



annual report 2004



Company Registration No. 1906/000622/06

strategic intent

To:

be the leading sugar and downstream products operation in Africa, an increasing global player and a world-class organisation.

be the lowest-cost producer in every country in which it operates and among the lowest-cost producers in the world.

optimise the return on every stick of cane and every beet by adding value to its core commodity products - fibre, pulp, sugar and molasses. It will focus on its core business and develop material niche operations which add value.

be the market leader, meeting and proactively anticipating customer needs.

increase profits in real terms on an ongoing basis and maximise the return on capital employed through cost leadership, the use of innovative technology and the participation of all of its employees.

be a moral performance focused organisation that people are proud to work for, where they are challenged to 'go the extra mile', feel they can make a difference and know that good performance is recognised.

be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities. This involves aligning strategies to meet changing circumstances in the various countries in which the group operates.

Contents

<i>Features</i>	<i>1</i>	<i>Corporate Governance</i>	<i>30</i>
<i>Group profile</i>	<i>2</i>	<i>Five year review</i>	<i>34</i>
<i>Goals and objectives</i>	<i>3</i>	<i>Value added statement</i>	<i>38</i>
<i>Group locations</i>	<i>4</i>	<i>Segmental analysis</i>	<i>39</i>
<i>Group structure</i>	<i>5</i>	<i>The world of sugar</i>	<i>40</i>
<i>Operations</i>	<i>5</i>	<i>Annual financial statements</i>	<i>47</i>
<i>Directorate</i>	<i>6</i>	<i>Auditors' report</i>	<i>48</i>
<i>Senior management</i>	<i>8</i>	<i>Notice of meeting</i>	<i>87</i>
<i>Corporate information</i>	<i>9</i>	<i>Shareholders' diary</i>	<i>90</i>
<i>Chairman's statement</i>	<i>10</i>	<i>Form of proxy</i>	<i>91</i>
<i>Review of operations</i>	<i>14</i>	<i>Analysis of shareholders</i>	<i>IBC</i>

features

	Year ended 31 March		Change %
	2004	2003 Restated	
Results (Rm)			
Revenue	6 488.2	7 025.0	(8)
Profit from operations	726.6	1 057.3	(31)
Profit after taxation	349.6	553.0	(37)
Headline earnings	256.5	438.7	(42)
Share performance (cents per share)			
Headline earnings	76.9	132.0	(42)
Dividend (interim - paid: final - declared)	46.0	68.0	(32)
Year end market price	800	687	
Balance sheet and cash flow (Rm)			
Total assets	4 980.4	5 939.3	
Ordinary shareholders' funds	1 292.1	1 616.2	
Net borrowings	1 366.3	1 777.2	
Cash generated from operations	859.0	1 172.9	
Financial ratios			
Net worth per share (cents)	387.1	485.5	
Return on net assets (%)	16.0	24.0	
Gearing (%)	80.3	86.3	
Dividend cover (times)	1.7	2.0	
Interest cover (times)	2.8	4.3	
Price : headline earnings ratio	10.4	5.2	



group profile

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

Excellent climatic and soil conditions found in the group's African countries of operation, accompanied by irrigation from secure water sources, are ideal for the cultivation of high-yielding and good quality sugar cane. Annual cane production of approximately 5.8 million tons is produced on agricultural estates in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. Annual sugar production amounts to approximately 2.3 million tons comprising 1.25 million tons made in South Africa, Malawi 260 000 tons, Zambia 230 000 tons, Swaziland 215 000 tons, Tanzania 125 000 tons, Mozambique 65 000 tons and the USA 160 000 tons.

A recently completed independent survey of international sugar production costs for the period to 2002/03 revealed that Malawi, Zambia, South Africa and Swaziland were ranked among the world's ten lowest-cost cane sugar producers. The production costs of the group's US beet sugar factory are in line with other world beet sugar producers.

The group is a major supplier of sugar to African consumer and industrial markets particularly in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. In Malawi, Illovo is the country's sole sugar producer and in Zambia and South Africa, the group manufactures 97% and 48% respectively of all locally produced sugar. Illovo has significant access to preferential markets in Europe and the United States while African operations outside South Africa also have access to the South African Customs Union market

in terms of the Southern African Development Community (SADC) Sugar Protocol on Trade. Sugar in consumer packs is also supplied into other regional markets within Africa. The group, through the South African, Swaziland and Mozambique industries, also exports sugar into the world free market. Sugar produced at Monitor in the United States is sold in the local US market.

The majority of downstream products are sold internationally into high-value, niche markets. Furfural and its derivatives are made at the Sezela mill complex on the south coast of KwaZulu-Natal whilst high quality ethyl alcohol, from which various grades of alcohol are made, is produced at the Merebank plant near Durban and at the Glendale distillery on the north coast. Lactulose is manufactured at Merebank whilst syrup and speciality sugars are produced in South Africa and Zambia. In Malawi, speciality sugars are produced primarily for preferential markets in Europe. Beet pulp and concentrated molasses solids produced at Monitor Sugar are sold locally whilst betaine is sold locally and also exported to Canada.

The Illovo group, throughout its African operations, provides considerable support for Black small-scale farmers in order to promote agricultural and economic development. The group also continues to focus attention on medium-scale farmers, the majority of whom are Black, and there are various programmes to assist local entrepreneurs to purchase their own farms and to build up their cane growing operations. Total cane supplies from both small and medium-scale growers amount to more than two million tons annually. In addition, the group has a procurement policy which promotes and supports the development of small to medium-sized businesses to supply goods and services to these growers and to the group. Annually, the group spends approximately R30 million in social investment-related programmes which are undertaken in every country of operation, having been adapted to local conditions and requirements.



At the most recent South African Global Company Awards, Illovo was adjudicated as South Africa's fifth most global company. In addition, the company received the inaugural NEPAD award which recognised Illovo as the South African company that had most successfully expanded into Africa.

goals and objectives

Primary objective

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

Growth

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

Profitability

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

Asset management

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

Product development

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

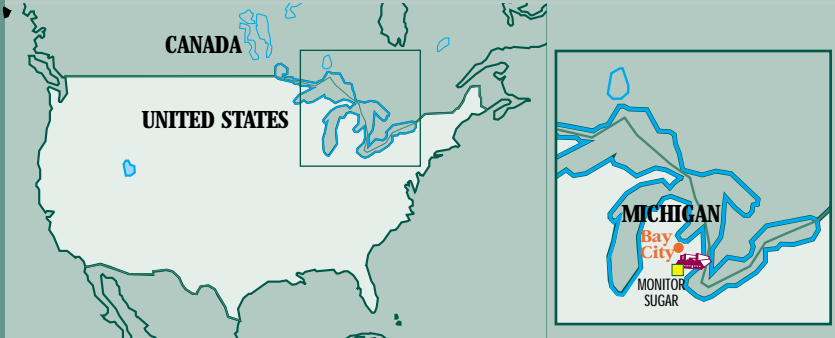
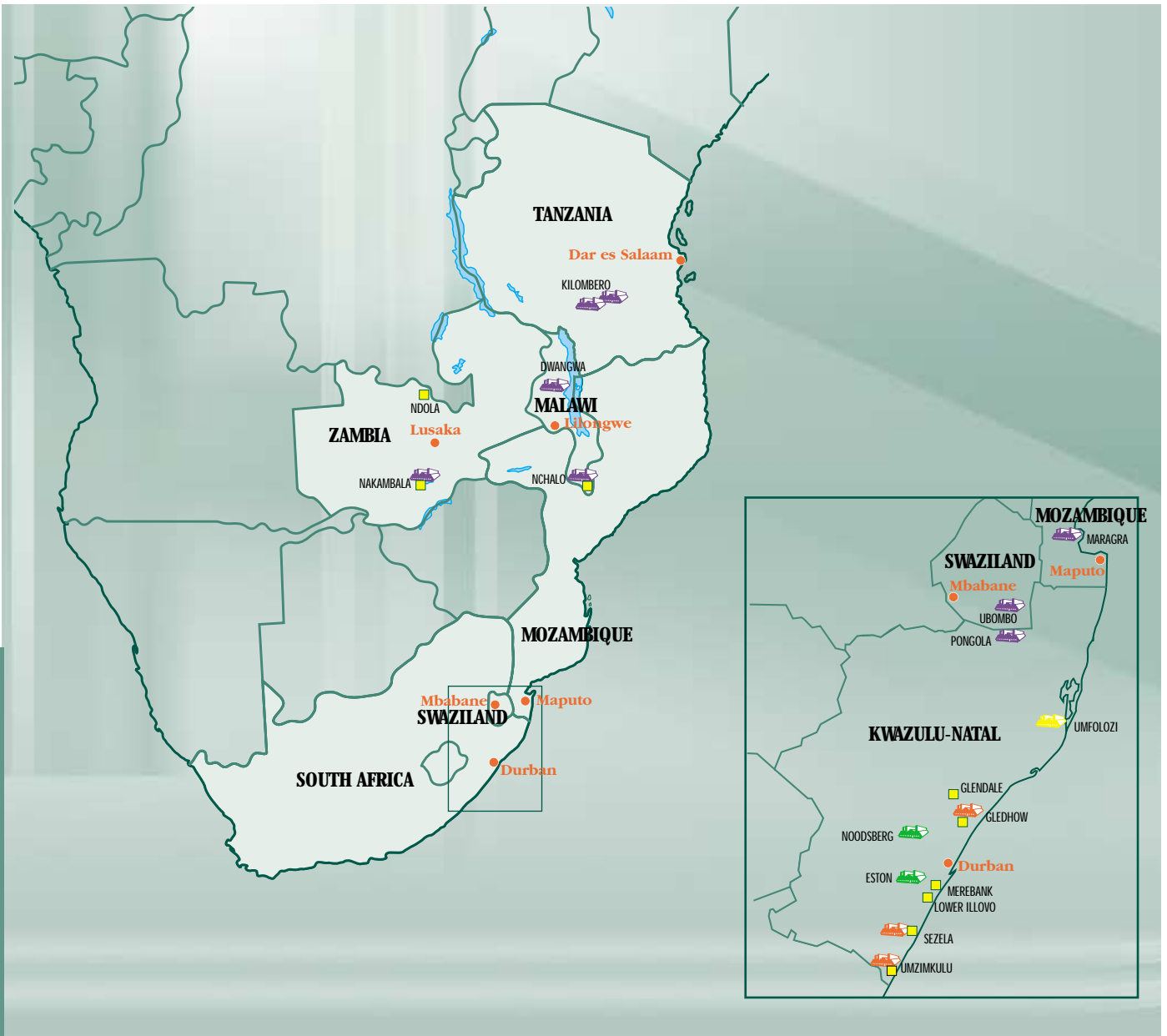
Human resources

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


Corporate governance

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

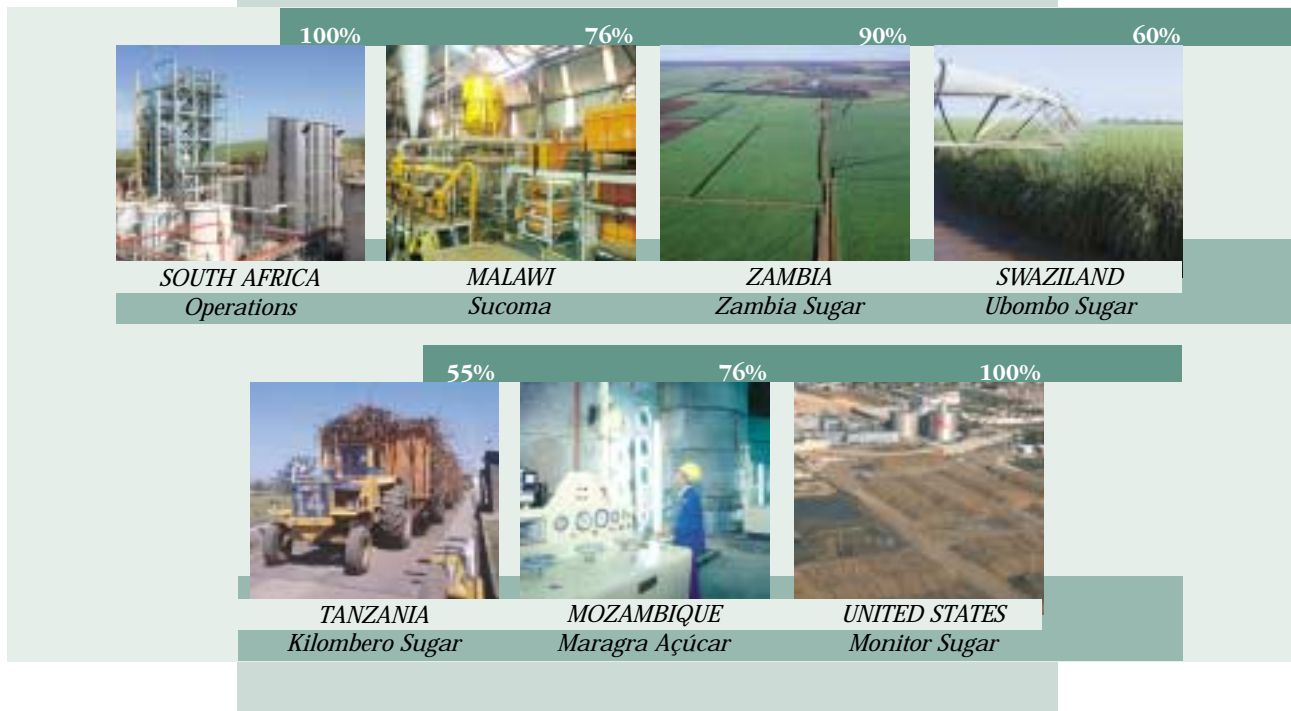
group locations



SUGAR MILLS AND CANE SUPPLY REGIONS

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

group structure



operations

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

directorate Executive directors



D G MacLeod (57) * ^ *B.Com., A.M.P.(Oxon)*

Managing Director Joined the sugar industry 1971
Appointed to the Board 1983



G J Clark (Australian) (48) ^ *B.Acct.(Hons.), A.C.A.*

Operations Director - Africa
Joined the sugar industry 1980
Appointed to the Board 1997



N M Hawley (47) *B.Com.(Hons.)*

Human Resources Director Joined the sugar industry 1978
Appointed to the Board 1998



M I Hlatshwayo (Swazi)(46) *B.A.(Law)*

Corporate Affairs Director Joined the sugar industry 1987
Appointed to the Board 2003



J T Russell (55) ^ *A.C.M.A.*

Financial Director Joined the sugar industry 1978
Appointed to the Board 1993



B M Stuart (56) ^ *B.Com., Dip. Sugar Tech., S.E.P.(Stanford)*

Operations Director - South Africa
Joined the sugar industry 1968
Appointed to the Board 1994

* Member of Audit Committee

Member of Remuneration/Nomination Committee

^ Member of Risk Management Committee

Non-executive and independent directors

Chairman



R A Williams (63) * # *B.A., LL.B.*

Chairman of Tiger Brands Limited. Director of companies

Appointed to the Board 1985



B P Connellan (63) *C.A.(S.A.)*

Director of companies Appointed to the Board 1993



R D Hamilton (66) *B.Sc., B.Com.*

Director of companies Appointed to the Board 1989



D Konar (Dr) (50) * *C.A.(S.A.), M.A.S.(Illinois), D.Com.*
Chairman of Audit Committee

Director of companies Appointed to the Board 1995



P M Madi (40) *B.Proc., E.D.P.*

Director of companies Appointed to the Board 2002



A R Mpungwe (Tanzanian) (53) *B.A.(Hons.)*

Director of companies Appointed to the Board 2001



R A Norton (65) * # *M.A. (Oxon)*

Chairman of Remuneration/Nomination Committee

Director of companies Appointed to the Board 1997



M J Shaw (65) * # ^ *C.A.(S.A.), S.E.P. (Stanford)*

Chairman of Risk Management Committee

Director of companies Appointed to the Board 2001

senior management

Name	Qualifications	Joined the group	Operational responsibility
GROUP			
P H Canter (Dr) (57) ^	MB.Ch.B, D.T.M.&H.	1990	Medical services
D G Coates (53) ^	H.N.Dip.Mech.Eng., G.C.O.C.	1983	Technical services
D E Howells (40)	C.A.(S.A.)	1995	Finance
G D Knox (55) ^	B.Com.	1984	Administration
D A Rowbotham (59) ^	C.A.(S.A.)	1987	Internal audit
D A Schaller (40)	B.Com., A.C.M.A.	1999	Information technology

SOUTH AFRICA OPERATIONS

Corporate Services

W M A Buchanan (54)	B.Tech.(Mkt.), S.E.P. (Stanford), C.M.(S.A.)	1981	Marketing
H R Hackmann (45)	B.Com.	2000	Industry affairs
G E Hoppe (53)	H.E.D., Dip.Mkt.Mgt.(I.M.M.)	1987	Sugar marketing
A Koen (59)	Cert.Eng., E.M.P.(Berkeley)	1982	Operations
C H Kyle (54)	B.Com., H.D.P.M.	1998	Human resources
M A Walsh (56)	B.Com., C.A.(S.A.)	1988	Finance

Sugar and downstream production

B R Cornish (50)	B.Com., H.N.Dip.Mech.Eng.	1983	Eston
M T Crossman (58)	B.Sc.Eng., M.B.L.	1992	Pongola
St J T Field (58)	B.Sc.Mech.Eng., Dip.Sugar Tech.	1986	Umfolozi
S D Langton (43)	Pr.Eng., B.Sc.Eng.	1996	Sezela
G F Mann (50)	Dip.Sugar Tech.	1979	Noodsberg
S S Munsamy (49)	B.Tech.(Mgt), P.M.D.	1982	Umzimkulu
S Rau (52)	B.Sc.Agric.	1981	Gledhow
L W Riddle (44)	B.Com., C.A.(S.A.)	1986	Merebank

AFRICA OPERATIONS

Corporate Services

P G Braithwaite (61)	Pr.Eng., B.Sc.Agric.Eng.	1980	Agriculture
R J de Allende (45)	B.A.	1999	Marketing
J P M De Robillard (57)	Dip.Sugar Tech.	1974	Factories
N T Moor (32)	B.Com.(Hons), B.Compt.	1997	Finance
C J Van Den Berg (54)	B.A.(Law)	1974	Human resources

Malawi

B M Stewardson (55)	B.Sc., P.C.M.A.	1986	Managing director
D H Carter-Brown (54)	B.Sc.Agric.Eng.	1978	Dwangwa
D P R Davies (49)	Dip.Mkt.Mgt.(I.M.M.)	2003	Marketing
A J Fuggle (60)	B.A.(Unisa), M.D.P.(Unisa)	2002	Human resources
G M Mkandawire (57)	B.Sc.(Econ.), M.Com.(Mktg.)	2003	Commercial
I G Parrott (37)	B.Com., C.I.A.	1997	Finance
T C Wormald (58)	Dip.Sugar Tech.	1968	Nchalo

Zambia

J M Moulton (55)	B.Sc.Eng., Nat.Dip.Tech.	1995	Managing director
J A Blumberg (44)	B.Compt, M.B.L.	1996	Finance
D Kabunda (41)	B.A.Pub.Admin., M.B.A.	1986	Human resources
R M L Katowa (43)	B.A., M.B.A.	1997	Marketing
L M Sievu (41)	A.C.M.A., A.C.I.S.	2004	Corporate affairs
P J Van Greunen (39)	H.N.D.Mech.Eng., G.C.O.C.	1983	Factory
H Veenstra (47)	M.Agric.Mgt	1990	Agriculture

^ Member of the Risk Management Committee

Name	Qualifications	Joined the group	Operational responsibility
Swaziland			
E I Williams (57)	Cert.Eng., S.M.S.A.I.E.E.	1984	Managing director
S Cloete (49)	G.C.O.C.	1980	Factory
D W H Cousens (55)	M.Sc.Eng., M.B.L.	1988	Agriculture
J Mashwama (41)	M.Sc.(Soil Sc.), Dip.I.R.	1993	Human resources
K Rowney (56)	B.Com.	1992	Finance
Tanzania			
D Haworth (55)	B.Sc.(Hons)	1999	Managing director
S K Coster (57)	B.Sc.Agric.	1996	Agriculture
J F K Nkandala (53)	B.Sc.Eng., M.B.A.	1999	Factories
V R Suchak (28)	C.I.M.A., A.C.C.A.	2000	Finance
J H Verster (59)	B.A.(Hons), L.R.Dip.(Advanced)	1978	Human resources
Mozambique			
A F Currie (51)	B.Com., Dip.Sugar Tech.	1998	General manager
M Cotter (48)	R.C.E., G.C.O.C.	1989	Factory
L A Elkington (54)	B.Compt.	1984	Finance
R Giblot-Ducray (48)	Cert.Labour, Cert.Sugar Cane Agric.	2002	Agriculture
P Streng (54)	B.A.(Law), F.I.P.M.	2001	Human resources
UNITED STATES			
R L Hetzler (59)	B.A.(Indiana), J.D.(Michigan)	1984	President
J T Coleman (55)	M.B.A.Mkt., B.A.History	1995	Marketing
D A Keyser (47)	M.B.A., C.P.A.	1983	Finance
K K Martin (42)	B.A.Acc., C.P.A.	1988	Treasury
P D Pfenninger (49)	B.S.Bio.	1981	Agriculture
C D Rhoten (56)	B.S.Biochem.	1996	Factory

corporate information

Secretary:

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Illovo Sugar Park,
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Auditors:

Deloitte & Touche

Attorneys:

Garlicke & Bousfield Incorporated

Principal Bankers:

The Standard Bank Group Limited and
First Rand Bank Limited

Sponsor:

Cazenove South Africa (Pty) Limited

Financial Adviser:

The Standard Bank Group Limited

Company Registration No:

1906/000622/06

Share Code:

ILV

International Security Identification No:

ZAE000003547