Swaziland emalangeni	923	44	0	0
Total borrowings	2 114	100	1 230	100

Borrowings to earnings before interest, tax and depreciation (EBITDA)%



Gearing increased to 10% which is well within the group's objective limit of 40%. The low level of gearing is expected to be maintained in the short term, however, over the medium to long term, in anticipation of large capital expansion projects, this gearing level would be expected to reach the objective limit.

At year-end, the group had total committed bank facilities amounting to R3 303 million, of which R1 568 million was drawn down. The group also has access to uncommitted facilities of R1 523 million. Cash on hand at year-end totalled R1 390 million, resulting in a net debt position of R724 million.

Shareholding and distributions

Trading activity by volume of shares traded on the JSE declined by 38% year-on-year. The share price declined by 6% from 2 685 cents to 2 533 cents at year-end.

The group has maintained the policy of paying a distribution to shareholders twice a year (interim and final), in aggregate twice-covered by headline earnings. The board believes that this distribution cover ratio is appropriate given the current and forecast cash generation, planned capital expenditure and gearing levels.

An interim capital distribution in lieu of dividend of 23.0 cents was paid and a final capital distribution in lieu of dividend of 43.0 cents has been approved. The distributions for the year increased by 18% to 66.0 cents per share, compared to 56.0 cents in 2011. In accordance with International Financial Reporting Standards, no liability has been raised for the final distribution. The source of the distribution is the capital reduction out of share premium and therefore the cost of the final distribution of R198 million has been transferred from share premium to a separate distribution reserve.

Return on net assets

The return on net assets for the group of 15.9% (2011: 13.8%) reflects the impact of the substantial investment in agricultural and factory expansion projects which are not yet fully utilised. A currency gain of R278 million arose on the translation of the group's foreign currency denominated net assets into rands.

Rm	Capital expenditure 2012 Expansion	Ongoing	Approved capital commitments 2013 Expansion	Ongoing	Total
Malawi		48	15	94	109
Zambia		35	10	67	77
Tanzania	124	25	256	45	301
South Africa	21	76	396	118	514
Swaziland	53	31	17	26	43
Mozambique		22	16	22	38
Group		2	20	24	44
Total	198	239	730	396	1 126

Capital expenditure and commitments

A summary of the group's capital commitments and approved capital expenditure as at 31 March is set out above.

The group continued to apply the following hurdle rates to new capital projects:

Internal rate of return	> 20%
Earnings before interest and tax (EBIT)/ capital at steady state	> 20 %
Payback period	< 7 years

These hurdles ensure that capital is applied to projects that give the best return on investment, but do not apply to ongoing capital expenditure on existing operations and in particular environmental capital in respect of which it is not always possible to demonstrate economic viability. Equity injections into the operating subsidiaries are considered from time to time as may be appropriate, in order to maximise shareholders' returns.

Financial controls

The internal control systems are designed to provide reasonable assurance against material losses and misstatement of financial results, and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is an important aspect of internal control. During the year under review, in line with King III, the internal financial control framework was further developed to improve the identification of financial reporting risks and to provide additional assurance that controls are adequate to address the risk of material misstatements of financial results.

Going-concern assertion

The board has formally considered the going-concern assertion for the Illovo group and is of the opinion that it is appropriate for the current year.

M H Abdool-Samad
Financial Director

For further information, please visit Illovo's website to view our 2012 financial results presentation.

Capital expenditure during the year under review amounted to R437 million, including R239 million spent on ensuring our factories are kept in sound condition, that strategic plant is adequately protected against breakdown, and that product quality meets global standards.

Gavin Dalgleish (46)
MScChemEng

Joined the sugar industry in 1988
Appointed to the board in 2011

Committees served
Member of Risk Management Committee
Member of Social and Ethics Committee
Member of Executive Committee

Operations review

The 2011/12 season was largely impacted by unfavourable weather conditions for cane growth, with sucrose levels generally lower across the group. Our South African operations were again impacted by the consequences of severe drought, while in Malawi and Zambia cane yields were lower than expected and operations in Tanzania were negatively affected by frequent rains. Only in Swaziland and Mozambique did we perform at the expected levels of agricultural output.

Key operational risks addressed

- Factory utilisation and performance

Exceptional input cost increases

- Adverse impact of above-inflation increases in operating costs, profitability and costs of capital projects impacting margins and long-term competitiveness

Contractor performance

- Failure of significant contractors to perform in accordance with contractual terms
- Delays in and/or unavailability of inbound and outbound logistics
- Fraud/corruption

Cane supply

- Inadequate supply of cane to meet production requirements in respect of quantity, quality and timing
- Climate changes and other factors affecting sucrose levels and yields

Refer to Summary of material sustainability risks on page 57 for further information.

Factory performance was generally pleasing, despite the lower cane quality experienced across the group. The operations in Malawi showed a marked improvement in time efficiencies, whilst our Nakambala factory in Zambia excelled to exceed post-expansion design crush rates. The Swaziland operation recovered well after the commissioning of the major factory expansion and co-generation project in April 2011, to finish the season with a strong milling performance.

Health and safety

The ongoing improvement in the group DIFR continues, with the frequency rate for the 12 months to March 2012 representing a year-on-year improvement of 45%. Group targets for the current year were again adjusted downwards in order to progress the improvement drive, focused on behavioural safety and the emphasis of employee involvement in the continuing development of safe working practices.

Recent notable achievements for the year to March 2012 include zero DIFRs at the Merebank and Glendale operations, together with the following injury-free milestones:

- 7.6 million man-hours at Nchalo agriculture – October 2011;
- 3.5 million man-hours at Nakambala agriculture – February 2012;
- 2.3 million man-hours at Nakambala factory – March 2012; and
- 5 million man-hours at Maragra agriculture – April 2012.

Country highlights

Malawi

The Malawi operations turned in a solid year of operating performance in the face of challenging macro-economics within the country and unfavourable growing conditions at Nchalo.

Dwangwa

The Dwangwa estate was one of our few mill supply areas unaffected by climatic conditions in the year under review, producing 684 000 tons of cane at expected yields and sucrose levels. The factory crushed a record crop to produce 120 000 tons of sugar. The mill performed consistently well with a satisfactory overall recovery of sugar from cane and good milling efficiencies.

Nchalo

The season was completed with estate cane production of 1 381 000 tons and sugar of 163 000 tons.

Cane yields towards the end of the season were disappointing primarily due to the reduced age of cane with a lower than budgeted sucrose content. However, the mill performance was consistent throughout the season with plant reliability at steady crush rates. The recovery of sugar from sucrose was lower than expected partly due to lower than anticipated cane quality.

The cane crop in the current season has benefited from strong growth in the summer rainfall period and taking into account the promising early-season milling operations, we expect a good performance from our operations in Malawi.

Zambia

The Nakambala estate produced a cane crop of 1 887 000 tons, whilst the expanded mill performed very well, to exceed design crush rates and to produce 374 000 tons of sugar.

Cane yields and sucrose levels on our irrigated estates were lower than forecast and reflected the trends experienced by our outgrower partners at Nakambala who produced 1 173 000 tons of cane.

There has been a positive start to the season with good climatic conditions and combined with the benefit of the improved cane age and a good milling performance, sugar production is expected to increase by around 8% compared to that of the previous season.

Our safety initiatives resulted in a 45% reduction of the group's DIFR compared to that of 2010/11.

Tanzania

An extended wet season in Tanzania disrupted harvesting operations at Kilombero resulting in only 660 000 tons of our own cane being supplied to the factory and a large area of cane being carried over for processing in the current year. Initiatives to promote the ongoing development of outgrowers in the Kilombero region have made very good progress over the past number of years with 500 000 tons of cane being supplied to the Ruembe and Msolwa mills.

Total production amounted to 113 000 tons of sugar from a disappointing factory performance impacted by wet weather.

Factory operations are focused on improving time efficiencies in the new season.

An early wage settlement and a concerted people engagement focus by management through our "Don't Stop the Mill" initiative have enhanced the already good levels of commitment and morale for the new season ahead.

South Africa

In the year under review, 441 000 tons of sugar and 242 000 tons of own cane were produced in South Africa. The second year of drought impacted the Illovo cane supply areas, resulting in reduced cane volumes and poor cane quality. The smaller crop size on the south coast of KwaZulu-Natal resulted in the Umzimkulu factory not opening for the season, with cane diverted to Sezela to maximise available factory capacity. Generally, factory performance at the remaining three mills suffered from the effects of the poor cane quality.

Factory reliability for the season was good at both Eston and Sezela but below expectation at Noodsberg. Recoveries at all three mills were below average primarily due to cane quality and a wet close to the season at Sezela. Noodsberg off-crop refining progressed smoothly to realise the benefits of the recent expansion.

Furfural production at the downstream plant at Sezela for the season increased by 21% to 19 220 tons, roughly half of which was used to produce 10 960 tons of furfuryl alcohol. Trials of bagasse imports from Eston were successfully conducted and form the basis of large-scale import plans from Eston and Umzimkulu during the current season.

The Merebank and Glendale distilleries maximised potable and industrial ethanol production from available molasses and continued to produce potable ethanol of world class quality. Merebank was again awarded a Grand Gold Quality Award at the 2012 World Quality Monde Selections. Having won three consecutive Grand Gold Awards, Merebank also received the International High Quality Trophy in 2012.

Good rainfall in March, particularly along the KwaZulu-Natal south coast, has provided sufficient soil moisture to sustain growth in spite of less than average recent rains. Early season indicators of cane quality suggest a recovery after the two consecutive drought years. Noodsberg, Eston and Sezela have seen cane quality in excess of budget purities and sucrose content.

Swaziland

In April 2011, the R1.2 billion Ubombo factory expansion and co-generation project was commissioned which, together with the significant development of small-scale grower cane production under the Lower Usuthu Smallholder Irrigation project, will ultimately see the factory producing more than 300 000 tons of sugar per annum. The project was delivered on time and significantly within budget, underlining our increasing capability to successfully deliver meaningful expansion and other projects. Significantly, the upgraded co-generation plant now supplies sufficient electricity for all of our agricultural, milling and other operations in Swaziland, and for supply to the Swaziland national grid, to which we exported around 33 GWh on a commercial basis during the 2011/12 season.

As was expected, early teething problems as the expanded plant settled in to steady state impacted upon sugar production, however, performance improved commensurately during the season with the factory crushing a record crop. Our own cane production was around 813 000 tons, with 600 hectares carried over into the current season for harvesting. Drier conditions and improved milling efficiencies towards the end of the season assisted Ubombo in producing 224 000 tons of sugar, representing a 13% increase over that produced last year.

Achieving further improvements in cane throughput, time and energy efficiencies, overall recovery of sugar from cane and maximising power exports to the national grid are key focus areas for the current season.

Mozambique

The Maragra season ended in November with 535 000 tons harvested at a record average yield of 99 tons per hectare. Combined with increased cane supplies from Maragra's outgrowers, the factory produced a record sugar output of 91 000 tons with good recovery of sugar from cane and improved factory performances adding to the accomplishment.

High rainfall in the catchment areas of the Incomati and Sabie Rivers in South Africa and Swaziland respectively, provided a test for the estate's flood defences in January 2012. With water flow reaching the third highest flood level recorded at Maragra over the past 75 years, the operations performed well to ensure there was no breaching of the protective dykes surrounding our estate operations. However, 150 hectares of outgrower cane in a different area were flooded resulting in some crop damage.

Good growing conditions have prevailed over the past three months and an above average crop is expected this season. Further improvements in milling performance are also expected.

"Towards Illovo Best Practice"

The group's Continuous Improvement (CI) initiative "Towards Illovo Best Practice" was launched during the year. At our head office in Durban, a number of initiatives are already underway, including a maturing sales and operational planning process as well as weekly meetings where improvement projects are presented by the various corporate functions. Clear and immediate executive direction as well as richer multifunctional input into projects have been the immediate benefits of these weekly sessions. The visual nature of the presentations provides clear accountability and a delivery focus.

The incremental roll-out of this initiative to operations has commenced at Nakambala in Zambia. A manufacturing best-practice specialist service provider has been engaged as the implementation partner to the Zambian team. Our partners have a proven track record of implementing and sustaining manufacturing best practices across Africa in similar partnerships with other multinational organisations. Within the operations, the focus is on engaging employees and providing systematic tools and techniques for them to drive down the cost base through ongoing performance improvement at all levels of the business.

Following the commissioning of the major capacity expansion and co-generation project at Ubombo in Swaziland in April 2011, the factory settled down well during the year to produce 224 000 tons of sugar in 2011/12, representing a 13% increase above that of last season.

Several improvement specialists from across the business are being developed in advanced improvement project methodologies. Importantly, a benefit capture and analysis resource within the corporate finance function will quantify the programme return.

Distillery in Tanzania

Construction on the potable alcohol distillery at the Kilombero sugar mill is well underway. The project embodies the group's ability to leverage capability across the business to deliver relatively low risk business growth.

Our ability to engineer construction projects of this nature across Africa is again evident in this project. The Tanzanian plant operators will be recruited at Kilombero and then relocated to Illovo's Glendale distillery for training in advance of the plant start-up in 2103. The East African market for the product has been built through the Merebank distillery's reputation for the supply of world class extra neutral spirit into global beverage brands. The potable alcohol from this project has already been contracted to an existing East African multinational beverage customer, currently supplied out of the Merebank distillery in Durban.

Biomass collection as fuel

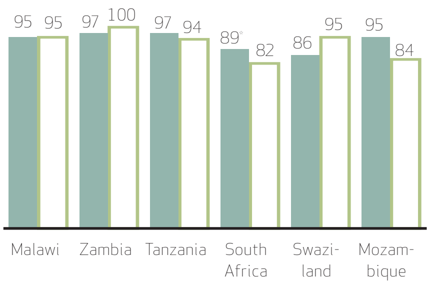
Illovo continues to pioneer the collection of cane leaves or trash as a supplemental and greenhouse gas emission-reducing fuel feedstock. Our knowledge base continues to be developed through biomass collection at both Ubombo in Swaziland and the Nchalo mill in Malawi.

The plant installed at Ubombo to separate mechanically harvested green cane trash biomass from cane billets is the first of its kind in Africa. During the past season, 23 000 tons of biomass were collected, with further development of the plant in the interim expected to double the amount of biomass collection in 2012/13.

At Nchalo, 19 000 tons of burned cane trash biomass were collected from the estate cane fields. The operation will be further improved to minimise cost.

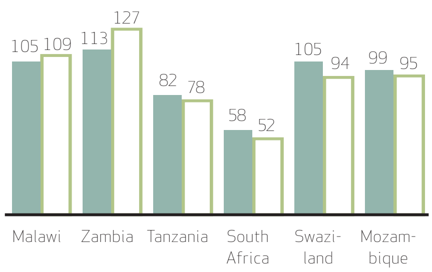
This intellectual property base positions Illovo well for potential new renewable electrical co-generation schemes across our countries of operation.

Group factory capacity utilisation (%)



* Excludes Umzimkulu which did not open due to drought

Group cane yields (tons cane per hectare)



We continue to pioneer the collection of green cane biomass as a supplemental and greenhouse gas emission-reducing fuel feedstock.

Larry Riddle (52)
BCom, CA(SA)

Joined the sugar industry in 1986
Appointed to the board in 2009

Committees served
Member of Social and Ethics Committee
Member of Executive Committee

Market review

Products

Illovo produces and sells a range of sugar, syrup and downstream products into domestic, preferential, regional and world markets.

Sugar

We sell a wide range of brown and refined sugar products to serve both our domestic and export customers. Our offerings include:

- **Industrial sugar:** Mainly in refined bulk form, sold primarily to soft drink, confectionery, canning and re-packing customers. Most of this sugar is sold into markets in the countries in which we operate.
- **Prepack sugar:** Refined and brown sugar which is prepacked in paper or plastic of various pack sizes for direct consumption in domestic markets. It is sold on to retail and wholesale customers and directly to consumers through our wide network of warehouses and distribution channels. In South Africa and Malawi, prepack sugar is marketed under the "Illovo" brand name, and in Zambia and Tanzania, under the "Whitespoon" and "Bwana Sukari" brand names respectively . In Swaziland and Mozambique, sugar is marketed on behalf of producers by their respective sugar associations.
- **Bulk raw sugar for refining:** Raw sugar which is primarily exported to sugar refineries via preferential access to EU and USA markets, or through world market sales out of South Africa.
- **Specialty sugars:** Sugar which undergoes additional or special processing to meet our customers' unique requirements pertaining to flavour, grain size and colour, which is exported into high-premium niche markets in the EU and USA. An increasing volume of these exports is marketed under the EU-based "Fairtrade" label with price premiums returning directly to promote agricultural development among emergent cane farmers in our own countries of operation. Relatively smaller quantities are sold into domestic markets.

Downstream

As part of Illovo's Strategic Intent to optimise the return on every stick of cane, a wide variety of niche, high-value downstream products are produced and marketed from the core commodity products of sugar cane-fibre, sugar and molasses. Downstream products include syrups, ethanol, furfural and furfuryl alcohol, diacetyl, 2.3-pentanedione, BioMass Sugar, agricultural nematicides and an increasing supply of electricity. Lactulose is also produced at Merebank in South Africa

Key market risks addressed

World sugar price fluctuations

- Exposure to pricing variations due to world sugar price volatility

Local market revenue

- Changes in market demand and supply

Regional market revenue

- Implementation of market protective measures

Exclusion from access to preferential sugar markets

Product safety and quality

- Inadequate product quality impacting reputation and sales
- Product liability exposure

Refer to Summary of material sustainability risks on page 57 for further information.

Domestic sales in the countries in which we operate represented 64% of total sales in 2011/12.

Commercial review

Favourable market conditions impacted positively on sales resulting in the group achieving revenues of R9.2 billion, an increase of 13.1% year-on-year, despite a 7% reduction in sugar production. Notwithstanding the challenges associated with lower sugar availability, our sugar business performed well. Improved pricing, an improved average rand/US Dollar exchange rate and other marketing-related initiatives resulted in sugar revenues growing by 12.1%.

The downstream operation, which is based primarily in South Africa, has a large export component which benefited from higher sales volumes and firmer prices, together with a more beneficial rand/US Dollar exchange rate.

Domestic revenues which generally afford the higher-priced returns provide the foundation of Illovo's marketing strategy. Sugar surplus to local markets is sold into preferential markets in the EU and the USA, and regional markets in Africa, whilst in South Africa, bulk raw exports to the world market are sold on behalf of Illovo through SASA. Export revenues from the downstream business represent more than 60% of total downstream revenue.

Sugar

Domestic markets

Sugar revenues continued to be underpinned by strong market shares in each of the domestic markets in which we operate, and in the year under review, domestic market sales represented 64% of total sugar sales volumes.

Total SACU market sales increased year-on-year by 9% to 2.1 million tons. Part of this good growth was attributed to the presence of local traders who purchased the sugar in South Africa and exported it to neighbouring countries. South African brown sugar was also delivered to Swaziland to supply its own domestic customers, thus freeing up the equivalent tonnage to be sold into the EU market at preferential premiums.

Notably strong domestic sales performances were achieved by Illovo in Malawi and Zambia. In Swaziland, sales reflected good growth due to an improved share of industry sales following the strong sugar production performance at Ubombo. Tanzania's domestic sales volumes, although less than recorded in 2010/11, benefited from improved prices. A challenging economic environment in Mozambique, with constrained consumer spending, resulted in industry domestic sales declining 15% compared to the previous year.

Good progress has been made in optimising our outbound logistics in a number of the countries in which we operate. In Malawi, the new distribution warehouse network has already resulted in tangible improvements being realised, despite the challenges associated with limited and erratic fuel supplies in that country. In South Africa, work has commenced with the construction of a new custom-designed central warehouse facility in Pietermaritzburg which will streamline the storage and distribution of sugar to all segments of the domestic market, at a lower cost to our group. This project is planned for completion in 2013.

Export markets

The lower sugar availability due primarily to the drought in South Africa, together with unseasonable weather in a number of the group's other countries of operation, constrained Illovo's ability to take full advantage of the higher world, regional and preferential market prices. Illovo exports sugar to 25 countries.

Regional markets

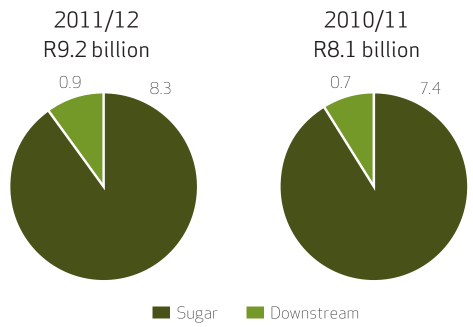
The higher world price in the early part of the 2011/12 season, coupled with a tight sugar supply situation in Europe, supported firmer regional market prices, with both Zambia and Malawi benefiting from improved market premiums.

Preferential markets

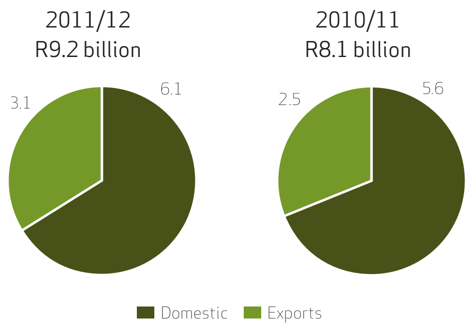
EU export market prices firmed in line with the tight sugar stocks position in Europe, despite attempts by the European Commission to initiate measures to alleviate the shortfall. These measures included allocating further volumes of out-of-quota sugar into the domestic market and allowing tranches of imported sugar into the Union on a reduced duty basis. Current marketing conditions in the EU are likely to continue due to the impact of reduced internal supply despite a bumper sugar beet campaign throughout most parts of the region. On this basis, EU prices are forecast to remain firm albeit lower than the prices prevailing last year.

Demand for our premium speciality sugars was strong and record sales were achieved. During the year, group preferential exports to the EU and the USA reached record levels of approximately 416 000 tons.

Group revenues: sugar and downstream



Group revenues: market



Sugar market segmental analysis		
%	2011/12	2010/11
Domestic markets	64	65
Preferential markets	27	18
Regional markets	8	11
World markets	1	6
Total	100	100

Downstream

Downstream operations continue to play an important and vital role in our business, with downstream revenues increasing by a pleasing 24% compared to that of 2010/11 on the back of higher production levels of furfural, improved market prices in all market segments and the benefit of a weaker exchange rate. Downstream revenues benefited from electricity exports to the national grid in Swaziland for the first time, signifying the commencement of an exciting new phase in our quest to extract as much value as possible from a stick of sugar cane.

Whilst the group's range of downstream products is primarily aimed at export markets, the Merebank and Glendale distilleries remain important suppliers of ethanol to the South African beverage, pharmaceutical, personal care, flavour, printing and packaging market segments. Relatively small volumes of furfural and its derivatives, including Crop Guard®, a furfural-based agricultural nematicide under the Agriguard range of products, as well as lactulose, a natural laxative, are sold in the local South African market. Illovo syrup, a well-known brand in the South African domestic market, retained its status as the market leader and the launch of the new peanut butter and syrup product has been well received by the trade.

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, ethanol and lactulose to more than 80 countries. MultiGuard Protect, a furfural-based agricultural nematicide derived from sugar cane, has been successfully registered for applications on turf with the Environmental Protection Agency in the USA and sales have been made to over 120 golf courses in the south east states with positive initial experiences. Furfural and furfuryl alcohol prices have eased from the record levels seen earlier in the calendar year.

DOWNSTREAM PRODUCTS	
Sezela downstream	
Products produced	Uses
Furfural	Mainly for the production of furfuryl alcohol and in lube oil refineries as an extractive solvent in the purification of base oils. It is also used for specialist applications such as the manufacture of grinding wheels, friction pellets for brake pads, crucible manufacture, and to a small extent as a flavour ingredient
Furfuryl alcohol	Used to produce a resin used in the foundry industry as a polymeric binder for foundry sands. It is also used for wood treatment, to produce acid-resistant coatings and certain pharmaceuticals, and as a flavour ingredient
Crop Guard®	Used as an agricultural contact nematicide, at plant and within the growing season
MultiGuard Protect®	Developed and marketed by Illovo's "Agriguard" business as an agricultural chemical under the trade names Crop Guard® in South Africa and MultiGuard Protect® in the USA
Protect®	Used prior to plant, as a nematicide and fungicide
BioMass Sugar®	Used as phytofortifiers/soil improvers or as a liquid organic fertiliser
Diacetyl	Used as an ingredient in butter flavourings
2.3-pentanedione	Used as an ingredient in butter flavourings and as an intermediate in the manufacture of pyrazines
Natural Methanol	Used in the manufacture of natural flavour ingredients

Merebank and Glendale ethanol distilleries	
Products produced	Uses
Ethanol **Potable extra neutral alcohol (ENA) – 96.4%**	A very high quality potable alcohol used by liquor industries for the production of branded alcoholic drinks (e.g. canes, vodkas, gins, rums, liqueurs and aperitifs)
Anhydrous alcohol – 99.9%	Used in the pharmaceutical industry to produce pharmaceutical intermediaries and products (e.g. in cough mixtures, alcohol is used to dissolve ingredients not able to be dissolved by water). Also used in surgical spirits, medical disinfectants, and in the production of solvents for use in the printing ink and flexible packaging industries
Rectified extra neutral alcohol (REN) – 96.4%	Also has pharmaceutical applications but mainly used in the personal care industry to produce cosmetics, hair care products, toiletries, fragrances and perfumes. In the food industry, it is used to produce flavours and spirit vinegar which is used in various pickling processes and in the production of condiments (e.g. tomato sauce, chutney, mayonnaise and salad dressings)
Industrial alcohol – 95%	Used in the production of methylated spirits, solvents and thinners
Lactulose *	Mild, natural laxative

* *Lactulose, a mild, natural laxative, is produced at Merebank utilising Illovo's significant fermentation technology expertise.*

Country operations: Markets

Malawi

During the year, the company achieved overall sugar sales of 292 000 tons, with approximately 58% of these being sold into the local domestic market under the Illovo-branded prepacked refined and brown sugar packs through the company's chain of distribution centres situated throughout the country.

The balance of 123 000 tons of sugar was exported to markets within Europe, the USA and regionally into neighbouring African countries. Malawi's speciality sugar remained in strong demand in both the European and USA consumer markets. EU market prices strengthened in response to the higher world sugar price and tight sugar supplies.

Transport logistics continued to present severe difficulties during the year in both the domestic and export markets with persistent fuel shortages, exacerbated by the shortage of foreign currency, hindering the efficient movement of sugar within the country and also to the ports for export.

Zambia

Domestic sales by Zambia Sugar increased from 143 000 tons in the 2010/11 season to 145 000 tons in 2011/12. The year was characterised by strong domestic economic fundamentals, a stable exchange rate and strong regional demand which supported higher prices and inhibited illegal imports from entering the country. Zambia Sugar again benefited from its well-established sugar marketing and distribution systems to reach all of its markets across the country.

The demand was strong due to consumption exceeding supply in the region and higher world market sugar prices. The season saw an increased tonnage of duty-free, quota-free sugar exports to EU markets, increasing from 108 000 to 156 000 tons.

Tanzania

Total sales of approximately 113 000 tons were down 12% on the previous year due to sugar production being negatively impacted by unseasonal weather. This was partially offset by an increase in local prices in response to a shortage of sugar in the region. The Tanzanian government awarded import licences in excess of 200 000 tons to address the apparent shortfall and by year-end imported sugar was entering Tanzania and prices have since stabilised.

South Africa

Illovo sells raw, brown and refined sugar, speciality brown sugars, syrup, furfural and its derivatives, potable and denatured ethanol, and lactulose into local and international markets. Illovo's domestic market sugar sales performance in 2011/12, given the reduced sugar availability for sale, particularly in the brown sugar sector, was pleasing. The group remains the major supplier of sugar to the South African industrial market. Regional market sales into the SACU, which has traditionally been supplied from Zimbabwe, were again boosted this 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 23 000 tons for the year, which were well below normal levels due to the impact of the drought. The average price realised by the industry, including hedging activities undertaken by SASA, was US25.41 cents/lb, representing a significant increase of US7.71 cents/lb compared to the previous year, due to the higher average world market price in 2011/12. South African sugar industry production in 2012/13 is expected to recover significantly due to the much improved cane crop. A total of 165 115 tons of world export sugar have been priced to date on behalf of the industry by SASA, at an average price of US23.8 cents/lb. Futures prices in early May 2012 for 2013 delivery are currently trading around US22.0 cents/lb.

Ethanol revenues improved in respect of export drum markets. Local sales also benefited from increased premiums, particularly into the personal care, flavourant, printing and packaging market segments and achieved good growth. Record lactulose sales were achieved.

Encouraging progress has been made in growing the Agriguard business which produces agricultural chemicals from furfural to combat nematode infestation in a wide range of agricultural crops and on turf at sports stadia and golf courses. The commercialisation of Agriguard in the USA commenced during the past year with sales to a number of golf courses taking place and good results being experienced.

Swaziland

Demand for Swaziland sugar in the SACU market remained strong. Swaziland continued to supply the EU markets with sugar in 2011/12 under duty-free, quota-free access. Revenues from EU sales during the season were impacted negatively by a weaker Euro, however, market prices have improved and will significantly benefit Swaziland and Ubombo in 2012/13.

Mozambique

A challenging economic environment in Mozambique, with constrained consumer spending, resulted in industry domestic sales declining 15% from the previous year. During the year, the value of the local currency strengthened notably against the Euro, the US Dollar and the rand. This had the effect of reducing export earnings in meticals.

World of sugar

International statistics: the world of sugar year runs from October to September					
2011/12 estimate	Production million tons	Exports million tons	Export ranking	Population millions	Per capita consumption
Brazil	39.014	27.590	1	203	61
India	27.837	2.911	4	1 263	19
EU	18.549	2.174	5	499	35
China	12.184	–		1 383	10
Thailand	11.347	8.520	2	70	38
United States	7.257	–		321	30
Mexico	5.467	1.000	8	113	34
SADC	5.435	1.960	6	263	13
Australia	5.167	3.061	3	22	49
Pakistan	5.109	–		196	21

Per capita consumption – kg/person

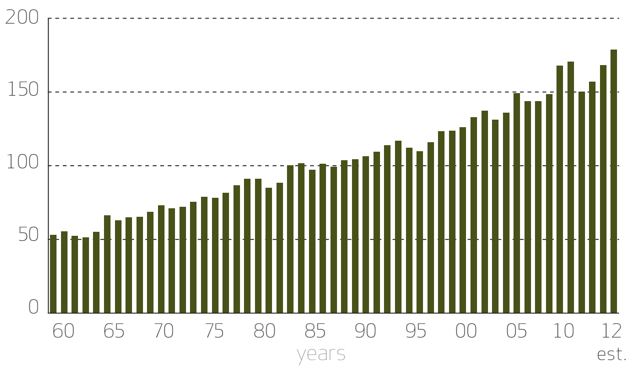
Sustainability

The global sugar industry is one of the world's oldest agriculturally-based industries, which is estimated to produce around 179 million tons of sugar in the 2011/12 international sugar season. Whilst many forces continually impact upon annual global production, a major sustainability feature of this industry is its historic and ongoing sugar consumption growth, which on average, increases by around 2% per annum. Africa, with its favourable agronomic conditions, has significant potential to contribute towards the production needed to meet this growing demand. Illovo, as a world-class, low-cost, highly efficient sugar producer, operating in Africa, is well-placed to participate in this ongoing growth opportunity. The following tables, graphs and data are intended to promote a broader understanding of the dynamic international circumstances in which the Illovo group operates.

Overview

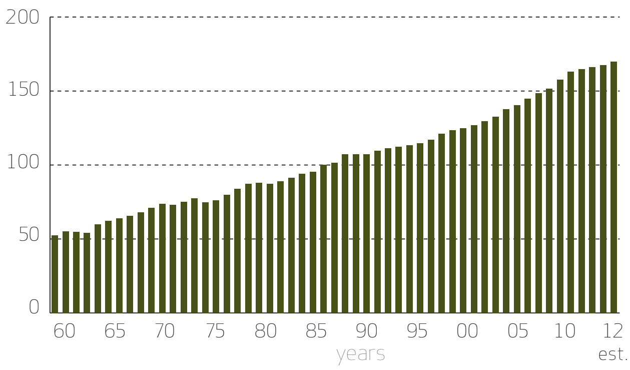
More than 100 countries produce sugar, about 78% of which is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere, and the balance from sugar beet which is grown mainly in the temperate zones of the northern hemisphere. Generally, the costs of producing 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: Czarnikow Sugar 2011/12, Oct/Sep basis.)

WORLD SUGAR PRODUCTION (million tons)



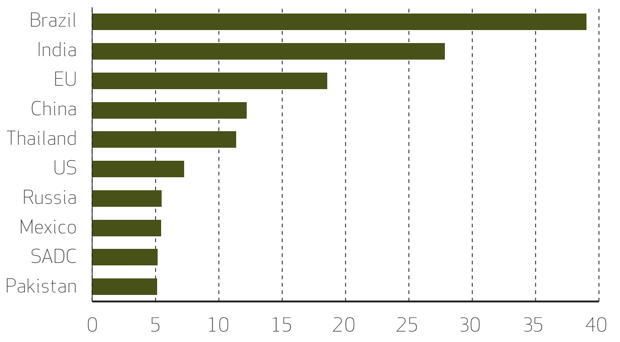
Global sugar production in 2011/12 is forecast at 179 million tons, representing a 7% increase compared to that of last year.

WORLD SUGAR CONSUMPTION (million tons)



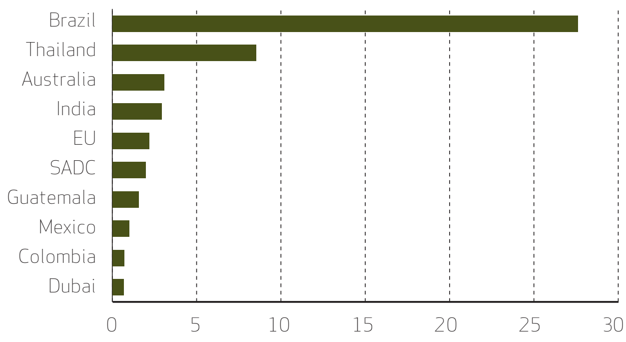
Global sugar consumption growth during 2011/12 is expected to increase by 1.5% due to greater sugar availability and lower prices than that of the previous year.

TOP SUGAR PRODUCERS 2011/12 est. (million tons)
(South Africa is a member of the SADC)



The rise in global sugar production expected in 2011/12 is supported by increased sugar output in the EU and India. The top ten producers account for around 77% of global production.

TOP SUGAR EXPORTERS 2011/12 est. (million tons)
(South Africa is a member of the SADC)

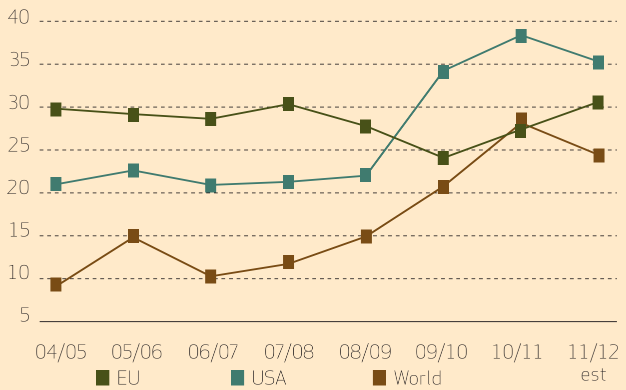


Around 70% of sugar production is expected to be consumed in the countries of origin, with the balance traded on world markets. The top five exporters account for 88% of total world exports.

WORLD RAW SUGAR PRICE (US cents per pound)

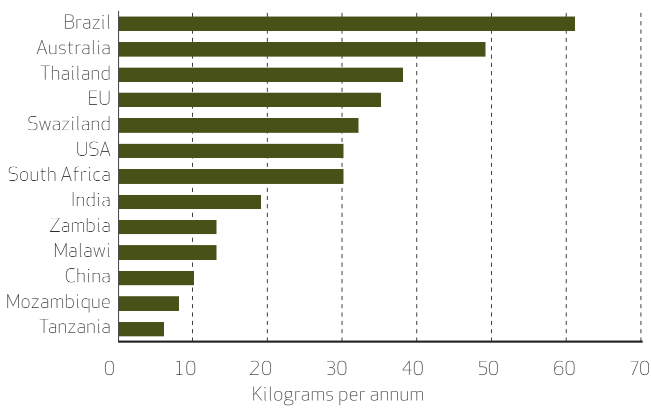
Despite a general decline in world sugar prices in 2011/12, longer-term supply and demand fundamentals are expected to underpin future prices.

PREFERENTIAL PRICES (FREE ON BOARD) (US cents per pound)



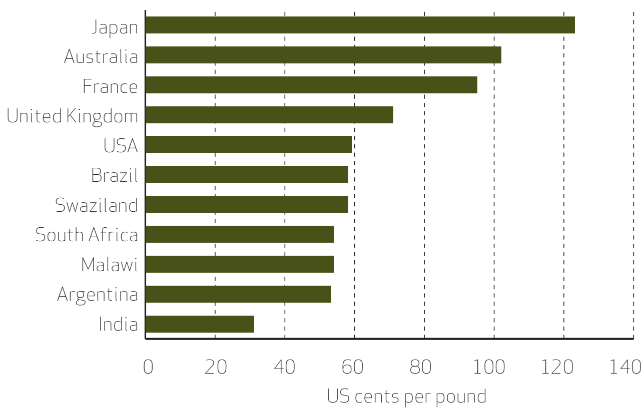
EU export market prices firmed during 2011/12 in line with the tight sugar stocks position in Europe. Prices are forecast to remain firm over the next 12 months.

PER CAPITA CONSUMPTION 2011/12 est.



Sugar consumption growth in Southern Africa is expected to be above the annual world average due to improving levels of disposable income.

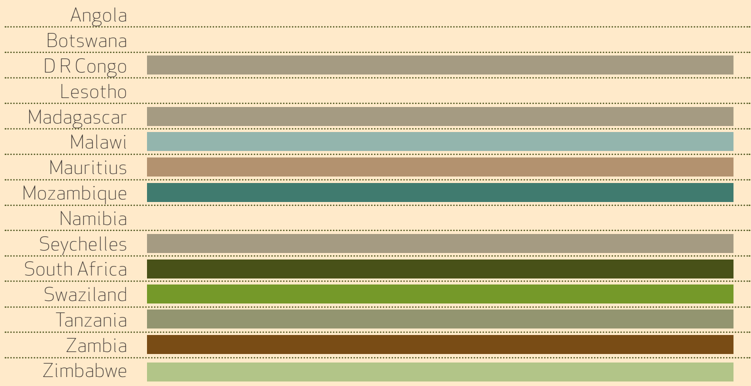
DOMESTIC RETAIL SUGAR PRICES 2011/12 est.



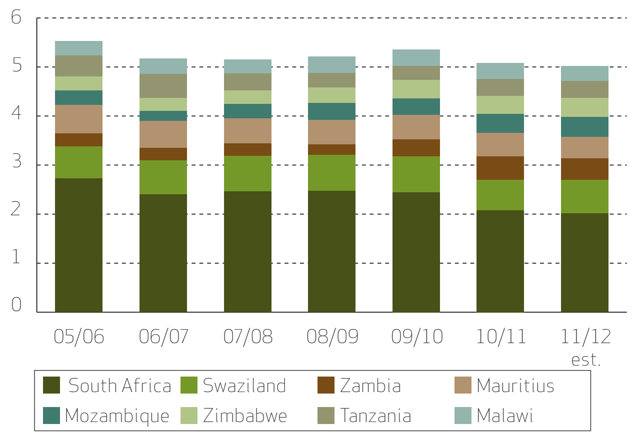
Sugar prices in the SADC region remain well below those of key developed countries.

South African development community statistics

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY – MEMBER COUNTRIES

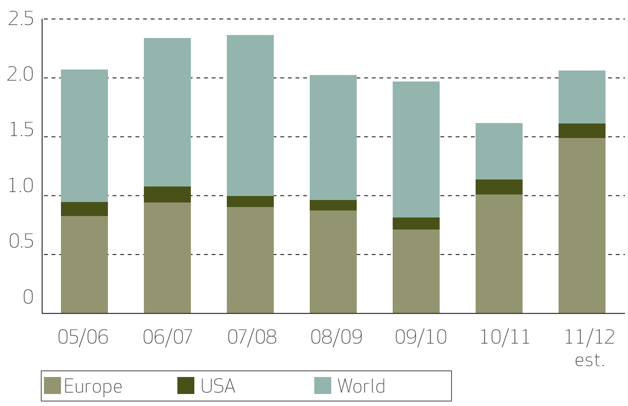


SUGAR PRODUCTION BY COUNTRY (million tons)



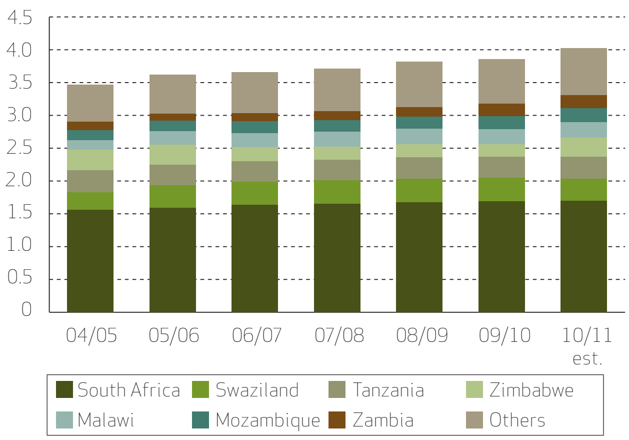
Sugar production in the SADC region is expected to fall further in 2011/12 due to the continued impact of a localised drought in South Africa in 2011.

EXPORT MARKETS (million tons)



Full advantage of firmer sugar prices in the EU is expected to be taken by SADC exporters.

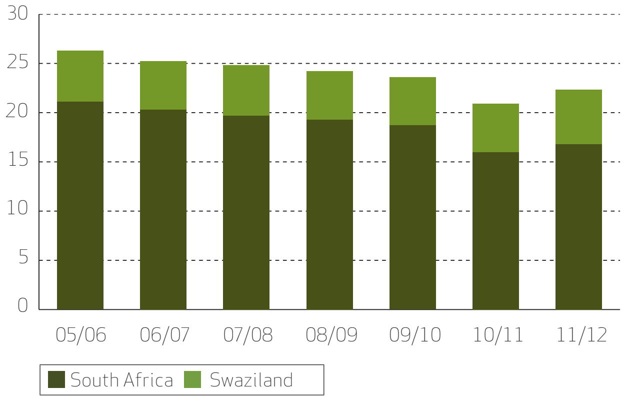
LOCAL CONSUMPTION (million tons)



Sugar consumption in the region is expected to increase by 7% compared to that achieved in 2010/11, breaching the four million ton level for the first time.

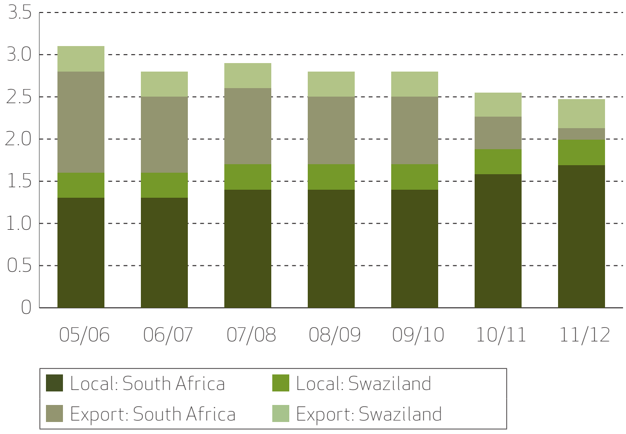
South African customs union statistics

CANE PRODUCTION (million tons)



Ongoing smallholder cane expansions under the Lower Usuthu Smallholder Irrigation Project resulted in increased cane production in Swaziland.

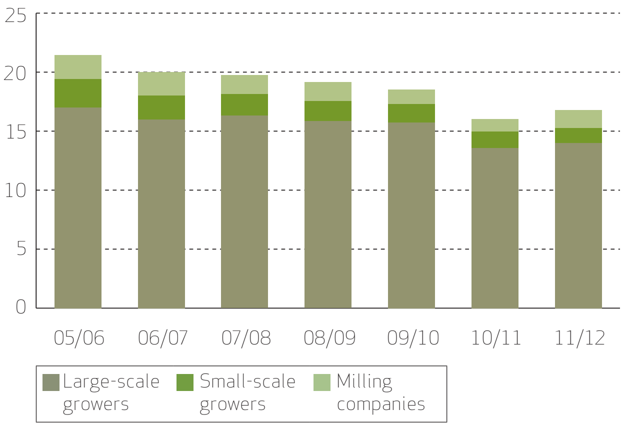
SUGAR PRODUCTION AND MARKETS (million tons)



The continued impact of severe drought in South Africa further reduced export availability, preventing producers from taking full advantage of generally higher world market prices in 2011/12.

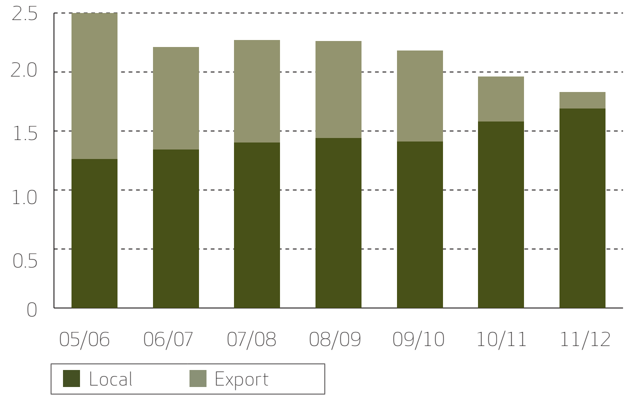
South Africa statistics

CANE PRODUCTION (million tons)



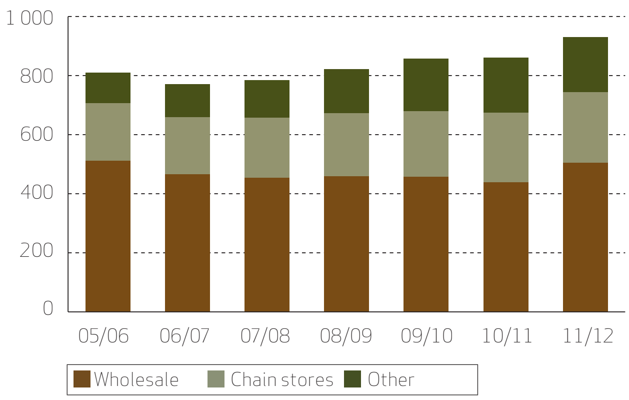
Cane production in the last two years was negatively impacted by severe drought conditions in the KwaZulu-Natal region.

SUGAR PRODUCTION AND MARKETS (million tons)



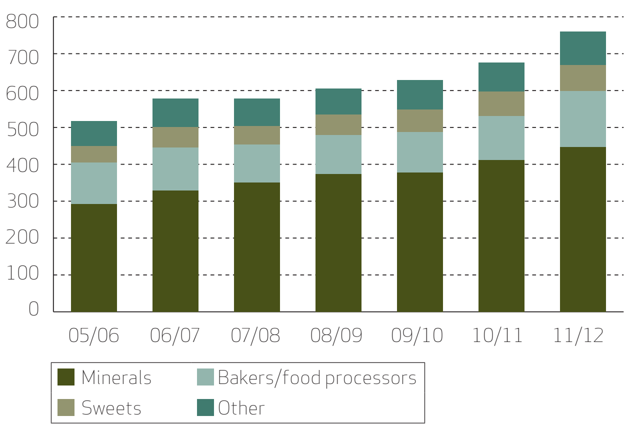
Total sugar production declined in line with the lower cane throughput. Industry domestic market sales reflected strong growth.

CONSUMER MARKET SALES (000 tons)



The increase in sales in 2011/12 was due largely to the activities of independent traders who resold South African purchased sugar into the SADC region at higher premiums.

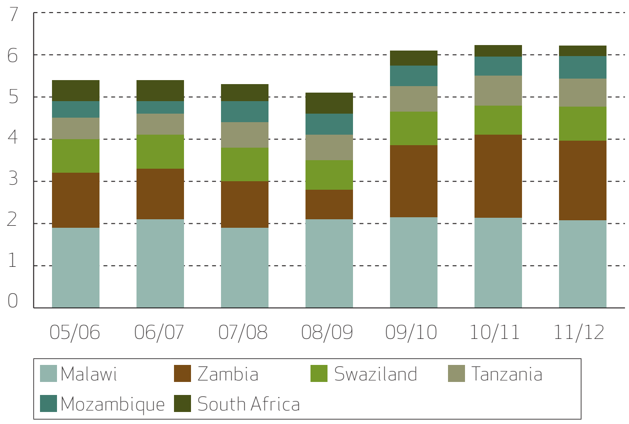
INDUSTRIAL MARKET SALES (000 tons)



The industrial market continues to reflect a steady and consistent growth in demand.

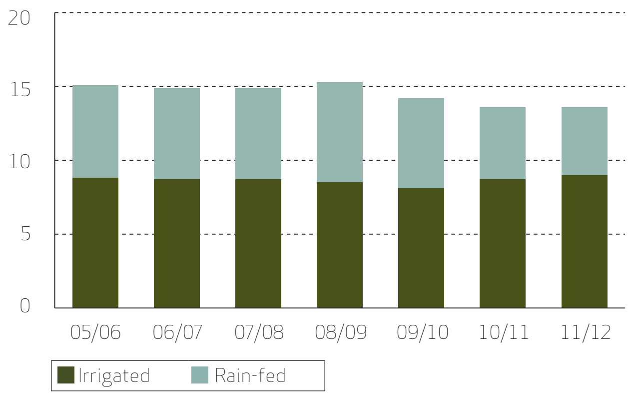
Illovo Group statistics

CANE PRODUCTION (million tons)



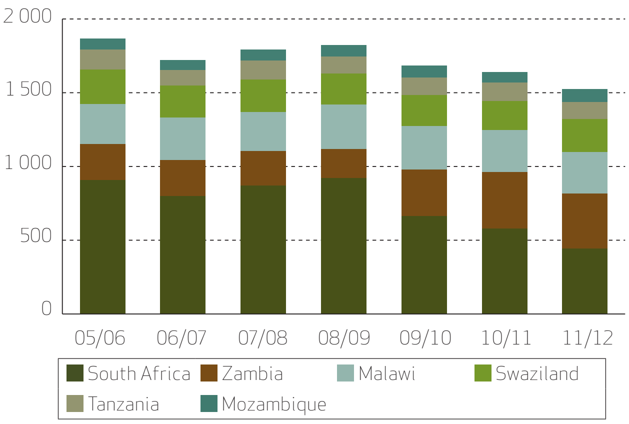
A total of 6.2 million tons of cane was produced on Illovo's estates despite a climatically challenging season.

RAW MATERIAL THROUGHPUT (million tons/including outgrowers)



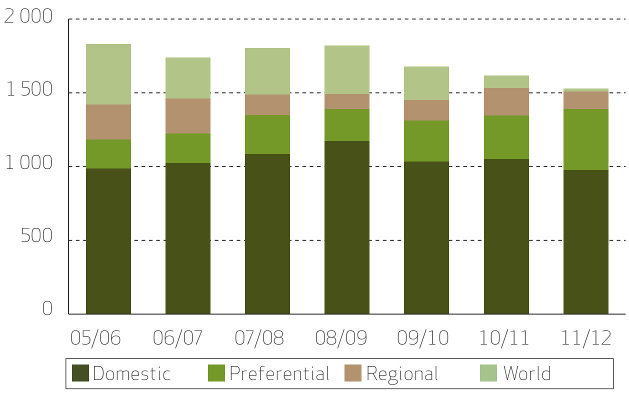
Around 66% of cane throughput provided by the group's own agricultural estates and by outgrowers is cultivated under irrigation.

SUGAR PRODUCTION (000 tons)



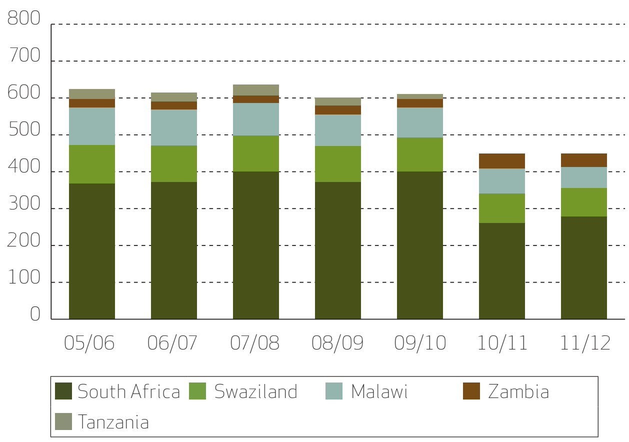
Sugar production in 2011/12 fell by 7% to 1.5 million tons, due largely to lower production in South Africa as a result of the continued impact of drought conditions.

GROUP MARKETS (000 tons)



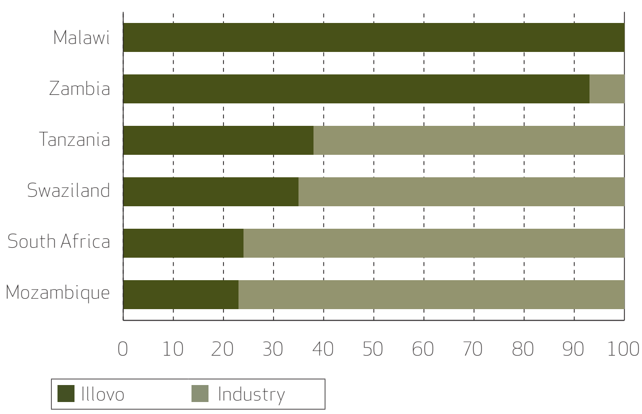
A total of 64% of total sugar sales was sold into domestic markets in 2011/12 via a range of bulk and pre-packed industrial and direct consumption sugars in both refined and brown sugar offerings.

REFINED SUGAR PRODUCTION (000 tons)



Refined sugar production was again impacted by reduced raw sugar feedstock due to the drought in South Africa, however, the performance of the newly-expanded Noodsberg refinery was good.

ILLOVO SHARE OF INDUSTRY PRODUCTION (%)



Consistent with the group's Strategic Intent, Illovo commands a significant share of production in each of the countries in which it operates.

Group profile

Illovo is a leading sugar producer and a significant manufacturer of downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The group produces raw and refined sugar for local, regional, EU, USA and world markets from sugar cane supplied by its own agricultural operations and from independent outgrowers who supply cane to Illovo's factories. High-value products manufactured downstream of the sugar production process are sold internationally into niche markets. Installed electricity generating capacity, fuelled by renewable resources, provides 89% of the group's energy requirements. Illovo is listed on the JSE Limited and is a subsidiary of Associated British Foods plc which holds 51% of the issued share capital.

Vision

The vision of the group is to be a world-class, low-cost and highly efficient organisation, operating on the African continent, adding value to its core products of fibre, sugar and molasses. We seek to enhance shareholder wealth and optimise growth, achieving a sustainable, balanced and integrated economic, social and environmental performance, whilst taking cognisance of the interests of our stakeholders.

Contents

Surrounded by raw, brown massecuite, the perfect sugar crystal emerges out of today's modern manufacturing process to provide Illovo with its 120-year prowess in brown and refined sugar production. But, more than this, we have also evolved to make use of every downstream product from this process; producing ethanol from molasses, furfural and its derivatives from bagasse and electricity from a combination of both bagasse and biomass. This, in a complex and challenging 21st Century, provides us with the ultimate key for long-term economic, environmental and social sustainability. More than sugar...

Scope of report

We are pleased to present Illovo's Integrated Report to stakeholders, reporting on the Illovo group's financial and non-financial performance for the year ended 31 March 2012. It incorporates the ongoing business activities of the cane, sugar and downstream operations of the company's subsidiaries located across six African countries: Malawi, Zambia, Tanzania, South Africa, Swaziland and Mozambique. There has been no change to the structure of the business during the past 12 months and therefore, the contents of this report further build on that previously reported in the 2011 Annual Report and the group's Sustainable Development Review 2010/11, and are comparable.

Information describing our agricultural, manufacturing and marketing activities has been provided on the basis of promoting understanding of the group's primary processes and providing an informed assessment of the group's ability to create and sustain value among our key stakeholders, including shareholders, investors, employees, trade unions, regulators including the JSE Limited, customers, raw material suppliers, most notably providers of sugar cane, other suppliers and service providers, governments, and communities and civil society. This report is also available on our website at www.illovosugar.com.

Whilst considerable care and attention has been paid to the compilation of this report, we acknowledge that our integrated reporting journey has just commenced and with time and experience, our goal is to make steadfast progress towards best practice in this area of reporting.

In compiling the report, we have considered the following:

- the Companies Act, 2008, which repealed the Companies Act, 1973, with effect from 1 May 2011;
- the Listings Requirements of the JSE Limited;
- the King Report on Governance for South Africa 2009 and, in particular, the principles contained in the King Code of Governance for South Africa 2009 (King III); and
- in addition to all of the above, and aligned to the group's aim to strengthen its integrated business approach, the Global Reporting Initiative's (GRI) G3 Guidelines, the Integrated Reporting Committee and the JSE's Socially Responsible Investment (SRI) Index 2011. An index of the GRI sustainability performance indicators is located on our website.

In respect of the annual financial statements, assurance has been provided by the independent external auditors, Deloitte & Touche. The sustainability section of the report has been externally assured by SustainabilityServices.co.za (see www.illovosugar.com), whilst individual components of other sections of the report, such as Illovo's Broad-based Black Economic Empowerment rating, have been audited by relevant accredited external verification agencies.

Approval of integrated report

The board acknowledges its responsibility to ensure the integrity of this report. The directors have collectively assessed the content and believe the report addresses all material issues and presents fairly the integrated performance of our group. The board has authorised the release of this report for 2012.

D G MacLeod
Chairman

G J Clark
Managing Director

24 May 2012

Forward looking statement

We continue to make steady progress towards our objective of increasing annual sugar production to more than two million tons by 2017. Our base business now enjoys greater sugar production capacity and further development of the downstream operations, thereby strengthening Illovo's long-term economic sustainability. Commissioning of the major expansion project at Ubombo in Swaziland in April 2011, following the successful expansion of the Nakambala factory in Zambia, establishes two of the region's largest and most efficient sugar mills. In South Africa, Illovo has developed a growth strategy to augment cane supplies which will lead to greater asset utilisation and improved opportunities for the diverse downstream operations. We recognise the need for maximum asset utilisation through increased cane supplies and enhanced factory performance. We have developed the necessary plans to achieve these goals in an environment of continuous improvement.

Incremental increases in sugar output provide the foundation for further development of our downstream operations. The power co-generation model at Ubombo has proven a viable proposition for replication at other sites, providing sufficient electricity from bio-renewable sources for all agricultural and factory requirements at the same time as supplying reliable power exports to the Swaziland grid on a commercial basis. Our interest in the production of bio-ethanol from molasses continues with the construction of a distillery adjacent to the Kilombero factory in Tanzania having commenced during the 2011/12 season, and with further progress made with investigations into producing ethanol for potable use or fuel blending programmes in Malawi and Zambia. Further advances in our furfural business have yielded positive results.

The strength of Illovo's business model lies in its ability to efficiently supply domestic markets in the countries in which the Illovo group operates, comprising 64% of sugar sales in 2011/12. Through our marketing and distribution expertise, we are also able to deliver sugar to European refiners, as well as finished pre-packed speciality sugars to other overseas markets. In aspiring to be the supplier of choice, Illovo has also become a regular supplier of sugar to neighbouring regional markets, comprising 8% of total sales in 2011/12. In Malawi, a new sugar distribution system has brought about tangible results in our efforts to supply sugar on a country-wide basis at a uniform price, whilst in South Africa a new sugar warehouse is being constructed in Pietermaritzburg, to serve as a central distribution point between Illovo's production facilities in KwaZulu-Natal and our retail and industrial customers across the country.

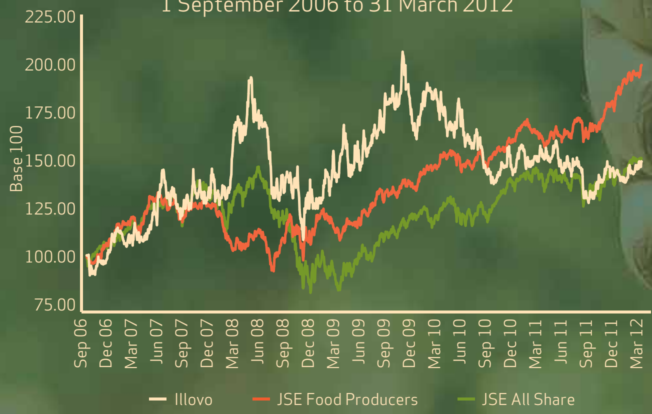
High quality ethanol produced from molasses is principally export-based from Illovo's ethanol operations in South Africa and, together with the new distillery under construction in Tanzania, will increase the group's continental reach. Illovo's access into potentially lucrative USA markets was further progressed during the year following the registration received for the use of furfural as a natural agricultural nematicide on golf courses and turf farms.

In pursuit of the goal to strengthen our integrated business approach, we have produced our first Sustainable Development Review (available on Illovo's website) which identifies key sustainability indicators across governance, economic, environmental and social parameters. Guided by best reporting practice, the management systems that have been employed across the group to identify and accurately collate relevant data for the purposes of assessment and the setting of future sustainability targets, have been a key outcome of this process. This stands Illovo in good stead as it formulates new strategies to support the group's long-term sustainability.

Key features

Cane production	↓	1%	6.2 million tons
Sugar production	↓	7%	1.5 million tons
Furfural production	↑	21%	19 220 tons
Ethanol production	↓	0.5%	55 200 kilolitres
Domestic sugar market sales	↓	7%	973 000 tons
Export sugar market sales	↓	1%	556 000 tons
Revenue	↑	13%	R9 173 million
Operating profit	↑	16%	R1 349 million
Operating margin	↑	16%	14.7%
Headline earnings per share	↑	18%	132.6 cents per share
Total distribution	↑	18%	66.0 cents per share
Cash operating profit	↑	19%	R1 348 million
Return on net assets	↑	15%	15.9%

Comparative share prices:
Illovo, JSE All Share and JSE Food Producers Index
1 September 2006 to 31 March 2012



Key production and market statistics
for the year ended 31 March 2012

Our factories crushed
13.64m* tons
of company and outgrowers' cane (2011: 13.58m tons)

Furfural and furfuryl alcohol output increased by **21%** (2011: 15 900 and 9 000 tons respectively)

We supplied almost **1m tons** of sugar to domestic markets

Employee training and human development spend in 2011/12 – **R45m** (2011: R57m)

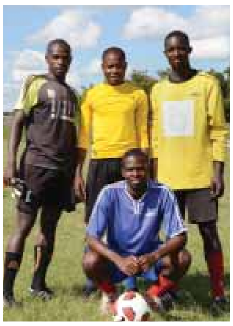
Revenue of **R1 247m** earned by emergent growers through partnerships that support sustainable agriculture

Construction commences on **12m litre** ethanol distillery in Tanzania

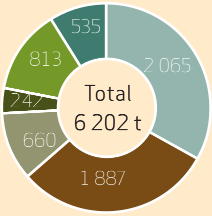
We produced **1.5m tons of sugar** (2011: 1.6m tons), despite lower cane availability in four countries

Our group business understanding programme is presented to **29 000** permanent and seasonal employees

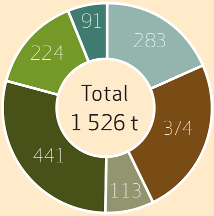
A record **7.6m** accident-free man hours are achieved by the Nchalo agriculture



Own production ('000 tons)

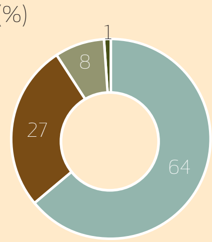


Sugar production ('000 tons)



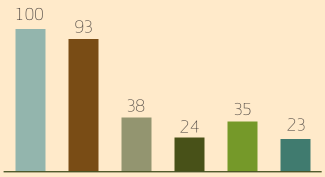
Malawi · Zambia · Tanzania · South Africa · Swaziland · Mozambique

Group sugar markets (%)



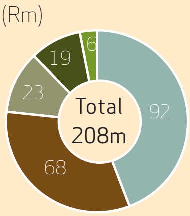
Domestic · EU and USA preferential · Regional · World

Share of industry sugar production (%)



Malawi · Zambia · Tanzania · South Africa · Swaziland · Mozambique

Group social investment spend (Rm)



Accommodation · Health care · Education · Community · Environmental initiatives

Downstream production (South Africa only)

Furfural	tons	19 220
Furfuryl alcohol	tons	10 960
Diacetyl	kilograms	95 000
Lactulose	tons	7 800
Ethanol	kilolitres	55 246
Syrup	tons	5 873
Agriguard	kilolitres	586

In South Africa, Illovo re-confirmed as a **Level 5 contributor** relative to Codes of Good Practice on Black Economic Empowment

Medical care provided to employees and dependants at **24 primary health care clinics and 4 hospitals**

251 The total employee complement of Umzimkulu and the number of jobs saved when not opened due to drought in 2011

96% of senior management completed our Anti-Bribery and Corruption training and assessment module

Our group safety record is further enhanced with a **45% reduction** in the disabling injury frequency rate to 0.24

Merebank and Glendale distilleries achieve **OHSAS 18000:2007** accreditation under Occupational Health and Safety Management System

Senior management employed from own country of citizenship increases to **61%** (2011: 51%)

89% of group's energy requirements provided by renewable sources

Of R3 154m wealth created, **R1 624m** was distributed to our own employees and R328m to governments as taxation

33GWh The amount of electricity exported to Swaziland's national grid by Ubombo in 2011/12, exceeding minimum contract commitments

Social benefits to employees and our neighbouring communities amount to **R208m** (2011: R143m)

*m = million

Recipes for growth

Lush, healthy green sugar cane, a large grass variety which during its seven to ten-year lifespan, absorbs carbon dioxide from the atmosphere, replacing it with pure oxygen to give life to all living things. This natural plant is the lifeblood of our operations across six African countries where, during the year under review, we cultivated and delivered 6.2 million tons of cane to our 11 factories for processing into sugar.

Group key performance indicators

for the year ended 31 March 2012

Financial

Increased operating margin of

14.7%

(2011: 12.7)%

Group revenue increases to

R9 173m

(2011: R8 108m), despite lower sugar production

Operating profit grows by

31%

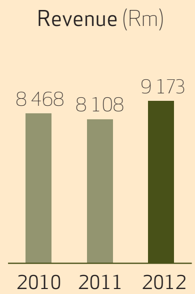
to R1 349m

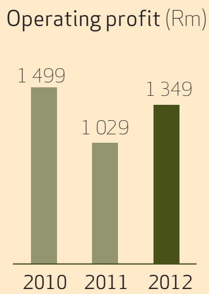
(2011: R1 029m)

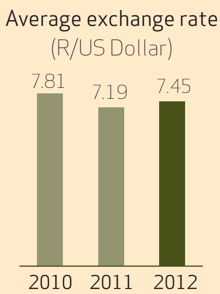
We

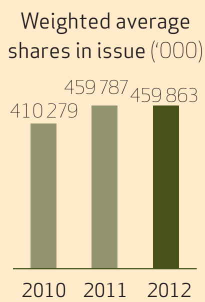
benefited

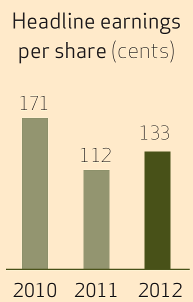
from a favourable market environment and strict cost control measures

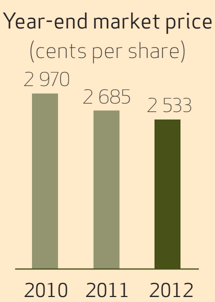












Our key strength – strong cash operating profit of

R1 348m

(2011: R1 133m)

Headline earnings per share

132.6 cents

18% increase over last year

Non-financial

Record sugar production of

91 000 tons

at Maragra in Mozambique

Increased sugar production at Ubombo in Swaziland of

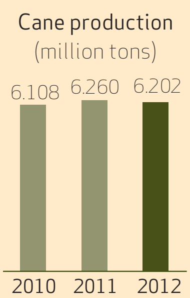
224 000 tons

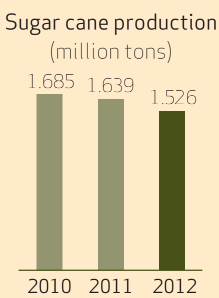
after expansion

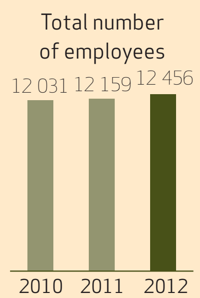
Zambia Sugar achieves

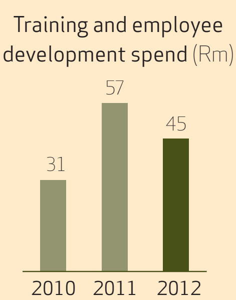
excellent

milling performance in 2011/12









Our power co-generation and bio-ethanol projects across the group are

gaining momentum

We sourced

75% of our group procurement needs from local country suppliers, amounting to R2 228m

Our annual report is upgraded from "adequate" to

"good" in Ernst & Young's "Excellence in Corporate Reporting 2011" awards

In South Africa, we are included in the JSE's Socially Responsible Investment Index for the

fifth year in succession

m = million

Recipes for sustainability

Removed of all its sucrose-containing moisture, residue cane fibre called bagasse, is routed to the factory boilers where it is used to generate electricity for our own milling, agricultural and other operations, and in Swaziland, is exported commercially into the national power grid, ultimately to comprise around 15% of that country's total electricity supply by 2015.

Captured before entering the boilers, our downstream plant at Sezela extracts woody plant material from bagasse to produce furfural and its many derivatives, including an environmentally-friendly agricultural chemical to control nematode infestation of agricultural food crops and turf. Combined with the production of high-quality ethanol from molasses trapped in the sugar manufacturing process, these operations contributed R146.7 million to total operating profit in 2011/12.

Group structure

Associated British Foods plc

51.5%

ILLOVO SUGAR LIMITED

AB Sugar, as a division of Associated British Foods plc (ABF), represents ABF in respect of all its sugar interests, including Illovo

Malawi

Illovo Sugar Malawi

76%

Zambia

Zambia Sugar

82%

Tanzania

Kilombero Sugar

55%

South Africa

Illovo Sugar SA

100%

Swaziland

Ubombo Sugar

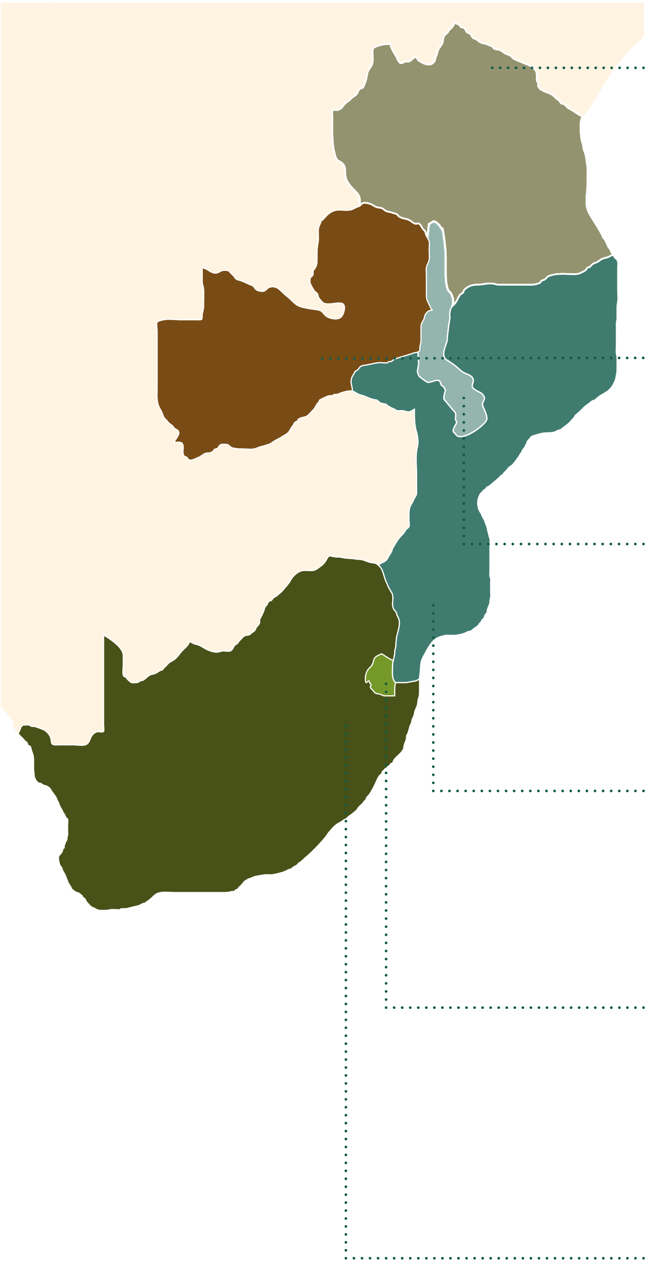
60%

Mozambique

Maragra Açúcar

90%

Group locations



Tanzania
- Irrigated sugar cane estates
- Two sugar factories
- Construction of ethanol plant commenced in 2011
- Internal electricity generation

Zambia
- Irrigated sugar cane estates
- One sugar factory and refinery
- Speciality sugar production
- Internal electricity generation

Malawi
- Irrigated sugar cane estates
- Two sugar factories and refineries
- Speciality sugar production
- Internal electricity generation

Mozambique
- Irrigated sugar cane estates
- One sugar factory
- Internal electricity generation

Swaziland
- Irrigated sugar cane estates
- One sugar factory and refinery
- Internal electricity generation
- Electricity exports

South Africa
- Three rain-fed sugar cane estates
- Four sugar factories, one including a refinery and 30% share in managed operation (including a refinery)
- Three downstream plants and 50% share in ethanol distillery
- Speciality sugar production
- Internal electricity generation

Strategic Intent

To:

- be the leading sugar and downstream products operation in Africa, an increasing global supplier 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 a sustainable 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.

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 sustainable, balanced and integrated economic, social and environmental performance.
- To provide all employees with a working environment that is safe and without risk to their health.

Growth

- To profitably 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 distribution/dividend cover of at least two 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 not exceeding gearing of 40% over the long term and achieving an interest cover of not less than five times.

Product development

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

Group strategy

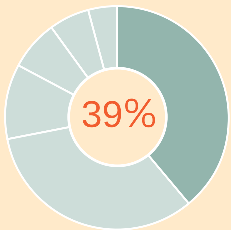
Objectives	Performance	Group assessment	Our future objectives
Primary objective			
Wealth creation	We took every advantage of good market conditions to improve headline earnings by 18%, despite lower sugar output	Achieved	Drive revenue growth from our expanding capacity base, maximising returns from innovative marketing initiatives to improve margins
Growth			
Increase sugar production to 1.8 million tons in 2011/12	Increases in cane production in three countries of operation were not sufficient to offset the further decline in production from our drought-affected South African operation, together with lower production in Zambia and Tanzania. Total production – 1.5 million tons	Not achieved	We have launched a major strategic initiative to return cane yields to pre-drought levels in South Africa which, together with increased production from expanded agricultural and milling operations, is forecast to increase sugar production in 2013 by 20%, with our long-term goal of reaching two million tons of sugar by 2017
Increase domestic market presence and maximise sales to premium-priced markets	Our revenues from the sale of sugar and downstream products increased by 13% year-on-year to R9.2 billion, underlining a highly successful marketing performance	Achieved	Our focus is fixed on developing our brands and route to market, and recently have included initiatives to improve our outbound logistics in Malawi, Zambia and South Africa
Maximise the return from every stick of cane	Increased bagasse throughput at Sezela sees a 21% rise in furfural production, whilst our electricity exports to the Swaziland national grid exceed minimum contracted commitments	Achieved	Combined with our existing furfural business, Illovo's increasing molasses beneficiation initiatives see construction commencing on an ethanol distillery in Tanzania, with further interests in ethanol production for fuel blending in Zambia and Malawi being investigated. Co-generation of electricity remains our major drive so as to become self-sufficient in power supplies
Increase downstream revenues by maximising sales to higher-priced markets and developing new products	Downstream revenues increased by 24% year-on-year on the back of higher production levels of furfural, improved market prices in all market segments and the benefit of a weaker exchange rate	Achieved	Continued effort to drive downstream business to deliver increased margins in 2013, with electricity exports playing a key role
Sustainability			
Achieve sustainable, balanced integrated performance	2012 sees the publication of our first full sustainability review which identifies key sustainability indicators across governance, economic, environmental and social parameters	Achieved	The management systems employed in the process of identifying and accurately collating relevant data for the purposes of assessing and setting future sustainability targets has been a key outcome of this process
Provide a safe working environment for all our employees, without risk to their well-being	Our ongoing group-wide safety drive results in a 45% decline in Illovo's Disabling Injury Frequency Rate, surpassing the set target for 2012	Achieved	Our long-term safety goals are reviewed every quarter and new, more stringent annual targets are set at the commencement of every new season

Strategic and operational accountability

MALAWI

Business profile
- Illovo Sugar (Malawi) Limited, listed on Malawi Stock Exchange
- Two agricultural estates: two factories and two refineries
- Produces raw and refined sugar, speciality sugars
- 5 400 permanent employees
- 4 529 seasonal agricultural workers
- DIFR: 0.18 (2011: 0.40) (group target: <0.5)

Contribution to operating profit



Normal season production
- Own cane: 2.3 million tons
- Total throughput: 2.5 million tons cane, including outgrowers
- Sugar: 320 000 tons

Areas of operation
- Corporate office – Limbe
- Dwangwa – Mid-central region
- Nchalo – Southern region

Objectives 2011/12
- Consolidate operational performance
- Increase sugar production to more than 300 000 tons
- Further evaluation of expansion opportunities
- Consideration of ethanol investment opportunities
- Best practice benchmarking and transfer

Performance
- Growing conditions and cane quality impacted by minor climatic challenges
- Marginal cane developments at both estates
- Improved mill efficiencies and recoveries
- Sugar production: 283 000 tons (2011: 282 000 tons)
- Good regional sales supported by introduction of direct consumption and industrial sugars
- Higher EU prices
- Average cane yield: 105 tons cane per hectare (2011: 109 tons)
- Average factory capacity utilisation: 95% (2011: 95%)

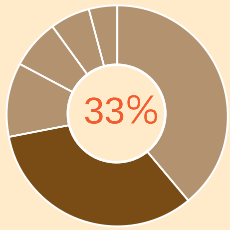
Risk areas
- Weather conditions
- Currency movements – impact on realisations and costs
- Forex shortages/Kwacha devaluation
- World price – impact on regional prices
- Transport costs to market – increased fuel oil price
- Sugar imports

Objectives 2012/13
- Optimise milling performances
- Increase sugar production to >310 000 tons
- Potential packaging improvements evaluation
- Capitalise on growing markets
- Implementation of group Continuous Improvement initiative
- Review of procurement cost base

ZAMBIA

Business profile
- Zambia Sugar plc, listed on Lusaka Stock Exchange
- One agricultural estate: largest capacity factory in Illovo group: one refinery
- Produces raw and refined sugar, speciality sugars, syrup
- 1 848 permanent employees
- 3 530 seasonal agricultural workers
- DIFR: 0.47 (2011: 0.48)

Contribution to operating profit



Normal season production
- Own cane: 2 million tons
- Total throughput: 3.4 million tons cane, including private growers
- Sugar: >400 000 tons

Areas of operation
- Corporate office – Lusaka
- Nakambala – South-western region

Objectives 2011/12
- Further build on improving operational performance
- Increase sugar production to more than 400 000 tons
- Investigation of long-term opportunity to produce ethanol for fuel blending
- Best practice benchmarking and transfer

Performance
- Realignment of growing area resulted in harvesting of younger cane, thereby reducing throughput
- Excellent milling season, crushing above design capacity and achieving recoveries greater than in 2011
- Sugar production: 374 000 tons (2011: 385 000 tons)
- Good regional sales supported by introduction of direct consumption and industrial sugars
- New procurement regime delivers cost efficiencies
- Average cane yield: 113 tons cane per hectare (2010: 127 tons)
- Factory capacity utilisation: 97% (2011: 100%)

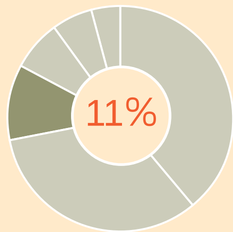
Risk areas
- Weather conditions
- Currency movements – impact on realisations and costs
- World price – impact on regional prices
- Transport costs to market/logistics
- Sugar imports

Objectives 2012/13
- Improvement in cane volumes
- Increase sugar production to >410 000 tons
- Molasses beneficiation project under evaluation
- Implementation of group Continuous Improvement initiative

TANZANIA

Business profile
- Two agricultural estates: two sugar factories, treated as one enterprise
- Production of raw sugar
- 879 permanent employees
- 2 156 seasonal agricultural workers
- DIFR: 0.07 (2011: 0.45)

Contribution to operating profit



Normal season production
- Own cane: 755 000 tons
- Total throughput: 1.2 million tons cane, including private growers
- Sugar: 140 000 tons

Areas of operation
- Centre-south region

Objectives 2011/12
- Completion of agricultural upgrade projects to enhance cane yields
- Further increases in cane and sugar (>130 000 tons) production
- Complete potable alcohol distillery
- Further assist outgrowers in cane supply initiatives
- Best practice benchmarking and transfer

Performance
- Extended wet season disrupted harvesting and resulted in carry-over cane
- Good progress towards completion of agricultural projects
- Factories operated well although constrained by reduced cane supply
- Construction of potable alcohol distillery commenced
- Continued deficit market; imports to satisfy demand
- Sugar production: 113 000 tons (2011: 127 000 tons)
- Average cane yield: 82 tons cane per hectare (2011: 78 tons)
- Average factory capacity utilisation: 97% (2011: 94%)

Risk areas
- Weather conditions
- Strength of local currency
- Illegal/uncontrolled sugar imports
- Tanzania a net importer of sugar – control of process
- Outgrower long-term cane supply

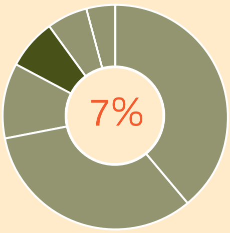
Objectives 2012/13
- Sugar production to >130 000 tons
- Evaluation of marginal mill expansion
- Continued safe construction of distillery
- Support EU-funded outgrower irrigation trial

SOUTH AFRICA

Business profile

- Three agricultural estates: four sugar factories: one refinery, three wholly-owned downstream plants/50% share in distillery. 30% investment in a further sugar factory and refinery
- Produces raw and refined sugar, syrup and downstream products
- 2 052 permanent employees
- 1 841 seasonal agricultural workers
- DIFR: 0.52 (2011: 0.62)

Contribution to operating profit



Normal season production

- Own cane: 360 000 tons
- Total throughput: 5.5 million tons cane, including private growers
- Sugar: 670 000 tons
- Furfural 20 500 tons; Furfuryl alcohol 11 500 tons; Diacetyl 150 000 kgs; 2.3-pentanedione 8 500 kgs; Agriguard products 900 kls; Ethanol 55 500 kls; Lactulose 9 000 tons; Syrup 6 200 tons; Treacle 1 800 tons

Areas of operation

- KwaZulu-Natal
- Group head office

Objectives 2011/12

- Maximise use of installed capacity at operating mills
- Improve cane quality/maximise factory efficiencies
- Increase cane supplies
- Progress downstream business opportunities

Performance

- Measures to assist post-drought recovery
- Umzimkulu mill – not open for season due to drought, other mills operated well with refinery operating at close to capacity
- Drought-affected sugar production of 441 000 tons (2011: 578 000 tons)
- Construction of central sugar warehouse commenced
- Sugar sales – largely domestic
- 21% increase in furfural and furfuryl alcohol production
- Ethanol production maximised from available molasses
- Registration of Multiguard Protect (natural agricultural nematicide) for food crops in USA being persued
- Average cane yield: 58 tons cane per hectare (2011: 52 tons)
- Average factory capacity utilisation: 89% (excluding Umzimkulu which did not open), (2011: 82%)

Risk areas

- Weather conditions
- Ongoing cane supply
- Resolution of land claims
- Rand strength/currency movements
- Sugar industry review discussions with government

Objectives 2012/13

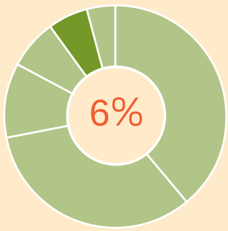
- Realisation of sustainable production strategy
- Increase cane supplies
- Increase sugar production above 600 000 tons
- Expansion of downstream business opportunities

SWAZILAND

Business profile

- One agricultural estate, factory and refinery
- Produces raw and refined sugar, direct consumption sugars marketed by Swaziland Sugar Association
- Commissioning in April 2011 of major factory expansion and power co-generation project
- 1 256 permanent employees
- 1 394 seasonal agricultural workers
- DIFR: 0.29 (2011: 0.21)

Contribution to operating profit



Normal season production

Post expansion:

- Own cane: 900 000 tons
- Total throughput: 2.2 million tons cane, including private growers
- Sugar: 250 000 tons (further planned cane developments over the medium-term to increase sugar production to more than 300 000 tons)

Areas of operation

- South-eastern region

Objectives 2011/12

- Realise agricultural and factory production gains – 240 000 tons sugar
- Consolidate electricity supply to Swazi grid
- Progress registration for carbon credits under Clean Development Mechanism
- Facilitate LUSIP project and further outgrower expansion

Performance

- Significant increases in cane supply due to good growing conditions and increase in cane area
- Centre pivot irrigation conversion yielding good results
- Commissioned factory expansion – initial teething issues overcome during season
- Sugar production 224 000 tons (2010: 198 000 tons)
- Co-generation plant commissioned with power exports to national grid exceeding minimum contractual commitments
- Average cane yield: 105 tons cane per hectare (2011: 94 tons)
- Factory capacity utilisation: 86% (2011: 95%)

Risk areas

- Weather conditions
- Currency strength against major currencies
- Illegal and duty-paid imports in SACU region
- Market prices
- Sugar industry review

Objectives 2012/13

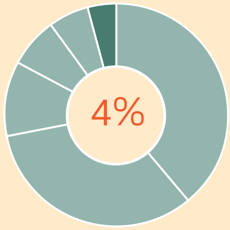
- Increase area under cane mostly through LUSIP development
- Optimise expanded factory milling capacity
- Sugar production to >255 000 tons
- Increased electricity exports
- Implementation of new procurement arrangements

MOZAMBIQUE

Business profile

- Produces raw sugar, marketed domestically by industry marketing association
- 1 021 permanent employees
- 3 605 seasonal agricultural workers
- DIFR: 0.17 (2011: 0.40)

Contribution to operating profit



Normal season production

- Own cane: 535 000 tons
- Total throughput: 880 000 tons cane, including private growers
- Sugar: 120 000 tons

Areas of operation

- Manhica district, north of Maputo

Objectives 2011/12

- Improvement in both agricultural and factory operations
- Sugar production target increased to 100 000 tons, also taking into account cane supply from new developments
- Continue with investigations to increase significantly long-term cane supply to Maragra

Performance

- Good growing conditions and expanded area under cane
- Much improved factory performance
- Record sugar production of 91 000 tons of sugar (2011: 70 000 tons)
- Improved domestic market returns
- EU sugar prices increased during period resulting in higher sales revenues
- Average cane yield: 99 tons cane per hectare (2011: 95 tons)
- Factory capacity utilisation: 95% (2011: 84%)

Risk areas

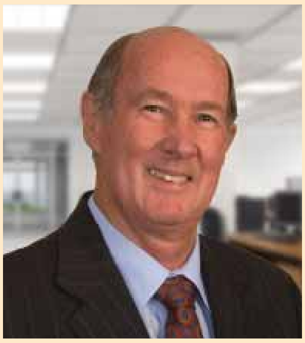
- Weather conditions
- Currency movements and strength of metical
- Long-term cane supply
- Increasing production competition from other producers

Objectives 2012/13

- Continued growth in cane supply
- Optimise season length to improve sugar productions levels
- Increase sugar production to >100 000 tons

Directorate

Non-executive, independent chairman



Don MacLeod # ^ +

(65)

BCom, AMP (Oxford)

Chairman of Nomination Committee

Joined the sugar industry in 1971

Appointed to the board in 1983

Position: Previous Managing Director of Illovo

Non-executive, independent directors

Mike Hankinson * # ^

(63)

BCom, CA(SA)

Chairman of Remuneration Committee

Appointed to the board in 2008

Position: Director of companies

Dr Len Konar *

(58)

CA(SA), MAS (Illinois), DCom

Chairman of Audit Committee

Appointed to the board in 1995

Position: Director of companies

Phinda Madi # +

(48)

BProc, EDP

Chairman of Social and Ethics Committee

Appointed to the board in 2002

Position: Director of companies

Nosipho Molope * +

(47)

BSc (Medical Sciences), BCompt (Hons), CA(SA)

Appointed to the board in 2008

Position: Director of companies

Ami Mpungwe (Tanzanian)^

(61)

BA (Hons)

Appointed to the board in 2009

Position: Director of companies

Trevor Munday * # ^ +

(62)

BCom

Appointed to the board in 2010

Position: Director of companies

Executive directors

Graham Clark (Australian) ^ + [a]

(56)

BAcct (Hons), FCA (Aus)

Joined the sugar industry in 1980

Appointed to the board in 1997

Position: Managing Director

Mohammed Abdool-Samad ^ + [a]

(41)

BCom, CA(SA)

Joined the sugar industry in 2011

Appointed to the board in 2011

Position: Financial Director

Gavin Dalgleish ^ + [a]

(46)

MScChemEng

Joined the sugar industry in 1988

Appointed to the board in 2011

Position: Operations Director

Larry Riddle + [a]

(52)

BCom, CA(SA)

Joined the sugar industry in 1986

Appointed to the board in 2009

Position: Commercial Director

Non-executive directors

Dr Mark Carr (British) #

(49)

BSc, PhD, MBA, CEng, FIMechE

Appointed to the board in 2006

Position: Chief Executive Officer, AB Sugar

Paul Lister (British)

(48)

LLB

Appointed to the board in 2006

Position: Director of Legal Services and Company Secretary: Associated British Foods

Richard Pike (British) ^

(42)

LLB, ACA, ATII, AMCT

Chairman of Risk Management Committee

Appointed to the board in 2010

Position: Financial Director, AB Sugar

* Member of Audit Committee

Member of Remuneration/Nomination Committee

^ Member of Risk Management Committee

+ Member of Social and Ethics Committee

[a] Member of Executive Committee

Directors' condensed curricula vitae on pages 164 and 165

Executive Committee

Graham Clark (Australian) ^ +

(56)

BAcct(Hons), FCA(Aus)

Joined the sugar industry in 1980

Joined the group in 1997

Position: Managing Director

Responsible to the Illovo Board and shareholders for the delivery of the group's strategic goals and objectives, providing leadership across operations.

Mohammed Abdool-Samad ^ +

(41)

BCom, CA(SA)

Joined the sugar industry in 2011

Joined the group in 2011

Position: Financial Director

Responsible for group financial, treasury and corporate finance functions, internal audit, information technology, performance analysis (operational and financial).

Nigel Hawley +

(55)

BCom(Hons)

Joined the sugar industry in 1978

Joined the group in 1978

Position: Human Resources

Responsible for group and corporate human resources policies, staffing and talent management, human resource development and training, industrial relations, retirement funding, compensation and benefits, human resource administration and payrolls, employee welfare and medical services.

Gavin Dalgleish ^ +

(46)

MScChemEng

Joined the sugar industry in 1988

Joined the group in 1988 *

Position: Operations Director

Responsible for group operational performance relating to all agricultural and manufacturing operations, technical services, risk and safety management, continuous improvement.

Larry Riddle +

(52)

BCom, CA(SA)

Joined the sugar industry in 1986

Joined the group in 1986

Position: Commercial Director

Responsible for group commercial operations relating to sugar and downstream operations, new business opportunities, export marketing, group procurement and industrial affairs.

Jennifer Kunst ^ +

(58)

BA, LLB, DipMarLaw

Joined the sugar industry in 2011

Joined the group in 2011

Position: Corporate Affairs

Responsible for all company secretarial functions and corporate affairs, group insurance, legal services, sustainability and corporate citizenship.

^ Member of Risk Management Committee

+ Member of Social and Ethics Committee

* *Includes periods of broken service*

Recipes for sustainability

Illovo's unique cane sugar sustainability model is a demonstration of our key sustainability and operational imperatives to maximise use of input materials, which results in the group's generation of very few waste products and producing approximately 89% of our own energy requirements from renewable sources. Beyond the existing beneficiation of molasses into potable alcohol and industrial ethanol in South Africa, construction has recently commenced on a potable alcohol distillery in Tanzania. In addition, other opportunities exist to produce alcohol for potable use or fuel blending programmes in Malawi and Zambia.

Making use of every stick of cane

See page 43 for further details