

annual financial statements

for the year ended 31 March 2004

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

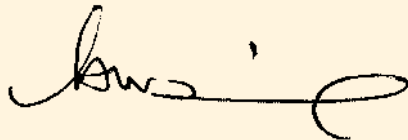
The directors of Illovo Sugar Limited are responsible for overseeing the preparation and the integrity of the annual financial statements of the group and the company and the objectivity of other information presented in this report.

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

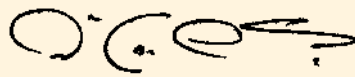
The annual financial statements, prepared in terms of South African Statements of Generally Accepted Accounting Practice, are examined by independent auditors in conformity with Statements of South African Auditing Standards.

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

The annual financial statements of the group and the company which were prepared on the going concern basis and which appear on pages 49 to 86, were approved by the board of directors on 19 May 2004 and are signed on its behalf by -



R A Williams
Chairman



D G MacLeod
Managing Director

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auditors' report

Report of the independent auditors to the members of Illovo Sugar Limited

We have audited the group and company annual financial statements of Illovo Sugar Limited for the year ended 31 March 2004 set out on pages 49 to 86. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope


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

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

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the group and the company at 31 March 2004, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act.

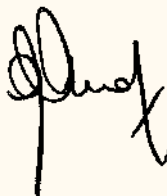


Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)

Mount Edgecombe
19 May 2004

LODGEMENT OF RETURNS WITH THE REGISTRAR OF COMPANIES

I hereby certify that for the year ended 31 March 2004, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.



G D Knox
Secretary

Mount Edgecombe
19 May 2004

statutory information

Nature of business

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

Review of operations

Detailed commentary is given on pages 14 to 29.

Share capital

Full details of the current authorised and issued share capital are set out in note 19 to the financial statements on page 73.

During the year under review the issued ordinary share capital of the company increased by 918 800 shares to 333 830 700 shares as a result of options being exercised in terms of the Illovo Sugar 1992 Share Option Scheme.

At the forthcoming annual general meeting, as included in the notice of such meeting on pages 87 to 89, members will be requested to –

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

Shareholders

An analysis of shareholders and their shareholdings is given on the inside back cover.

The register of members, including the sub-registers maintained by the Central Securities Depository Participants, reflect five registered shareholdings equal to or more than 5% of the issued ordinary share capital of the company. Pursuant to the provisions of Section 140A of the Companies Act, 1973, an analysis of the relevant disclosures by nominee shareholders as at 31 March 2004 revealed four beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on the inside back cover.

Illovo Sugar 1992 Share Option Scheme

The Remuneration / Nomination Committee approves the granting of all share options in terms of the Illovo Sugar 1992 Share Option Scheme ("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 are granted at the closing market price of

the shares on the JSE Securities Exchange South Africa on the trading day immediately preceding the day on which the relevant options are granted.

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

Options granted to executive directors and senior managers as at 31 March 2004 comprise –

	No. of shares
Options granted and unexpired at 1 April 2003	22 910 700
New options granted during the year under review	3 791 500
Less : Options forfeited during the year under review	(167 500)
Total options granted and unexpired	26 534 700
Less : Options exercised by retired and former employees	(2 062 400)
	<u>24 472 300</u>

This leaves a balance available for the granting of further options of 8 527 700 shares.

During the year under review, options were exercised in respect of 918 800 shares which were allotted and issued by the directors, bringing the aggregate number of shares allotted and issued since the inception of the option scheme to 8 187 800.

The options granted and unexpired or unexercised as at 31 March 2004 are categorised as –

No. of shares	Expiry date	Option price (cents)
1 513 800	27 March 2005	600
140 000	21 April 2006	925
3 634 200	30 August 2008	435
2 617 600	29 August 2009	562
805 000	11 July 2010	443
1 166 800	12 September 2010	520
2 267 500	6 June 2011	650
2 410 500	20 May 2012	805
3 791 500	20 May 2013	680
<u>18 346 900</u>		

statutory information continued

Options granted to executive directors and unexpired or unexercised as at 31 March 2004 are determined as -

	Options as at 31 March 2003	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2004	Expiry date
Clark G J	86 700	435	-	-		86 700	30.08.2008
	80 000	562	-	-		80 000	29.08.2009
	80 000	443	-	-		80 000	11.07.2010
	90 000	650	-	-		90 000	06.06.2011
	110 000	805	-	-		110 000	20.05.2012
	-	680	140 000	-		140 000	20.05.2013
Hawley N M	30 000	600	-	-		30 000	27.03.2005
	87 500	435	-	10 000	735	77 500	30.08.2008
	60 000	562	-	-		60 000	29.08.2009
	40 000	443	-	-		40 000	11.07.2010
	55 000	650	-	-		55 000	06.06.2011
	45 000	805	-	-		45 000	20.05.2012
	-	680	60 000	-		60 000	20.05.2013
Hlatshwayo M I	25 000	435	-	-		25 000	30.08.2008
	30 000	562	-	-		30 000	29.08.2009
	20 000	520	-	-		20 000	12.09.2010
	22 500	650	-	-		22 500	06.06.2011
	20 000	805	-	-		20 000	20.05.2012
	-	680	160 000	-		160 000	20.05.2013
MacLeod D G	140 000	600	-	-		140 000	27.03.2005
	175 000	435	-	-		175 000	30.08.2008
	200 000	562	-	-		200 000	29.08.2009
	315 000	443	-	-		315 000	11.07.2010
	250 000	650	-	-		250 000	06.06.2011
	250 000	805	-	-		250 000	20.05.2012
	-	680	350 000	-		350 000	20.05.2013
Russell J T	100 000	600	-	-		100 000	27.03.2005
	140 000	435	-	-		140 000	30.08.2008
	80 000	562	-	-		80 000	29.08.2009
	80 000	443	-	-		80 000	11.07.2010
	90 000	650	-	-		90 000	06.06.2011
	110 000	805	-	-		110 000	20.05.2012
	-	680	140 000	-		140 000	20.05.2013
Stuart B M	100 000	600	-	-		100 000	27.03.2005
	110 000	435	-	-		110 000	30.08.2008
	85 000	562	-	-		85 000	29.08.2009
	80 000	443	-	-		80 000	11.07.2010
	90 000	650	-	-		90 000	06.06.2011
	110 000	805	-	-		110 000	20.05.2012
	-	680	140 000	-		140 000	20.05.2013
	3 386 700		990 000	10 000		4 366 700	

At the forthcoming annual general meeting, as included in the notice of such meeting, members will be requested to approve the allotment and issue of shares to directors in respect of options granted during the year under review.

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.

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

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 acquired a further 26 930 shares in the company bringing the total number of shares held to 184 863. Of this number, 184 861 are registered in the name of the trustees who hold them on behalf of 269 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 The Sugar Corporation of Malawi Limited.

Dividends

An interim ordinary dividend (No. 24) of 18.0 cents per share was declared on 12 November 2003, and a final ordinary dividend (No. 25) of 28.0 cents per share was declared on 19 May 2004, making the total distribution for the year 46.0 cents per share.

The interim dividend was paid on 12 January 2004 and the final dividend will be paid on 12 July 2004.

Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 11 to the financial statements on page 70.

Directorate and secretary

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

In line with corporate governance best practice relating to the balance between the number of executive and non-executive directors, Messrs W M A Buchanan, R L Hetzler and G D Knox resigned from the board with effect from 1 April 2004.

In terms of the company's articles of association, Messrs G J Clark, R D Hamilton, R A Norton, B M Stuart and R A Williams retire by rotation at the forthcoming annual general meeting. All these directors are eligible and offer themselves for re-election.

The beneficial interests of the directors in the issued ordinary share capital of the company as at 31 March 2004 were as follows -

	2004		2003	
	Direct	Indirect	Direct	Indirect
Connellan B P	25 224	3 242	25 224	3 242
Hamilton R D	134 086	53 634	134 086	53 634
Hawley N M	20 000		10 000	
Hlatshwayo M I	35 000		35 000	
MacLeod D G	300 000		300 000	
Russell J T	100 000		100 000	
Stuart B M	128 400		128 400	
Williams R A	37 194		37 194	
	779 904	56 876	769 904	56 876
Total	836 780		826 780	

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

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

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

Directors' fees

The fees currently payable and paid to non-executive directors during the year under review were as follows -

	Rands per annum
Board -	
Chairman *	1 125 000
Other members	90 000
Audit Committee -	
Chairman	75 000
Other members	50 000
Remuneration/Nomination Committee -	
Chairman	60 000
Other members	50 000
Risk Management Committee Chairman	60 000

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

At the forthcoming annual general meeting, members will be requested to approve an increase in the base fee payable to non-executive directors from R90 000 to R100 000 per annum with effect from 1 April 2004. No changes to the other fees payable are proposed.

Holding company

Illovo Sugar Limited does not have a holding company.

Auditors

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

Proposed special resolution for electronic communication to members

At the forthcoming annual general meeting, in anticipation that members may in the future elect to receive communications from the company in electronic format, as permitted by both the Electronic Communications and Transactions Act, No. 25 of 2002, and the Listings Requirements of the JSE Securities Exchange South Africa, members will be requested to approve by special resolution, the necessary amendments to the Articles of Association of the company, to enable such electronic communication.

Special resolutions passed by subsidiary companies

Since the date of the previous Annual Report, a number of special resolutions have been passed by certain subsidiary companies but are not considered to deal with material matters which would affect the understanding of the group.

Post balance sheet event

Subsequent to the end of the period under review, the company entered into an agreement with a Black economic empowerment company for the sale of the Gledhow sugar mill and refinery and associated cane growing estates on the north coast of KwaZulu-Natal. This matter is more fully covered in the Chairman's Statement and in note 36 to the financial statements on page 86.

accounting policies

The principal accounting policies of the group conform with South African Statements of Generally Accepted Accounting Practice. During the current year the group changed its accounting policy with respect to AC 137 (Agriculture), this change in accounting policy has been adopted with retrospective application and the prior year's comparatives have been restated. During the current year the group also adopted AC 133 (Financial Instruments – Recognition and Measurement) but with prospective application as an adjustment to opening retained income and disclosed in the statement of changes in equity, as required by the transitional provisions of AC 133. Apart from these changes, the principal accounting policies of the group are consistent in all material respects with those of the previous year.

1. Basis of consolidation

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

2. Translation of Financial Statements prepared in foreign currencies

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

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

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

3. Goodwill

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

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

4. Product registrations

Expenditure incurred in obtaining the registration of a product to enable sales to be made in specific markets,

is capitalised and amortised over the expected useful life of the registration on the straight line basis.

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

Expenditure to maintain the registration is expensed in the year in which it is incurred.

5. Property, plant and equipment

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

Land is not depreciated.

Leasehold properties are amortised over the period of the leases.

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

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

6. 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 of each year of planting adjusted for the remaining expected life.

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

7. Leased assets

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

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

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

8. Factory overhaul costs

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

9. Associated companies

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

Associate companies are accounted for on the equity method from their most recent financial statements. Equity accounted income, which is included in the respective carrying values of the investments, represents

the group's proportionate share of associate companies' post-acquisition retained income after accounting for dividends payable by those associates.

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

10. Investments

Investments are stated at fair value.

11. Inventories

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

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

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

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

12. Foreign currency assets and liabilities

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Realised gains and losses arising from the settlement of such transactions are recognised through the income statement. Foreign currency denominated balances are revalued at the spot rate at reporting date with unrealised gains and losses being taken through the income statement.

13. Financial Instruments

Financial instruments are initially measured at cost, which includes transaction costs, when the related contractual rights or obligations arise. Subsequent to initial recognition these instruments are measured as set out below:

- **Originated loans and receivables:**
Trade and other receivables originated by the group are stated at cost less provision for doubtful debts. All loans are stated at amortised cost.
- **Held for trading financial instruments:**
Derivative instruments are measured at fair value and realised and unrealised gains and losses are taken through the income statement, unless they have been designated as a hedging instrument qualifying for cash flow hedge accounting.
- **Held to maturity financial instruments** are held at amortised cost.
- **Available for sale financial instruments:**
These consist of all financial instruments not falling within the other four categories. They are measured at fair value and all gains and losses are recognised directly in equity until the instrument is disposed of or discharged upon which the cumulative gains and losses are taken to the income statement.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities other than derivatives are recognised at their original debt value less principal payments and amortisations. Interest is recognised using the effective interest rate method. Trade and other payables are stated at cost.

Embedded derivatives arising as a result of transacting in currencies which are not the currencies of the primary economic environment in which either party to the transaction operates and in currencies in which the related goods that are traded are not routinely denominated in that currency in international commerce are measured by separating the embedded derivative from the host transaction and measuring the embedded derivative at fair value. Any gain or loss on the embedded derivative is recognised in the income statement.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Where a derivative is designated as a cash flow hedge, the effective part of gains and losses from remeasuring the hedging instruments to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss during the period when the commitment or forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

Interest rate differentials under swap arrangements are recognised by adjustment to net interest payable. All interest rate swaps are marked to market.

Currency swap agreements and forward foreign exchange contracts (FECs) are valued at the forward rate to maturity at the reporting date. Resulting gains and losses are offset against foreign exchange gains or losses on the related borrowings (for cross currency swaps) and the related debtors or foreign currency denominated cash balances (for FECs). Gains and losses on cash flow hedges are taken to equity until such time as the underlying forecast future transaction occurs.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the group 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.

14. Deferred taxation

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

Deferred taxation liabilities are recognised for all taxable temporary differences.

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

15. Dividend income

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

16. Revenue

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

17. Research, development and related expenditure

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

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

18. Abnormal and extraordinary items

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

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

19. Discontinuing operations

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

20. Retirement benefits

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

Contributions by group companies to defined contribution retirement plans are recognised as an expense in the year in which the related services are rendered by employees.

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

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

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

21. Provisions

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

22. Asset impairment review

An assessment is made at each balance sheet date to determine whether there is objective evidence that property, plant and equipment and other assets may be impaired. An estimate of the future undiscounted net cash flows of the related assets over the remaining useful life is used to determine whether the asset value is recoverable and to measure any impairment by reference to fair value. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss on the difference between the recoverable amount and carrying amounts is recognised in the Income Statement.

23. Comparative figures

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

income statements

for the year ended 31 March 2004

		Group		Company	
	Notes	March 2004 Rm	March 2003 Restated Rm	March 2004 Rm	March 2003 Restated Rm
Revenue	1	6 488.2	7 025.0	3 131.0	3 533.5
Profit from operations	2	726.6	1 057.3	114.3	408.3
Net financing costs	3	259.0	248.8	181.6	178.2
Dividend income		2.6	1.7	47.1	3.6
Profit/(loss) before taxation and abnormal items		470.2	810.2	(20.2)	233.7
Abnormal items	4	1.9	(2.3)	(0.8)	(2.9)
Profit/(loss) before taxation		472.1	807.9	(21.0)	230.8
Taxation	5	122.5	254.9	(23.0)	74.6
Profit after taxation		349.6	553.0	2.0	156.2
Attributable to outside shareholders of subsidiary companies		90.2	115.2		
Net profit attributable to shareholders in Illovo Sugar Limited		259.4	437.8	2.0	156.2

Reconciliation of headline earnings:-

Net profit from ordinary activities		259.4	437.8
Adjusted for:			
Profit on disposal of property, plant and equipment		(3.0)	(0.8)
Amortisation of goodwill		(1.1)	1.7
Reorganisation of long term debt		1.2	-
Headline earnings		256.5	438.7
Net profit from ordinary activities per share	(cents) 19	77.8	131.8
Diluted earnings per share	(cents) 19	75.9	128.9
Headline earnings per share	(cents) 19	76.9	132.0
Diluted headline earnings per share	(cents) 19	75.0	128.9

balance sheets

as at 31 March 2004

	Notes	Group		Company	
		March 2004 Rm	March 2003 Restated Rm	March 2004 Rm	March 2003 Restated Rm
ASSETS					
Non-current assets					
		3 178.3	3 758.4	2 000.0	2 151.6
Property, plant and equipment	7	2 557.4	3 077.8	737.0	749.2
Cane roots	8	518.4	568.9	117.5	112.6
Product registrations	9	23.8	15.8	22.5	15.8
Goodwill	10	(21.0)	(22.1)	–	–
Interest in subsidiary companies	11			1 103.5	1 267.5
Interest in associate companies	12	–	–	–	–
Investments	13	80.6	118.0	6.1	6.5
Deferred taxation asset	22	19.1	–	13.4	–
Current assets					
		2 052.3	2 510.0	551.6	750.8
Inventories	14	629.4	689.7	120.0	96.6
Growing cane	15	547.4	602.0	77.6	97.3
Accounts receivable	16	485.7	743.4	226.0	430.0
Factory overhaul costs	17	127.8	145.8	68.0	81.9
Financial instruments	18	11.8	–	11.2	–
Cash resources		250.2	329.1	48.8	45.0
Total assets					
		5 230.6	6 268.4	2 551.6	2 902.4
EQUITY AND LIABILITIES					
Capital and reserves					
		1 292.1	1 616.2	932.6	1 123.9
Ordinary share capital and premium	19	264.3	259.9	264.3	259.9
Non-distributable reserves	20	109.4	91.7	317.5	314.0
Retained surplus	21	918.4	1 264.6	350.8	550.0
Interest of outside shareholders of subsidiaries		409.9	444.1		
Non-current liabilities					
		970.0	1 083.9	194.1	203.2
Deferred taxation	22	630.6	697.2	194.1	203.2
Long term borrowings	23	339.4	386.7	–	–
Current liabilities					
		2 558.6	3 124.2	1 424.9	1 575.3
Accounts payable	25	881.0	988.4	398.4	451.0
Short term borrowings	24	1 119.2	1 564.6	813.4	998.1
Bank overdraft		157.9	155.0	–	0.6
Financial instruments	18	80.8	–	80.8	–
Taxation		18.8	61.8	1.8	–
Provisions	26	300.9	354.4	130.5	125.6
Total equity and liabilities					
		5 230.6	6 268.4	2 551.6	2 902.4

cash flow statements

for the year ended 31 March 2004

	Notes	Group		Company	
		March 2004 Rm	March 2003 Restated Rm	March 2004 Rm	March 2003 Restated Rm
Cash flows from operating activities					
Profit from operations before working capital requirements	a	816.7	1 143.3	203.9	494.7
Working capital requirements	b	42.3	29.6	143.0	(128.4)
Cash generated from operations		859.0	1 172.9	346.9	366.3
Interest paid		(286.7)	(277.9)	(194.2)	(200.7)
Interest received		27.7	28.9	12.6	22.5
Taxation paid	c	(104.6)	(194.6)	7.8	(129.7)
Dividends paid	d	(239.4)	(227.8)	(199.9)	(189.4)
Dividend income		2.6	1.7	47.1	3.6
Net cash inflow/(outflow) from operating activities		258.6	503.2	20.3	(127.4)
Cash flows from investing activities					
Replacement of property, plant and equipment		(158.9)	(173.8)	(60.9)	(65.8)
Expansion capital expenditure		(27.1)	(30.6)	(10.3)	(15.4)
Capitalisation of product registrations		(12.5)	(12.1)	(12.5)	(12.1)
Proceeds on disposal of plant and equipment		4.4	5.9	2.6	2.5
Proceeds on disposal of immovable property		37.3	12.3	27.9	8.4
Cash cost of subsidiaries acquired	e	–	(194.0)	41.9	(274.4)
Research and development expenditure		(19.4)	(18.3)	(19.4)	(18.3)
Net movement on loans and advances		12.6	0.8	123.4	237.0
Net cash (outflow)/inflow from investing activities		(163.6)	(409.8)	92.7	(138.1)
Net cash inflow/(outflow) before financing activities		95.0	93.4	113.0	(265.5)
Cash flows from financing activities					
Long term borrowings raised		131.0	–	–	–
Long term borrowings repaid		(145.2)	(282.6)	–	(218.1)
Short term borrowings (repaid)/raised		(128.2)	109.0	(113.6)	242.5
Capitalised finance leases raised/(repaid)		2.3	(0.3)	–	–
Proceeds from issue of share capital	f	4.4	5.3	4.4	5.3
Net cash (outflow)/inflow from financing activities		(135.7)	(168.6)	(109.2)	29.7
Net (decrease)/increase in cash and cash equivalents		(40.7)	(75.2)	3.8	(235.8)
Cash and cash equivalents at beginning of the year	g	290.9	404.3	45.0	280.8
Cash and cash equivalents at end of the year		250.2	329.1	48.8	45.0

notes to the cash flow statements

	Group		Company	
	2004 Rm	2003 Restated Rm	2004 Rm	2003 Restated Rm
a Profit from operations before working capital requirements is calculated as follows:				
Profit from operations before interest and taxation	726.6	1 057.3	114.3	408.3
Abnormal items	1.9	(2.3)	(0.8)	(2.9)
Total income	728.5	1 055.0	113.5	405.4
Add back: Depreciation	236.2	214.8	72.9	71.1
Change in fair value of cane roots	(85.6)	(114.2)	(13.7)	(16.9)
Change in fair value of growing cane	(89.6)	(31.3)	9.1	14.1
(Profit)/loss on disposal of property, plant and equipment	(4.4)	(1.3)	(0.6)	2.4
Amortisation of goodwill	(1.1)	1.7		
Amortisation of product registration costs	0.2	0.3	0.2	0.3
Research and development expenditure	19.4	18.3	19.4	18.3
Financial instruments adjustments	13.1		3.1	
Profit from operations before working capital requirements	816.7	1 143.3	203.9	494.7
b Working capital requirements comprise the following:				
Inventories	(128.0)	(85.7)	(23.4)	(0.2)
Accounts receivable	106.9	(114.4)	200.2	(181.8)
Factory overhaul costs	2.9	(17.7)	13.9	(11.9)
Accounts payable	60.5	247.4	(47.7)	65.5
Working capital requirements	42.3	29.6	143.0	(128.4)
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	(42.2)	(70.7)	3.8	(53.1)
Translation rate adjustment	5.2	9.5		
Other	3.8	(0.7)	–	–
Per income statements (excluding deferred taxation)	(81.1)	(174.9)	2.2	(72.8)
Amounts unpaid at end of year net of overpayments	9.7	42.2	1.8	(3.8)
Total taxation paid	(104.6)	(194.6)	7.8	(129.7)
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 6 to the financial statements)	(199.9)	(189.4)	(199.9)	(189.4)
Dividends paid to outside shareholders of subsidiary companies	(39.5)	(38.4)		
Total dividends paid	(239.4)	(227.8)	(199.9)	(189.4)

notes to the cash flow statements continued

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
e Acquisition of subsidiaries net of cash acquired				
The fair value of the assets acquired and liabilities assumed of subsidiaries acquired were as follows:				
Cash	–	13.0		
Inventories	–	237.4		
Accounts receivable	–	30.9		
Factory overhaul costs	–	14.0		
Property, plant and equipment	–	909.7		
Investments	–	66.3		
Accounts payable	–	(100.2)		
Long term liabilities	–	(230.2)		
Short term loans	–	(382.7)		
Deferred tax liability	–	(85.5)		
	–	472.7		
Less: Outside shareholders' interest therein	–	(77.9)		
Net asset value to group	–	394.8		
Negative goodwill on acquisition	–	(23.2)		
Portion of purchase price paid in prior years	–	(164.6)		
Less: cash acquired in subsidiaries	–	(13.0)		
Cash cost of subsidiaries acquired including acquisition costs	–	194.0		
f Proceeds from issue of share capital				
During the year the company issued 918 800 (2003: 1 280 300) new shares.	4.4	5.3	4.4	5.3
g Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments.				
Cash and cash equivalents at the beginning of the year				
Per the balance sheet	329.1	454.8	45.0	280.8
Translation adjustment on opening balance of cash and cash equivalents	(38.2)	(50.5)		
Per the cashflow	290.9	404.3	45.0	280.8

statement of changes in equity

as at 31 March 2004

	Share capital and premium Rm	Translation reserve Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Group					
Balance at 31 March 2002	254.6	380.5	85.6	1 065.6	1 786.3
Prior year adjustments:					
Effect of change in accounting policy (note 30)	–	–	–	237.3	237.3
Restatement of provision for post retirement medical benefits (note 26)				(24.3)	(24.3)
Restated balance	254.6	380.5	85.6	1 278.6	1 999.3
Net gains and losses not recognised in the income statement:-	–	(380.5)	6.1	(262.4)	(636.8)
Realised profits - disposal of land			6.1	(6.1)	–
Transfer of debit foreign currency translation reserve to retained surplus		256.3		(256.3)	–
Currency translation differences		(636.8)			(636.8)
Net profit for the year				437.8	437.8
Dividends paid				(189.4)	(189.4)
Issue of share capital	5.3				5.3
Restated balance at 31 March 2003	259.9	–	91.7	1 264.6	1 616.2
Net gains and losses not recognised in the income statement:-	–	–	17.7	(405.7)	(388.0)
Realised losses - disposal of land			(5.3)	5.3	–
Adjustment to reserves on implementation of AC133				(1.3)	(1.3)
Adjustments for cashflow hedges			4.2		4.2
Currency translation differences		(409.7)	18.8		(390.9)
Transfer of debit foreign currency translation reserve to retained surplus		409.7)		(409.7)	–
Net profit for the year				259.4	259.4
Dividends paid				(199.9)	(199.9)
Issue of share capital	4.4				4.4
Balance at 31 March 2004	264.3	–	109.4	918.4	1 292.1

statement of changes in equity continued

	Share capital and premium Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Company				
Balance at 31 March 2002	254.6	316.0	534.7	1 105.3
Prior year adjustments:				
Effect of change in accounting policy (note 30)			70.8	70.8
Restatement of provision for post retirement medical benefits (note 26)			(24.3)	(24.3)
Restated balance	254.6	316.0	581.2	1 151.8
Net gains and losses not recognised in the income statement:-				
Realised losses - disposal of land		(2.0)	2.0	–
Net profit for the year			156.2	156.2
Dividends paid			(189.4)	(189.4)
Issue of share capital	5.3			5.3
Restated balance at 31 March 2003	259.9	314.0	550.0	1 123.9
Net gains and losses not recognised in the income statement:-				
Adjustment to reserves on implementation of AC133		3.5	(1.3)	2.2
Adjustments for cashflow hedges		3.5	(1.3)	(1.3)
Net profit for the year			2.0	2.0
Dividends paid			(199.9)	(199.9)
Issue of share capital	4.4			4.4
Balance at 31 March 2004	264.3	317.5	350.8	932.6

notes to the financial statements

for the year ended 31 March 2004

1 REVENUE

Revenue represents the proceeds receivable from:

Sugar production
Cane growing
Downstream

Includes export revenue of:

Group		Company	
2004 Rm	2003 Rm	2004 Rm	2003 Rm
4 892.1	5217.7	2 590.2	2 887.0
1 040.7	1 126.9	144.8	184.7
555.4	680.4	396.0	461.8
6 488.2	7 025.0	3 131.0	3 533.5
1 902.6	2 560.5	839.9	1 392.4

2 PROFIT FROM OPERATIONS

Revenue
Cost of sales
Distribution costs
Administrative costs
Other operating costs
Profit from operations

Profit from operations has been determined after taking into account the following items:

Depreciation
– Buildings
– Leasehold properties
– Plant, machinery and other

Profit on disposal of plant and equipment
Amortisation of goodwill
Amortisation of product registration costs
Amortisation of factory overhaul costs

Fair value adjustments
– cane roots
– growing cane
– financial instruments

Operating lease charges
– property
– plant & equipment

Auditors' remuneration
– Audit fees
– Fees for other services
– Expenses

Exchange losses
Research and development expenditure

6 488.2	7 025.0	3 131.0	3 533.5
4 502.9	4 685.2	2 558.6	2 651.7
570.8	542.0	231.2	244.9
435.6	479.6	203.6	195.3
252.3	260.9	23.3	33.3
726.6	1 057.3	114.3	408.3
236.2	214.8	72.9	71.1
16.1	14.9	2.8	3.0
4.1	5.0	–	0.1
216.0	194.9	70.1	68.0
(2.5)	(3.6)	(1.4)	(0.5)
(1.1)	1.7		
0.2	0.3	0.2	0.3
138.2	124.7	81.9	70.0
85.6	114.2	13.7	16.9
89.6	31.3	(9.1)	(14.1)
1.4		1.3	
52.8	52.6	46.4	40.5
15.9	39.9	10.9	20.4
7.8	7.4	4.5	3.9
5.8	5.1	2.6	2.0
1.7	2.2	1.8	1.8
0.3	0.1	0.1	0.1
34.5	23.2	11.1	0.9
19.4	18.3	19.4	18.3

3 NET FINANCING COSTS

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Interest paid	286.7	277.9	194.2	200.7
Long term borrowings	22.9	63.4	–	42.4
Bank and short term borrowings	242.4	206.3	177.2	138.6
Capitalised finance leases	4.0	0.5	–	–
Other	17.4	7.7	17.0	19.7
Interest received on loans and deposits	(27.7)	(28.9)	(12.6)	(22.5)
	259.0	249.0	181.6	178.2
Interest incurred prior to the commencement of production and capitalised as part of the cost of property, plant and equipment	–	(0.2)	–	–
Net financing costs	259.0	248.8	181.6	178.2
Dividend income	2.6	1.7	47.1	3.6
Financing costs net of dividend income	256.4	247.1	134.5	174.6

4 ABNORMAL ITEMS

Profit/(loss) arising on disposal of properties	1.9	(2.3)	(0.8)	(2.9)
Per income statement	1.9	(2.3)	(0.8)	(2.9)
Taxation	(0.2)	0.9	–	0.9
Abnormal profit/(loss) attributable to shareholders of Illovo Sugar Limited	1.7	(1.4)	(0.8)	(2.0)

5 TAXATION

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
South African normal taxation – current year	13.7	80.2	–	77.5
– prior year	(0.6)	(4.7)	(2.2)	(4.7)
Foreign taxation – current year	69.4	110.2	–	–
– prior year	(1.4)	(10.8)	–	–
Secondary tax on companies	0.1	–	–	–
Deferred taxation – current year	40.7	79.6	(22.2)	3.0
– prior year	(0.3)	(1.8)	1.4	(1.2)
– rate change adjustment	0.9	2.2	–	–
	122.5	254.9	(23.0)	74.6

Reconciliation of rate of taxation

	%	%	%	%
South African normal rate of taxation	30.0	30.0	30.0	30.0
Less (reduction)/increase in charge for year due to:	(4.1)	1.6	(139.5)	2.3
Adjustment from prior years	(0.3)	1.1	4.3	(2.4)
Exempt income	(5.9)	(0.8)	93.3	(0.5)
Assessed losses created/(utilised)	2.5	2.0	(223.7)	–
Increase in the tax rate	–	0.2	–	–
Disallowable expenditure	5.9	2.2	(13.4)	2.3
Taxation rate differentials - foreign subsidiaries	(3.4)	(1.6)	–	–
Other	(2.9)	(1.5)	–	2.9
Effective rate of taxation	25.9	31.6	(109.5)	32.3
The estimated tax losses at the end of the year:	239.0	358.7	13.4	

6 DIVIDENDS PAID

	Group and Company	
	2004 Rm	2003 Rm
Dividend no.21 of 31.0 cents per share (final 2002) - paid 15 July 2002		86.5
Dividend no.22 of 26.0 cents per share (interim 2003) - paid 13 January 2003		102.9
Dividend no.23 of 42.0 cents per share (final 2003) - paid 14 July 2003	139.9	
Dividend no.24 of 18.0 cents per share (interim 2004) - paid 12 January 2004	60.0	
	199.9	189.4

7 PROPERTY, PLANT AND EQUIPMENT

	2004		2003	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
Group				
Freehold land and buildings	571.2	170.6	659.7	183.3
Leasehold properties	259.2	40.8	328.4	45.2
Plant, machinery and other	3 661.1	1 725.4	4 044.2	1 727.8
Capitalised leased plant	3.0	0.3	2.2	0.4
	4 494.5	1 937.1	5 034.5	1 956.7
Net book value	2 577.4		3 077.8	
Company				
Freehold land and buildings	210.4	46.6	214.8	45.7
Leasehold properties	3.0	1.7	3.0	1.7
Plant, machinery and other	1 314.4	742.5	1 264.4	685.6
	1 527.8	790.8	1 482.2	733.0
Net book value	737.0		749.2	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R16 568 million (2003: R15 707 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 126 816 hectares (2003: 128 166) 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.

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Group

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

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2004 Total Rm	2003 Total Rm
Net book value at beginning of year	476.4	283.2	2 318.2	3 077.8	2 726.3
Additions	1.6	2.8	181.6	186.0	204.6
Acquisition of subsidiaries	–	–	–	–	909.7
Disposals	(15.7)	(4.8)	2.7	(17.8)	(16.9)
Exchange rate translation	(45.6)	(58.7)	(348.1)	(452.4)	(531.1)
	416.7	222.5	2 154.4	2 793.6	3 292.6
Depreciation	(16.1)	(4.1)	(216.0)	(236.2)	(214.8)
Net book value at end of year	400.6	218.4	1 938.4	2 557.4	3 077.8

Company

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

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2004 Total Rm	2003 Total Rm
Net book value at beginning of year	169.1	1.3	578.8	749.2	752.4
Additions	6.7	–	64.5	71.2	81.2
Disposals	(9.2)	–	(1.3)	(10.5)	(13.3)
	166.6	1.3	642.0	809.9	820.3
Depreciation	(2.8)	–	(70.1)	(72.9)	(71.1)
Net book value at end of year	163.8	1.3	571.9	737.0	749.2

8 CANE ROOTS

The carrying value of cane roots can be reconciled as follows:

	Group		Company	
	2004 Total Rm	2003 Total Rm	2004 Total Rm	2003 Total Rm
Carrying value at beginning of year	568.9	587.8	112.6	95.7
Change in fair value	85.6	114.2	13.7	16.9
Acquisition of subsidiaries	–	103.2		
Disposal of farms	(8.8)	–	(8.8)	–
Exchange rate translation	(127.3)	(236.3)		
Carrying value at end of year	518.4	568.9	117.5	112.6
Area under cane at 31 March (hectares)				
South Africa	19 369	21 004	19 369	21 004
Malawi	18 411	18 440		
Swaziland	7 889	7 814		
Zambia	11 231	11 041		
Tanzania	8 152	7 919		
Mozambique	3 095	3 095		
	68 147	69 313		

The group adopted AC 137 (Agriculture) with effect from 1 April 2003. The impact of the change in policy appears in note 30 to the financial statements.

9 PRODUCT REGISTRATIONS

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

Balance at beginning of the year	15.8	4.0	15.8	4.0
Current year movements				
Expenditure	12.5	12.1	12.5	12.1
Amortisation	(0.2)	(0.3)	(0.2)	(0.3)
Exchange rate translation	(4.3)		(4.3)	
Transfer to subsidiary company			(1.3)	
Balance at the end of the year	23.8	15.8	22.5	15.8

10 GOODWILL

	Group	
	2004	2003
	Rm	Rm
Balance at the beginning of the year	(22.1)	(11.5)
Surplus of net assets over the cost of subsidiaries acquired during the year	–	(21.4)
Fair value adjustment	–	12.5
Amortisation for the year	1.1	(1.7)
Carrying amount at the end of the year	(21.0)	(22.1)
Gross carrying amount	(21.0)	(21.0)
Accumulated amortisation	–	(1.1)
Goodwill relates to the following subsidiaries:		
The Sugar Corporation of Malawi Limited	(24.5)	(25.8)
Kilombero Sugar Company Limited	3.5	3.7
	(21.0)	(22.1)

notes to the financial statements continued

11 INTEREST IN SUBSIDIARY COMPANIES

The principal subsidiaries of Illovo Sugar Limited are as follows:

2004

	Issued capital	Effective percentage holding	Shares at cost	Amount owing by/(to) subsidiary company	Total investment
	Rm	%	Rm	Rm	Rm
Illovo Distributors (Pty) Limited	–	100	0.4	(5.5)	(5.1)
Illprop (Pty) Limited	1.3	100	1.3	–	1.3
Reynolds Brothers Limited	–	100	–	8.5	8.5
Eureka Trading Limited	–	100	–	(0.6)	(0.6)
Illovo Project Services Limited	–	100	–	(3.3)	(3.3)
CGS Investments (Pty) Limited	–	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	4.7	100	20.9	(11.5)	9.4
Lacsa (Pty) Limited / Relax Limited	1.2	50	0.6	1.4	2.0
East African Supply (Pty) Limited	–	100	–	1.5	1.5
Illovo Sugar (Africa) Limited	95.8	100	41.9	(136.1)	(94.2)
Ubombo Sugar Limited	49.5	60	–	0.2	0.2
The Sugar Corporation of Malawi Limited	50.9	76	–	–	–
Zambia Sugar Plc	3.6	90	–	–	–
Maragra Açúcar SARL	234.1	76	–	(1.0)	(1.0)
Kilombero Sugar Company Limited	0.1	55	–	0.5	0.5
Illovo Group Holdings Limited - ordinary	–	100	–	2.0	2.0
Illovo Group Holdings Limited - preference	743.5	100	815.6	–	815.6
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.3	0.3
Monitor Holdings Limited	350.0	100	350.0	11.5	361.5
Monitor Sugar Company	95.7	100	–	0.2	0.2
Sucoma Holdings Limited	351.9	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	4.1	4.1
Illovo Sugar Espana	–	100	–	1.2	1.2
			1 231.6	(128.1)	1 103.5

2003

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

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

12 INTEREST IN ASSOCIATE COMPANIES

Principal associates of the group	Nature of business	Group	
		2004 Percentage holding	2003 Percentage holding
Southern Cross Sugar Exports (Pty) Limited	Sugar export agents	33.3%	33.3%
Kilombero Sugar Distributors Limited	Distribution agents	20.0%	20.0%
Investment in associate companies		Rm	Rm
Gross investment		–	–
Directors valuation of:			
Shares and loans in unlisted associate companies		–	–

13 INVESTMENTS

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Unlisted investments	1.3	0.4	1.3	0.4
Loans	79.3	117.6	4.8	6.1
	80.6	118.0	6.1	6.5
Unlisted investments at directors' valuation	1.3	0.4	1.3	0.4

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

14 INVENTORIES

Finished goods	367.4	455.5	28.3	31.5
Consumables and components	262.0	234.2	91.7	65.1
	629.4	689.7	120.0	96.6

15 GROWING CANE

The carrying value of cane is reconciled as follows:

	Group		Company	
	2004 Total Rm	2003 Total Rm	2004 Total Rm	2003 Total Rm
Carrying value at beginning of year	602.0	761.8	97.3	111.4
Change in fair value	89.6	31.3	(9.1)	(14.1)
Acquisition of subsidiaries	–	49.9		
Disposal of farms	(10.6)	–	(10.6)	–
Exchange rate translation	(133.6)	(241.0)		
Carrying value at the end of year	547.4	602.0	77.6	97.3
Area under cane at 31 March (hectares)				
South Africa	19 369	21 004	19 369	21 004
Malawi	18 411	18 440		
Swaziland	7 889	7 814		
Zambia	11 231	11 041		
Tanzania	8 152	7 919		
Mozambique	3 095	3 095		
	68 147	69 313		

The group adopted AC 137 (Agriculture) with effect from 1 April 2003. The impact of the change in policy can be found in note 30 to the financial statements.

16 ACCOUNTS RECEIVABLE

Trade debtors	272.1	548.2	136.4	341.5
Other accounts receivable	213.6	195.2	89.6	88.5
	485.7	743.4	226.0	430.0

17 FACTORY OVERHAUL COSTS

Balance at the beginning of the year	145.8	134.7	81.9	70.0
Acquisition of subsidiaries	–	14.0		
Capitalised during the year	135.2	142.4	68.0	81.9
Amortised during the year	(138.2)	(124.7)	(81.9)	(70.0)
Exchange rate translation	(15.0)	(20.6)		
Balance at the end of the year	127.8	145.8	68.0	81.9

18 FINANCIAL INSTRUMENTS

	Group	Company
	2004 Rm	2004 Rm
Forward exchange contracts - imports	(0.6)	(0.5)
Forward exchange contracts - exports	1.8	1.1
Sugar Commodities Futures contracts	5.5	5.5
Embedded derivatives	(1.9)	(1.9)
Gross Currency Interest Rate Swap	(73.8)	(73.8)
	(69.0)	(69.6)
Comprising:		
Assets	11.8	11.2
Liabilities	(80.8)	(80.8)
	(69.0)	(69.6)

19 ORDINARY SHARE CAPITAL AND PREMIUM

	Group and Company	
	2004 Rm	2003 Rm
Authorised share capital 900 000 000 (2003: 900 000 000) ordinary shares of 4 cents each	36.0	36.0
Issued share capital 333 830 700 (2003: 332 911 900) ordinary shares of 4 cents each	13.3	13.3
Share premium account	251.0	246.6
	264.3	259.9
The movement on the share capital and share premium accounts for the year was as follows:		
Balance at beginning of year	259.9	254.6
Issue of new shares	4.4	6.2
Repurchase of shares	-	(0.9)
Balance at end of year	264.3	259.9

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

The weighted average number of shares used in the calculation of earnings per share and headline earnings per share was 333 345 538 (2003: 332 282 293) and that used in the calculation of diluted earnings per share and headline earnings per share was 349 141 938 (2003: 345 328 493).

20 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Realised surpluses on sales of land and investments	68.1	54.6	278.4	278.4
Capital redemption reserve funds	37.1	37.1	35.6	35.6
Hedging reserve	4.2	–	3.5	–
Foreign currency translation reserve	–	–	–	–
Total non-distributable reserves	109.4	91.7	317.5	314.0
Balance at beginning of year	91.7	466.1	314.0	316.0
Realised (losses)/surpluses - sale of land	(5.3)	6.1	–	(2.0)
Adjustments for cashflow hedges	4.2		3.5	
Currency translation differences	(390.9)	(636.8)	–	–
Transfer of debit foreign currency translation reserve to retained surplus	409.7	256.3		
Balance at end of year	109.4	91.7	317.5	314.0

21 RETAINED SURPLUS

Balance at beginning of year	1 264.6	1 065.6	550.0	534.7
Restatement of prior year in terms of AC 137		237.3		70.8
Restatement of provision for post retirement medical		(24.3)		(24.3)
Adjustment to reserves on implementation of AC 133	(1.3)		(1.3)	
Net profit for the year	259.4	437.8	2.0	156.2
Dividends paid	(199.9)	(189.4)	(199.9)	(189.4)
Transfer of debit foreign currency translation reserve from non-distributable reserves	(409.7)	(256.3)		
Realised losses/(surpluses) - sale of land	5.3	(6.1)	–	2.0
Balance at end of year	918.4	1 264.6	350.8	550.0

22 DEFERRED TAXATION

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Balance at beginning of year	697.2	575.1	203.2	181.3
Restatement of prior year in terms of AC 137		89.7		20.1
Provision on Financial Instrument's taken to equity	(1.7)		(1.7)	
On acquisition of subsidiaries	–	85.0		
Changes during the year:				
Exchange rate translation difference	(125.3)	(129.6)		
Charged/(credited) to income:				
Temporary differences	40.4	74.8	(20.8)	1.8
Rate change adjustment	0.9	2.2	–	–
Balance at end of year	611.5	697.2	180.7	203.2
Analysis of provision				
Property, plant and equipment	486.2	460.9	180.7	203.2
Tax losses	(73.2)	(29.2)	–	–
Other	198.5	265.5	–	–
Balance at end of year	611.5	697.2	180.7	203.2
Asset	(19.1)	–	(13.4)	–
Liability	630.6	697.2	194.1	203.2

23 LONG TERM BORROWINGS

South African borrowings	2.4	2.8	–	–
Foreign currency borrowings	388.6	486.5	–	–
Total borrowings	391.0	489.3	–	–
Less: Current portion redeemable and repayable within one year	51.6	102.6	–	–
	339.4	386.7	–	–
The above borrowings are due for repayment in the following years ending 31 March				
2005	51.6	102.6	–	–
2006	124.8	170.7	–	–
2007	50.3	31.3	–	–
2008	56.4	31.2	–	–
2009 and thereafter	107.9	153.5	–	–
	391.0	489.3	–	–

23 LONG TERM BORROWINGS continued

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group	
				2004 Rm	2003 Rm
South African borrowings					
Liabilities under capitalised finance leases		2004 - 2009	18.0	2.4	2.8
Total South African borrowings				2.4	2.8
Foreign borrowings					
Unsecured loans					
US Dollar	18.4	2004 - 2014	2.7 - 7.0	116.7	163.9
Euro	17.0	2005 - 2015	3.0 - 7.1	98.3	128.6
Swaziland Lilangeni	0.2	2010	10.0	0.2	0.2
Malawian Kwacha	0.6	2012	7.5	–	0.1
Mozambican Metical	3 400.0	2003 - 2007	8.0	0.9	1.5
Secured loans					
US Dollar	26.9	2010 - 2013	4.0 - 4.76	170.5	133.0
Mozambican Metical	2 550.0	2003 - 2008	8.0	0.5	0.8
Zambian Kwacha				–	22.8
Tanzanian Shilling				–	35.6
Liabilities under capitalised finance leases					
US Dollar	0.2	2013	5.6	1.5	–
Total foreign borrowings				388.6	486.5
Total borrowings				391.0	489.3

24 SHORT TERM BORROWINGS

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Amounts due to bankers	1 067.6	1 462.0	813.4	998.1
Current portion of long term borrowings (note 23)	51.6	102.6	–	–
	1 119.2	1 564.6	813.4	998.1

25 ACCOUNTS PAYABLE

Trade creditors	291.0	331.6	127.4	143.1
Other accounts payable	590.0	656.8	271.0	307.9
	881.0	988.4	398.4	451.0

26 PROVISIONS

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Leave pay				
Balance at beginning of year	46.2	46.4	23.2	19.4
Acquisition of subsidiaries	–	1.3		
Raised during the year	2.1	6.2	0.6	3.8
Foreign currency translation movement	(4.2)	(7.7)		
Balance at end of year	44.1	46.2	23.8	23.2
Post retirement benefits				
Balance at beginning of year	289.1	289.1	102.4	63.5
Prior year restatement of liability				
- impact on 2002 and prior		34.7		34.7
- impact on 2003		(1.6)		(1.6)
Raised during the year	(15.8)	48.3	4.3	5.8
Foreign currency translation movement	(36.1)	(81.4)		
Balance at end of year	237.2	289.1	106.7	102.4
Other				
Balance at beginning of year	19.1	18.5	–	–
Raised during the year	0.5	0.6	–	–
Foreign currency translation movement	–	–		
Balance at end of year	19.6	19.1	–	–
Total provisions				
Balance at beginning of year	354.4	354.0	125.6	82.9
Prior year restatement of liability				
- impact on 2002 and prior		34.7		34.7
- impact on 2003		(1.6)		(1.6)
Acquisition of subsidiaries	–	1.3		
(Utilised)/raised during the year	(13.2)	55.1	4.9	9.6
Foreign currency translation movement	(40.3)	(89.1)		
Balance at end of year	300.9	354.4	130.5	125.6

In 2001 the group changed its accounting policy with regard to the provision for post retirement medical benefits. A prior year adjustment was processed to recognise the change in that year. During the current year it was established that certain employees were inadvertently omitted from the original calculation. The provision has been recalculated on the greater number of employees and the prior years have been restated.

27 RETIREMENT BENEFITS

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

An amount of R32.1 million (2003: R29.2 million) was expensed during the year in respect of defined contribution plans and R20.2 million (2003: R26.5 million) was expensed during the year in respect of defined benefit plans.

South Africa

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

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

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

In terms of the requirements of the revised AC116, a valuation using the projected unit credit method was performed on the two defined benefit plans at 31 March 2004. These were found to be in a sound financial condition by an independent consulting actuary. In arriving at his finding, the actuary has taken into account a discount rate and expected rate of return on the assets of 9.0%, an expected rate of salary increase of 6.0%, an expected rate of pension increase of 4.0% and an expected rate of inflation of 4.5%. The assumptions and methods used are consistent with the requirements of the revised statement AC116, and not necessarily consistent with the assumptions and methods used in the statutory actuarial valuation used for assessing funding requirements. At the latest valuation date, the combined fair value of the benefit plan assets amounted to R571.8 million whilst the actuarial present value of promised retirement benefits totalled R354.6 million.

The actuarial surplus per the statutory valuation as at 31 December 2002 of R68.5 million, has not been recognised as an asset in the financial statements due to the implications of the Pension Funds Second Amendment Act, 2001. In terms of this Act a surplus apportionment exercise is presently being carried out and expected to be finalised during June 2005.

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

Malawi

Pensions are provided for all senior employees through the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund. The assets are held in independently administered funds. The pension cost charge is recognised in the year in which it is incurred.

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

Swaziland

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

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

Arrangements have been concluded in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of service. An actuarial valuation carried out by independent consulting actuaries at 31 March 2001 indicated that the provision in respect of these benefits and the statutory benefits was understated by R8.9 million. The shortfall is being provided for over a period of five years and at 31 March 2004 the balance not provided for in this regard was R4.2 million (2003: R6.7million) which is to be provided over the next two years.

Zambia

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

An actuarial valuation of the Defined Benefit Fund at 31 March 2003 identified a deficit of R12.8 million. The fair value of assets amounted to R10.0 million whilst the actuarial value of promised retirement benefits totalled R22.8 million. In arriving at this valuation, the actuary has taken into account a discount rate and expected rate of return on the assets of 14%, an expected rate of salary increase of 12% and an expected rate of pension increase equal to 7%. The projected deficit at 31 March 2004, based on the actuarial valuation at 31 March 2003, amounted to R16.2 million (2003: R14.1 million) which has been fully provided for by the group.

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

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

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.

United States of America

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

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

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis determined actuarially. At 31 March 2004, the total provision amounted to R203.7 million (2003: R213.1 million). During the current year R13.1 million (2003: R13.7 million) was charged to the Income statement whilst foreign currency translations reduced the provision by R22.5 million (2003: R47.7 million).

28 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
South Africa				
- contracted	5.3	10.9	5.3	10.9
- approved but not contracted	94.5	170.4	94.5	170.4
Swaziland				
- contracted	0.3	0.7		
- approved but not contracted	13.2	35.9		
Malawi				
- contracted	2.0	7.2		
- approved but not contracted	27.5	90.6		
Zambia				
- contracted	5.2	11.3		
- approved but not contracted	27.4	46.1		
Tanzania				
- contracted	4.8	0.8		
- approved but not contracted	22.2	21.6		
Mozambique				
- contracted	0.1	0.3		
- approved but not contracted	6.5	5.2		
United States of America				
- contracted	1.7	0.5		
- approved but not contracted	31.4	33.9		
Contracted	19.4	31.7	5.3	10.9
Approved but not contracted	222.7	403.7	94.5	170.4
	242.1	435.4	99.8	181.3

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

29 CONTINGENT LIABILITIES

Guarantees in respect of liabilities of third parties and claims against the group	16.0	16.1	0.2	1.6
Guarantees in respect of liabilities of subsidiary companies			317.0	340.2
	16.0	16.1	317.2	341.8

30 CHANGE IN ACCOUNTING POLICY

The group adopted AC 137 (Agriculture) with effect from 1 April 2003. As required by the statement, this has been retrospectively applied with the comparative figures for the previous year restated accordingly. The impact of the change in policy is as follows:

	Group		Company	
	2004 Rm	2003 Rm	2004 Rm	2003 Rm
Balance sheet				
The impact on equity at 31 March 2003 is as follows:				
Increase in cane roots		568.9		112.6
Increase in growing cane		602.0		97.3
Decrease in inventories		(898.5)		(119.2)
Increase in interest of outside shareholders in subsidiaries		(31.8)		
Increase in goodwill		1.8		
Increase in deferred taxation		(72.5)		(27.5)
Increase in debit foreign currency translation reserve		50.3		
Increase in equity		220.2		63.2
Income statement				
The impact on net profit attributable to shareholders is as follows:				
Increase/(decrease) in profit from operations	15.1	(30.7)	(10.0)	(10.9)
Increase/(decrease) in taxation	5.0	(9.0)	(3.0)	(3.3)
Increase/(decrease) in amounts attributable to shareholders in subsidiary companies	0.4	(4.6)		
Increase/(decrease) in attributable profit	9.7	(17.1)	(7.0)	(7.6)

31 OPERATING LEASES

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

	2005 Rm	2006 Rm	2007 Rm	2008 Rm	2009 onwards Rm	2004 Rm	2003 Rm
Property	43.6	46.3	32.8	35.4	271.6	429.7	498.0
Plant and equipment	20.7	16.7	14.3	7.5	6.4	65.6	79.0
Total lease commitments	64.3	63.0	47.1	42.9	278.0	495.3	577.0

notes to the financial statements continued

32 DIRECTORS' REMUNERATION (R 000)

The directors' remuneration for the year ended 31 March 2004 was as follows:

Name	Salary	Bonus	Retirement and medical contributions	Other benefits	Option Gains	2004 Total	2003 Total
Executive directors:							
W M A Buchanan	675		152	141	–	968	2 031
G J Clark	1 153		265	83	–	1 501	3 246
N M Hawley	726		167	165	30	1 088	1 859
M I Hlatswayo	618		146	231	–	995	–
G D Knox	675		177	75	35	962	1 646
D G MacLeod	2 238		455	123	–	2 816	5 920
A B Ravnö						–	358
J T Russell	1 153		245	159	–	1 557	3 156
B M Stuart	1 153		266	135	–	1 554	3 197
R L Hetzler	US\$ 000		146	11	–	558	518
Total	11 256	–	2 916	1 191	65	15 428	
March 2003 totals	10 670	11 304	2 751	947	760		26 432

	2004 Fees	2003 Fees
Non-executive directors:		
B P Connellan	90	70
R D Hamilton	–	–
D Konar	165	130
P M Madi	90	24
A R Mpungwe	90	70
R A Norton	200	150
M J Shaw	215	110
R A Williams	1 125	900
	1 975	1 454

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

Benefits paid to past directors amounted to R53 918 for the year (2003: R65 494).

33 RELATED PARTY TRANSACTIONS

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

33.1 Subsidiaries and associates

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

33.2 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on the inside back cover.

33.3 Interests of directors in contracts

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

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

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

34 FINANCIAL RISK MANAGEMENT

34.1 Treasury risk management

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

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

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

34.2 Interest rate risk management

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

The interest rate profile at 31 March 2004 is as follows:

	Floating rate	1-6 months	Greater than 6 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	170.8	840.3	214.4	339.4	51.6	1 616.5
% total borrowings	11%	52%	13%	21%	3%	100%

At year end the group does not have any open interest rate derivatives.

34 FINANCIAL RISK MANAGEMENT (continued)

34.3 Currency risk management

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

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

	Group			Group		
	2004			2003		
Foreign currency sold	Foreign currency million	Average rate Rand/US\$	Amount in Rm	Foreign currency million	Average rate Rand/US\$	Amount in Rm
US Dollars	3.0	6.83	20.5	20.5	9.30	190.7

Unhedged and uncovered foreign currency monetary items which are repayable within 12 months comprise:

	Group		Group	
	2004		2003	
Assets	Foreign currency million	Amount in Rm	Foreign currency million	Amount in Rm
US Dollars	1.2	7.8	7.2	58.5
Pound Sterling	–	–	0.1	1.5
		7.8		60.0
Liabilities				
US Dollars	–	–	0.4	3.0
Euro	0.1	0.7	7.0	55.1
		0.7		58.1

34.4 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments and trade debtors. The group only deposits short term cash with major banks of high quality credit standing and limits the amount of credit exposure to any one counter-party. Trade debtors comprise a widespread customer base, and group companies undertake ongoing credit evaluations of the financial condition of their customers. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2004, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

34.5 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 see fit.

The group treasury has access to the following local and foreign banking facilities at 31 March 2004:

	Rm
Local, fixed and flexible term, general banking facilities	2 662.0
Foreign, fixed and flexible term, general banking facilities	1 391.0
	4 053.0

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

35 SEGMENTAL ANALYSIS

Geographical segmental analysis

Year to 31 March 2004

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
South Africa	3 216.7	133.2	1 448.8	85.5	74.6
Malawi	798.0	247.1	673.7	23.2	12.1
Swaziland	548.0	68.4	475.8	17.5	16.3
Zambia	648.2	186.4	425.0	19.5	13.7
Tanzania	396.0	111.2	533.2	19.1	29.0
Mozambique	154.0	(9.1)	427.7	4.7	28.9
USA	727.3	(10.6)	968.6	29.0	61.6
Group operations	–	–	8.5	–	–
	6 488.2	726.6	4 961.3	198.5	236.2

Year to 31 March 2003

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
South Africa	3 642.5	416.3	1 674.7	101.2	72.7
Malawi	955.0	253.7	924.1	18.7	29.5
Swaziland	618.7	134.9	473.4	24.3	15.6
Zambia	767.9	231.6	438.0	28.2	15.1
Tanzania	–	–	739.6	–	–
Mozambique	–	–	519.1	–	–
USA	1 040.9	20.8	1 164.9	44.1	81.9
Group operations	–	–	5.5	–	–
	7 025.0	1 057.3	5 939.3	216.5	214.8

Business segmental analysis

Group

	2004		2003	
	Revenue Rm	Operating profit Rm	Revenue Rm	Operating profit Rm
Sugar production	4 892.1	424.7	5 217.7	645.0
Cane growing	1 040.7	236.8	1 126.9	258.8
Downstream	555.4	65.1	680.4	153.5
	6 488.2	726.6	7 025.0	1 057.3

36 POST BALANCE SHEET EVENT

On 17 May 2004 the company entered into an agreement to sell its interests in the Gledhow sugar mill and refinery and associated cane growing estates to Grand Bridge Trading 40 (Proprietary) Limited, a broad-based Black economic empowerment company, for R335.0 million. The effective date of the sale is 1 June 2004 and is subject to the approval of the Competition Authority.

The results from this operation included in the group and company results for the year to 31 March 2004 are as follows:

	Group and Company
	2004 Rm
Income statement	
Revenue	310.5
Loss before taxation	(1.8)
Taxation	(0.3)
Impact on net profit attributable to shareholders of Illovo Sugar Limited	(1.5)
Headline loss (cents per share)	(0.7)

Net asset value and proceeds on disposal

The consideration for the net assets is R335.0 million and net of costs associated with the sale represents a surplus over the net asset value at 31 March 2004 of R179.5 million.

The purchase consideration will be settled in cash and the company intends to utilise the proceeds to strengthen its balance sheet in preparation for future growth.