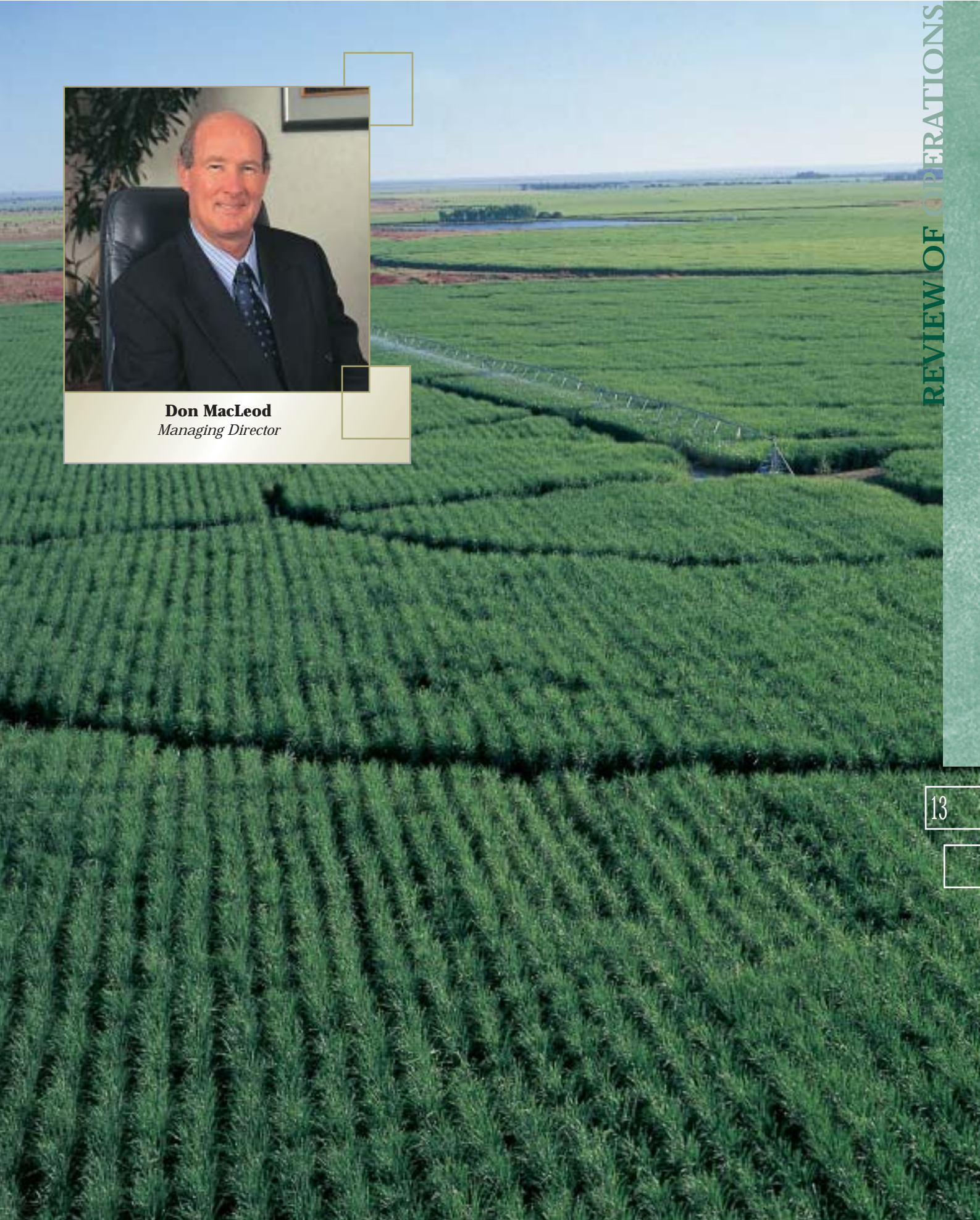




**Don MacLeod**  
*Managing Director*



## FINANCIAL RESULTS

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

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

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

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

The contributions to operating profit were sugar manufacture 59%, cane growing 27% and downstream 14%.

The contributions to profit by country were South Africa 39%, Malawi 24%, Zambia 22%, Swaziland 13% and the United States 2%.

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

## OVERVIEW

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

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

New sugar production records were achieved in each country of operation, except for the United States, with group sugar output increasing to 2.308 million tons, which exceeded last season's record production by 355 000 tons.

In addition to the increased tonnages of good quality cane, factory performance continued to improve with high levels of mechanical and operational efficiency attained by most of the operations.

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

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



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



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



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



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

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

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

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

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

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

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

**MARKETS**

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



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

DOMESTIC MARKETS

**Sugar**

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

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

**Downstream**

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

EXPORT MARKETS

**Sugar**

**Preferential markets**

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

**World markets**

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



*Illovo exports furfural, furfuryl alcohol, diacetyl, acetoin, 2.3-pentanedione, ethyl alcohol, lactulose and certain speciality sugars to 72 countries.*

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

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

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

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

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

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

### **Downstream**

The group is a material player in each of the world markets in which it participates. Annually, Illovo exports furfural, furfuryl alcohol, diacetyl, acetoin, 2.3-pentanedione, ethyl alcohol, lactulose and certain speciality sugars to 72 countries. In the financial year, downstream product sales contributed R680.4 million to group revenue.



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

## OPERATIONS

### SOUTH AFRICA

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

#### ***Agriculture***

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

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

#### ***Sugar production***

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

#### ***Downstream***

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

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



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



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

### **Marketing**

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

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

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

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

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

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

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



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



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

## MALAWI

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

### **Agriculture**

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

### **Sugar production**

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

### **Downstream**

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

### **Marketing**

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

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



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

## ZAMBIA

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

### **Agriculture**

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

### **Sugar production**

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

### **Downstream**

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

### **Marketing**

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

SWAZILAND

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

**Agriculture**

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

**Sugar production**

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

**Marketing**

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



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



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

TANZANIA

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

**Agriculture**

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



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

### **Sugar production**

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

### **Marketing**

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

## MOZAMBIQUE

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

### **Agriculture**

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

### **Sugar production**

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

### **Sugar marketing**

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



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

UNITED STATES

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

**Sugar production**

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

**Downstream**

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

**Marketing**

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



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

**TECHNOLOGY, RESEARCH AND DEVELOPMENT**

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

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



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

## HUMAN RESOURCES

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

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

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

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

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



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

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

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

#### EMPLOYMENT EQUITY

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

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

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

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



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

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

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

#### COMPLEMENT

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

Sugar manufacture	8 710
Agriculture	8 158
Downstream	343

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

#### MANAGED HEALTH CARE

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

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

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



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

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

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

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

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

#### EMPLOYEE BENEFITS AND WELFARE

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

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

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