

ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 March 2005

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 20 May 2005 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 2005 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

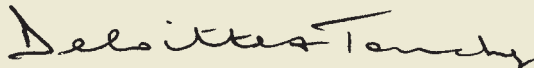
We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes -

- 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 statement 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 2005, 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, 1973, as amended.

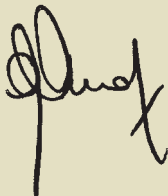


Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)

Mount Edgecombe
20 May 2005

LODGEMENT OF RETURNS WITH THE REGISTRAR OF COMPANIES

I hereby certify that for the year ended 31 March 2005, 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
Company Secretary

Mount Edgecombe
20 May 2005

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 28.

Acquisitions and disposals

During the year under review, Illovo Sugar sold –

- the Gledhow sugar mill and refinery and associated cane growing estates on the north coast of KwaZulu-Natal to a Black economic empowerment company, Ushukela Milling (Proprietary) Limited (previously Grand Bridge Trading 40 (Proprietary) Limited), for a price of R335 million, effective 1 April 2004;
- its South African warehousing and sugar distribution operations to Barloworld Logistics (Proprietary) Limited, effective 1 June 2004;
- its interest in Monitor Sugar Company located in Michigan in the United States to the Michigan Sugar Company, for a total consideration of US\$39.2 million, effective 30 September 2004;
- the Umfolozi sugar mill on the north coast of KwaZulu-Natal to a Black economic empowerment company, Umvoti Transport (Proprietary) Limited, for a price of R85 million, effective 31 March 2005.

Further information about these transactions is given in the Chairman's Statement and Review of Operations on pages 10 to 28.

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 3 363 800 shares to 337 194 500 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 88 and 89, members will be requested to grant the directors by special resolution, a general authority, valid until the following annual general meeting of members, to purchase up to 20% 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 page 87.

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 2005 revealed four beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 87.

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 2005 comprise -

	No. of shares
Options granted and unexpired as at 1 April 2004	26 534 700
New options granted during the year under review	2 193 500
Less : Options forfeited during the year under review	(376 000)
Total options granted and unexpired as at 31 March 2005	28 352 200
Less : Options exercised by retired and former employees	(3 012 200)
	<u>25 340 000</u>

This leaves a balance available for the granting of further options of 7 660 000 shares.

During the year under review, options were exercised in respect of 3 363 800 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 11 551 600.

The options granted and unexpired or unexercised as at 31 March 2005 are categorised as -

No. of shares	Expiry date	Option price (cents)
140 000	21 April 2006	925
2 639 100	30 August 2008	435
2 079 300	29 August 2009	562
751 800	11 July 2010	443
911 400	12 September 2010	520
2 149 500	6 June 2011	650
2 333 000	20 May 2012	805
3 651 500	20 May 2013	680
2 145 000	1 June 2014	770
<u>16 800 600</u>		

STATUTORY INFORMATION

continued

Options granted to executive directors and unexpired or unexercised as at 31 March 2005 are determined as -

	Options as at 31 March 2004	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2005	Expiry date
Clark G J	86 700	435	–	86 700	800	0	30.08.2008
	80 000	562	–	80 000	855	0	29.08.2009
	80 000	443	–	53 200	855	26 800	11.07.2010
	90 000	650	–	–	–	90 000	06.06.2011
	110 000	805	–	–	–	110 000	20.05.2012
	140 000	680	–	–	–	140 000	20.05.2013
	–	770	94 000	–	–	94 000	01.06.2014
						460 800	
Hawley N M	30 000	600	–	30 000	800	0	27.03.2005
	77 500	435	–	77 500	834	0	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
	60 000	680	–	–	–	60 000	20.05.2013
–	770	42 000	–	–	42 000	01.06.2014	
						302 000	
Hlatshwayo M I	25 000	435	–	25 000	840	0	30.08.2008
	30 000	562	–	19 800	840	10 200	29.08.2009
	20 000	520	–	13 200	840	6 800	12.09.2010
	22 500	650	–	–	–	22 500	06.06.2011
	20 000	805	–	–	–	20 000	20.05.2012
	160 000	680	–	–	–	160 000	20.05.2013
	–	770	36 000	–	–	36 000	01.06.2014
						255 500	
MacLeod D G	130 000	600	–	130 000	858	0	27.03.2005
	185 000	435	–	–	–	185 000	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
	350 000	680	–	–	–	350 000	20.05.2013
–	770	215 000	–	–	215 000	01.06.2014	
						1 765 000	
Russell J T	100 000	600	–	100 000	800	0	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
	140 000	680	–	–	–	140 000	20.05.2013
–	770	87 000	–	–	87 000	01.06.2014	
						727 000	
Stuart B M	100 000	600	–	100 000	800	0	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
	140 000	680	–	–	–	140 000	20.05.2013
–	770	94 000	–	–	94 000	01.06.2014	
						709 000	
	4 366 700		568 000	715 400		4 219 300	

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 undertook net sales of 4 160 shares in the company thereby reducing the total number of shares held to 180 703. Of these shares, which are all registered in the name of the trustees, 180 701 are held on behalf of 309 participants. All such shares have been fully paid for by the participants.

Pursuant to the recent enactment of Section 8C of the Income Tax Act, 1962, giving rise to our onerous administrative burden on the trust relative to taxable gains and losses applicable to participants, at the forthcoming annual general meeting, as included in the notice of such meeting, members will be requested to approve an amendment to the rules of the purchase scheme so as to remove the mandatory 12 month holding period in respect of shares acquired by participants in terms of the purchase scheme.

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

Dividends

An interim ordinary dividend (No. 26) of 12.0 cents per share was declared on 17 November 2004, and a final ordinary dividend (No. 27) of 13.5 cents per share was declared on 20 May 2005, making the total distribution for the year 25.5 cents per share.

The interim dividend was paid on 10 January 2005 and the final dividend will be paid on 11 July 2005.

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 7, and 9 respectively.

In terms of the company's articles of association, Messrs M I Hlatshwayo, D G MacLeod, P M Madi, J T Russell and Dr D Konar 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 2005 were as follows -

	2005		2004	
	Direct	Indirect	Direct	Indirect
Clark G J	30 000		–	
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	35 000		20 000	
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	
	824 904	56 876	779 904	56 876
Total	881 780		836 780	

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	100 000
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
Other members	50 000

* 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 increases in the basic fee payable to non-executive directors from R100 000 to R105 000 per annum; the fee payable to the chairman of the Audit Committee from R75 000 to R90 000 per annum; and the fee payable to the chairman of the Remuneration / Nomination committee from R60 000 to R70 000 per annum; all with effect from 1 April 2005. No changes in 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.

Transfer Secretaries

Ultra Registrars (Proprietary) Limited was appointed as the company's transfer secretaries in the stead of Computershare Investor Services 2004 (Proprietary) Limited with effect from 1 April 2005.

JSE Sponsor

Pursuant to the acquisition of Cazenove South Africa (Proprietary) Limited by JP Morgan Securities South Africa (Proprietary) Limited with effect from 1 February 2005, JP Morgan Equities Limited was appointed as the company's sponsor on the JSE Securities Exchange South Africa.

Special resolutions passed by subsidiary companies

Since the date of the previous Annual Report, a special resolution was passed by The Sugar Corporation of Malawi Limited to change the name of that company to Illovo Sugar (Malawi) Limited. A number of other 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 events

There have been no matters of a material interest to report on since the end of the period under review.

The principal accounting policies of the group conform with South African Statements of Generally Accepted Accounting Practice. During the current year the group adopted AC 501 (Accounting for Secondary Tax on Companies (STC)) and AC 140 (Business Combinations) with retrospective application and the prior year's comparatives have been restated accordingly. 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.

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 the foreign currency translation reserve.

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 is carried at cost and tested for impairment on an annual basis.

Negative goodwill is recognised in profit or loss at the date of acquisition of a subsidiary, associate or jointly controlled entity.

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.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

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 bases:

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. Lease payments are allocated using the effective interest rate method between a reduction in the liability to the lessor and interest charged to income.

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 over the financial and operating policies 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.

10. Investments

Investments are stated at fair value.

11. Inventories

Inventories are stated at the lower of cost or net

realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of production and selling expenses. The basis of determining cost is the average method except in the case of downstream products 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.

Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates at the date the fair value was determined.

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 impairment. This represents fair value. 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.

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which the change arises.

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

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 re-measuring 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.

14. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement to the extent that it relates to items not recognised directly in equity, in which case it is recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable in respect of previous years.

Deferred taxation is provided on the comprehensive basis using the balance sheet liability method based on temporary differences at rates substantially enacted at the balance sheet date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 customer.

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 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.

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 that are incurred and are directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is taken into account only when realised.

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 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 2005

	Notes	Group		Company	
		March 2005 Rm	March 2004 Restated Rm	March 2005 Rm	March 2004 Restated Rm
Revenue	1	5 143.0	6 488.2	2 368.9	3 131.0
Profit from operations	2	405.6	726.6	10.1	114.3
Net financing costs	3	156.1	259.0	114.3	181.6
Dividend income		2.6	2.6	235.0	47.1
Profit/(loss) before taxation and abnormal items		252.1	470.2	130.8	(20.2)
Abnormal items	4	(79.2)	1.9	(72.1)	(0.8)
Profit/(loss) before taxation		172.9	472.1	58.7	(21.0)
Taxation	5	82.9	141.4	(15.1)	(4.2)
Profit/(loss) after taxation		90.0	330.7	73.8	(16.8)
Attributable to outside shareholders of subsidiary companies		49.3	90.2		
Net profit/(loss) attributable to shareholders in Illovo Sugar Limited		40.7	240.5	73.8	(16.8)
Reconciliation of headline earnings:-					
Net profit from ordinary activities		40.7	240.5		
Adjusted for:					
Loss/(profit) on disposal of property, plant and equipment		5.1	(3.0)		
Loss on disposal of businesses		97.0	–		
Amortisation of goodwill		–	(1.1)		
Reorganisation of long term debt		–	1.2		
Headline earnings		142.8	237.6		
Net profit from ordinary activities per share	(cents) 19	12.1	72.1		
Diluted earnings per share	(cents) 19	13.2	70.5		
Headline earnings per share	(cents) 19	42.6	71.3		
Diluted headline earnings per share	(cents) 19	42.2	69.7		

BALANCE SHEETS

as at 31 March 2005

	Notes	Group		Company	
		March 2005 Rm	March 2004 Restated Rm	March 2005 Rm	March 2004 Restated Rm
ASSETS					
Non-current assets					
Property, plant and equipment	7	1 823.2	2 557.4	637.4	737.0
Cane roots	8	543.7	518.4	82.8	117.5
Product registrations	9	30.4	23.8	29.1	22.5
Goodwill	10	–	(21.0)	–	–
Interest in subsidiary companies	11	–	–	926.7	1 103.5
Interest in associate companies	12	–	–	–	–
Investments and loans	13	86.9	80.6	3.5	6.1
Deferred taxation asset	22	30.8	22.1	29.3	16.4
		1 892.7	2 052.3	657.4	551.6
Current assets					
Inventories	14	291.7	629.4	90.6	120.0
Growing cane	15	534.5	547.4	51.3	77.6
Accounts receivable	16	588.6	485.7	333.5	226.0
Factory overhaul costs	17	123.5	127.8	51.6	68.0
Financial instruments	18	1.9	11.8	1.1	11.2
Cash resources		352.5	250.2	129.3	48.8
		4 407.7	5 233.6	2 366.2	2 554.6
Total assets					
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital and premium	19	282.5	264.3	282.5	264.3
Non-distributable reserves	20	98.2	109.4	307.7	317.5
Retained surplus	21	819.6	921.3	294.0	353.8
Interest of outside shareholders of subsidiaries		408.4	409.9	–	–
		762.5	970.0	132.0	194.1
Non-current liabilities					
Deferred taxation	22	525.0	630.6	132.0	194.1
Long term borrowings	23	237.5	339.4	–	–
		2 036.5	2 558.7	1 350.0	1 424.9
Current liabilities					
Short term borrowings	24	799.9	1 119.2	752.7	813.4
Accounts payable	25	821.6	881.1	375.8	398.4
Bank overdraft		109.8	157.9	–	–
Financial instruments	18	94.1	80.8	94.1	80.8
Taxation		35.8	18.8	1.8	1.8
Provisions	26	175.3	300.9	125.6	130.5
		4 407.7	5 233.6	2 366.2	2 554.6
Total equity and liabilities					

CASH FLOW STATEMENTS

for the year ended 31 March 2005

	Notes	Group		Company	
		March 2005 Rm	March 2004 Rm	March 2005 Rm	March 2004 Rm
Cash flows from operating activities					
Profit from operations before working capital requirements	a	531.3	816.7	88.9	203.9
Working capital requirements	b	137.5	42.3	(59.2)	143.0
Cash generated from operations		668.6	859.0	29.7	346.9
Interest paid		(188.3)	(286.7)	(131.0)	(194.2)
Interest received		32.2	27.7	16.7	12.6
Taxation paid	c	(60.1)	(104.6)	(10.8)	7.8
Dividends paid	d	(176.0)	(239.4)	(133.8)	(199.9)
Dividend income		2.6	2.6	235.0	47.1
Net cash inflow from operating activities		279.0	258.6	5.8	20.3
Cash flows from investing activities					
Replacement of property, plant and equipment		(134.1)	(158.9)	(42.2)	(60.9)
Acquisition of operating leases		(172.2)	–	(172.2)	–
Expansion capital expenditure		(18.5)	(27.1)	(0.2)	(10.3)
Capitalisation of product registrations		(7.3)	(12.5)	(7.3)	(12.5)
Proceeds on disposal of plant and equipment		23.9	4.4	11.6	2.6
Proceeds on disposal of immovable property		–	37.3	–	27.9
Proceeds on disposal of businesses	e	429.9	–	331.1	41.9
Acquisition of investments		10.7	–	–	–
Research and development expenditure		(17.4)	(19.4)	(17.4)	(19.4)
Net movement on loans and advances		(8.0)	12.6	0.8	123.4
Net cash inflow/(outflow) from investing activities		107.0	(163.6)	104.2	92.7
Net cash inflow before financing activities		386.0	95.0	110.0	113.0
Cash flows from financing activities					
Long term borrowings raised		31.9	131.0	–	–
Long term borrowings repaid		(165.0)	(145.2)	–	–
Short term borrowings repaid		(169.1)	(128.2)	(47.7)	(113.6)
Capitalised finance leases (repaid)/raised		(0.5)	2.3	–	–
Proceeds from issue of share capital	f	18.2	4.4	18.2	4.4
Net cash outflow from financing activities		(284.5)	(135.7)	(29.5)	(109.2)
Net increase/(decrease) in cash and cash equivalents		101.5	(40.7)	80.5	3.8
Cash and cash equivalents at beginning of the year	g	251.0	290.9	48.8	45.0
Cash and cash equivalents at end of the year		352.5	250.2	129.3	48.8

NOTES TO THE CASH FLOW STATEMENTS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
a Profit from operations before working capital requirements is calculated as follows:				
Profit from operations before interest and taxation	405.6	726.6	10.1	114.3
Abnormal items	(79.2)	1.9	(72.1)	(0.8)
Total income	326.4	728.5	(62.0)	113.5
Add back: Depreciation	180.2	236.2	69.9	72.9
Change in fair value of cane roots	(61.0)	(85.6)	(7.7)	(13.7)
Change in fair value of growing cane	(9.8)	(89.6)	(0.1)	9.1
Loss/(profit) on disposal of property, plant and equipment	4.9	(4.4)	7.5	(0.6)
Loss on disposal of businesses	72.7		63.7	
Amortisation of goodwill	–	(1.1)		
Amortisation of product registration costs	0.7	0.2	0.7	0.2
Research and development expenditure	17.4	19.4	17.4	19.4
Financial instruments adjustments	(0.4)	13.1	(0.5)	3.1
Profit from operations before working capital requirements	531.1	816.7	88.9	203.9
b Working capital requirements comprise the following:				
Inventories	224.8	(128.0)	15.8	(23.4)
Accounts receivable	(170.6)	106.9	(118.8)	200.2
Factory overhaul costs	(3.1)	2.9	8.6	13.9
Accounts payable	86.4	60.5	35.2	(47.7)
Working capital requirements	137.5	42.3	(59.2)	143.0
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	(9.7)	(42.2)	(1.8)	3.8
Translation rate adjustment	(0.3)	5.2		
Other	(0.5)	3.8	–	–
Per income statements (excluding deferred taxation)	(82.0)	(81.1)	(10.8)	2.2
Amounts unpaid at end of year net of overpayments	32.4	9.7	1.8	1.8
Total taxation paid	(60.1)	(104.6)	(10.8)	7.8
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 6 to the financial statements)	(133.8)	(199.9)	(133.8)	(199.9)
Dividends paid to outside shareholders of subsidiary companies	(42.2)	(39.5)		
Total dividends paid	(176.0)	(239.4)	(133.8)	(199.9)

NOTES TO THE CASH FLOW STATEMENTS

continued

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
e Proceeds on disposal of businesses				
The fair value of the assets and liabilities of businesses disposed of were as follows:				
Inventories	110.2	–	13.6	–
Growing cane	24.0	–	24.0	–
Cane roots	38.1	–	38.1	–
Accounts receivable	138.9	–	5.2	–
Factory overhaul costs	7.8	–	7.8	–
Property, plant and equipment	753.9	–	420.8	–
Accounts payable	(284.4)	–	(45.5)	–
Long term liabilities	(5.7)	–	–	–
Short term loans	(146.3)	–	–	–
Deferred tax liability	(100.8)	–	(47.9)	–
Net asset value to group	535.7	–	416.1	–
Portion of purchase price still unpaid	(105.8)	–	(85.0)	–
Net proceeds on disposal of business	429.9	–	331.1	–
f Proceeds from issue of share capital				
During the year the company issued 3 363 800 (2004: 918 800) new shares.	18.2	4.4	18.2	4.4
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	250.2	329.1	48.8	45.0
Translation adjustment on opening balance of cash and cash equivalents	0.8	(38.2)		
Per the cashflow statement	251.0	290.9	48.8	45.0

STATEMENT OF CHANGES IN EQUITY

as at 31 March 2005

	Share capital and premium Rm	Translation reserve Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Group					
Balance at 31 March 2003	259.9	–	91.7	1 264.6	1 616.2
Prior year adjustments:				21.8	21.8
Net gains and losses not recognised in the income statement:-	–	–	17.7	(405.7)	(388.0)
Realised profits - 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				240.5	240.5
Dividends paid				(199.9)	(199.9)
Issue of share capital	4.4				4.4
Restated balance at 31 March 2004	264.3	–	109.4	921.3	1 295.0
Net gains and losses not recognised in the income statement:-	–	–	(11.2)	(8.6)	(19.8)
Realised profits - disposal of land			(1.5)	1.5	–
Adjustments for cashflow hedges			(9.7)	0.2	(9.5)
Currency translation differences		(31.3)			(31.3)
Derecognition of negative goodwill				21.0	21.0
Transfer of debit foreign currency translation reserve to retained surplus		31.3		(31.3)	–
Net profit for the year				40.7	40.7
Dividends paid				(133.8)	(133.8)
Issue of share capital	18.2				18.2
Balance at 31 March 2005	282.5	–	98.2	819.6	1 200.3

STATEMENT OF CHANGES IN EQUITY

continued

	Share capital and premium Rm	Translation reserve Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Company					
Balance at 31 March 2003	259.9		314.0	550.0	1 123.9
Prior year adjustments:				21.8	21.8
Net gains and losses not recognised in the income statement:-					
Adjustment to reserves on implementation of AC133				(1.3)	(1.3)
Adjustments for cashflow hedges			3.5		3.5
Net profit for the year				(16.8)	(16.8)
Dividends paid				(199.9)	(199.9)
Issue of share capital	4.4				4.4
Restated balance at 31 March 2004	264.3		317.5	353.8	935.6
Net gains and losses not recognised in the income statement:-					
Adjustments for cashflow hedges			(9.8)	0.2	(9.6)
Net profit for the year				73.8	73.8
Dividends paid				(133.8)	(133.8)
Issue of share capital	18.2				18.2
Balance at 31 March 2005	282.5		307.7	294.0	884.2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

1 REVENUE

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Revenue represents the proceeds receivable from:				
Sugar production	3 740.3	4 892.1	1 896.7	2 590.2
Cane growing	893.6	1 040.7	83.3	144.8
Downstream	509.1	555.4	388.9	396.0
	5 143.0	6 488.2	2 368.9	3 131.0
Includes export revenue of:	1 633.1	1 902.6	686.9	839.9

2 PROFIT FROM OPERATIONS

Revenue	5 143.0	6 488.2	2 368.9	3 131.0
Cost of sales	3 614.3	4 502.9	1 975.6	2 558.6
Distribution costs	368.8	570.8	194.3	231.2
Administrative costs	505.8	435.6	187.4	203.6
Other operating costs	248.5	252.3	1.5	23.3
Profit from operations	405.6	726.6	10.1	114.3
Profit from operations has been determined after taking into account the following items:				
Depreciation	180.2	236.2	69.9	72.9
– Buildings	11.7	16.1	3.7	2.8
– Leasehold properties	5.9	4.1	0.1	–
– Plant, machinery and other	162.6	216.0	66.1	70.1
Profit on disposal of plant and equipment	(1.6)	(2.5)	(0.9)	(1.4)
Amortisation of goodwill	–	(1.1)	–	–
Amortisation of product registration costs	0.7	0.2	0.7	0.2
Amortisation of factory overhaul costs	119.4	138.2	60.2	81.9
Fair value adjustments				
– cane roots	61.0	85.6	7.7	13.7
– growing cane	9.8	89.6	0.1	(9.1)
– financial instruments	(0.3)	1.4	(0.3)	1.3
Operating lease charges				
– property	20.5	52.8	19.0	46.4
– plant & equipment	25.2	15.9	9.4	10.9
Auditors' remuneration	8.1	7.8	5.4	4.5
– Audit fees	4.9	5.8	2.5	2.6
– Fees for other services	2.7	1.7	2.6	1.8
– Expenses	0.5	0.3	0.3	0.1
Exchange losses	8.8	34.5	4.8	11.1
Research and development expenditure	17.4	19.4	17.4	19.4

NOTES TO THE FINANCIAL STATEMENTS

continued

3 NET FINANCING COSTS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Interest paid	188.3	286.7	131.0	194.2
Long term borrowings	12.1	22.9	–	–
Bank and short term borrowings	164.7	242.4	120.4	177.2
Capitalised finance leases	3.1	4.0	–	–
Other	8.4	17.4	10.6	17.0
Interest received on loans and deposits	(32.2)	(27.7)	(16.7)	(12.6)
Net financing cost	156.1	259.0	114.3	181.6
Dividend income	2.6	2.6	235.0	47.1
Financing costs net of dividend income	153.5	256.4	(120.7)	134.5

4 ABNORMAL ITEMS

(Loss)/profit arising on disposal of properties	(6.5)	1.9	(8.4)	(0.8)
Loss arising on disposal of businesses	(72.7)	–	(63.7)	–
Per income statement	(79.2)	1.9	(72.1)	(0.8)
Taxation	(24.3)	(0.2)	(24.3)	–
Abnormal (loss)/profit attributable to shareholders of Illovo Sugar Limited	(103.5)	1.7	(96.4)	(0.8)

5 TAXATION

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
South African normal taxation – current year	(0.6)	13.8		
– prior year		(0.6)		(2.2)
Foreign taxation – current year	81.4	69.5	10.8	
– prior year	1.2	(1.4)		
Secondary tax on companies	(9.7)	18.8	(9.7)	18.8
Deferred taxation – current year	6.7	40.7	(16.8)	(22.2)
– prior year	7.6	(0.3)	4.3	1.4
– rate change adjustment	(3.7)	0.9	(3.7)	–
	82.9	141.4	(15.1)	(4.2)
Reconciliation of rate of taxation	%	%	%	%
South African normal rate of taxation	30.0	30.0	30.0	30.0
Less increase/(reduction) in charge for year due to:	2.9	–	(41.5)	(9.2)
Adjustment from prior years	0.2	(0.3)	(3.3)	4.3
Adjustment in respect of abnormal items	9.6	–	18.6	(0.1)
Exempt income	(8.9)	(5.0)	(55.3)	93.3
Assessed losses created/(utilised)	(0.5)	(0.9)	–	–
Reduction in the tax rate	(1.5)	–	(2.8)	–
Disallowable expenditure	15.8	7.1	16.2	(42.3)
Secondary tax on companies	0.1	–	(7.4)	(93.2)
Timing differences not provided	(8.7)	(1.2)	(15.8)	29.0
Taxation rate differentials - foreign subsidiaries	3.5	(3.4)	–	–
Other	(6.7)	3.7	8.3	(0.2)
Effective rate of taxation	32.9	30.0	(11.5)	20.8
The estimated tax losses at the end of the year aggregate:	195.5	239.0	16.6	13.4

6 DIVIDENDS PAID

	Group and Company	
	2005 Rm	2004 Rm
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
Dividend no.25 of 28.0 cents per share (final 2004) - paid 12 July 2004	93.5	
Dividend no.26 of 12.0 cents per share (interim 2005) - paid 10 January 2005	40.3	
	133.8	199.9

NOTES TO THE FINANCIAL STATEMENTS

continued

7 PROPERTY, PLANT AND EQUIPMENT

	2005		2004	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
Group				
Freehold land and buildings	442.2	73.1	571.2	170.6
Leasehold properties	234.6	40.8	259.2	40.8
Plant, machinery and other	2 355.6	1 096.3	3 661.1	1 725.4
Capitalised leased plant	1.4	0.4	3.0	0.3
	3 033.8	1 210.6	4 494.5	1 937.1
Net book value	1 823.2		2 577.4	
Company				
Freehold land and buildings	263.7	39.7	210.4	46.6
Leasehold properties	2.2	1.5	3.0	1.7
Plant, machinery and other	1 057.2	644.5	1 314.4	742.5
	1 323.1	685.7	1 527.8	790.8
Net book value	637.4		737.0	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R13 989 million (2004: R16 568 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 112 407 hectares (2004: 126 816) 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 comprises:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2005 Total Rm	2004 Total Rm
Net book value at beginning of year	400.6	218.4	1 938.4	2 557.4	3 077.8
Additions	184.2	4.7	135.8	324.7	186.0
Disposal of businesses	(189.0)	–	(618.8)	(807.7)	–
Disposals	(16.1)	(21.7)	(36.5)	(74.3)	(17.8)
Exchange rate translation	1.1	(1.8)	4.0	3.3	(452.4)
	380.8	199.6	1 423.0	2 003.4	2 793.6
Depreciation	(11.7)	(5.9)	(162.6)	(180.2)	(236.2)
Net book value at end of year	369.1	193.7	1 260.4	1 823.2	2 557.4

Company

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

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2005 Total Rm	2004 Total Rm
Net book value at beginning of year	163.8	1.3	571.9	737.0	749.2
Additions	171.9	–	42.8	214.7	71.2
Disposal of businesses	(100.8)	–	(131.2)	(232.0)	–
Disposals	(7.3)	(0.4)	(4.7)	(12.4)	(10.5)
	227.6	0.9	478.8	707.3	809.9
Depreciation	(3.7)	(0.1)	(66.1)	(69.9)	(72.9)
Net book value at end of year	223.9	0.8	412.7	637.4	737.0

NOTES TO THE FINANCIAL STATEMENTS

continued

8 CANE ROOTS

The carrying value of cane roots comprises:

	Group		Company	
	2005 Total Rm	2004 Total Rm	2005 Total Rm	2004 Total Rm
Carrying value at beginning of year	518.4	568.9	117.5	112.6
Change in fair value	61.0	85.6	7.7	13.7
Acquisition of farms	4.0	–	–	–
Disposal of businesses	(38.1)	–	(38.1)	–
Disposal of farms	(4.3)	(8.8)	(4.3)	(8.8)
Exchange rate translation	2.7	(127.3)		
Carrying value at end of year	543.7	518.4	82.8	117.5
Area under cane at 31 March (hectares)				
South Africa	12 088	19 369	12 088	19 369
Malawi	18 421	18 411		
Swaziland	7 916	7 889		
Zambia	11 031	11 231		
Tanzania	7 984	8 152		
Mozambique	3 721	3 095		
	61 161	68 147		

9 PRODUCT REGISTRATIONS

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

Balance at the beginning of the year	23.8	15.8	22.5	15.8
Current year movements				
Expenditure	7.3	12.5	7.3	12.5
Amortisation	(0.7)	(0.2)	(0.7)	(0.2)
Exchange rate translation	–	(4.3)	–	(4.3)
Transfer to subsidiary company			–	(1.3)
Balance at the end of the year	30.4	23.8	29.1	22.5

10 GOODWILL

	Group	
	2005 Rm	2004 Rm
Balance at the beginning of the year	(21.0)	(22.1)
Derecognition of negative goodwill (Note 30)	21.0	–
Amortisation for the year	–	1.1
Carrying amount at the end of the year	–	(21.0)
Gross carrying amount	–	(21.0)
Accumulated amortisation	–	–
Goodwill relates to the following subsidiaries:		
Illovo Sugar (Malawi) Limited	–	(24.5)
Kilombero Sugar Company Limited	–	3.5
	–	(21.0)

NOTES TO THE FINANCIAL STATEMENTS

continued

11 INTEREST IN SUBSIDIARY COMPANIES

The principal subsidiaries of Illovo Sugar Limited are as follows:

2005

	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	(7.1)	(6.7)
Illprop (Pty) Limited	1.3	100	0.2	0.1	0.3
Reynolds Brothers Limited	–	100	–	5.1	5.1
Eureka Trading Limited	–	100	–	(0.7)	(0.7)
Illovo Project Services Limited	–	100	–	(0.2)	(0.2)
CGS Investments (Pty) Limited	–	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	5.6	100	20.9	(17.6)	3.3
Lacsa (Pty) Limited / Relax Limited	–	50	0.6	2.2	2.8
East African Supply (Pty) Limited	–	100	–	15.9	15.9
Illovo Sugar (Africa) Limited	95.8	100	41.9	(66.2)	(24.3)
Ubombo Sugar Limited	49.5	60	–	0.9	0.9
Illovo Sugar (Malawi) Limited	51.5	76	–	–	–
Zambia Sugar Plc	3.6	90	–	0.5	0.5
Maragra Açúcar SARL	228.5	76	–	(0.7)	(0.7)
Kilombero Sugar Company Limited	0.1	55	–	0.4	0.4
Illovo Group Holdings Limited - ordinary	–	100	–	–	–
Illovo Group Holdings Limited - preference	1 035.4	100	815.6	84.8	900.4
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.5	0.5
Monitor Holdings Limited *	250.0	100	17.5	7.7	25.2
Sucoma Holdings Limited	389.3	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	3.3	3.3
Illovo Sugar Espana	–	100	–	1.3	1.3
			898.0	28.7	926.7

2004

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
Illovo Sugar (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

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

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* The company impaired its investment in Monitor Holdings Limited upon the sale by Monitor Holdings Limited of its investment in Monitor Sugar Company (Note 31).

12 INTEREST IN ASSOCIATE COMPANIES

Principal associates of the group	Nature of business	Group	
		2005 Percentage holding	2004 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%
		Rm	Rm
Investment in associate companies			
Gross investment		–	–
Directors' valuation of:			
Shares and loans in unlisted associate companies		–	–

13 INVESTMENTS AND LOANS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Long term promissory note receivable	20.0	–	–	–
Unlisted investments	1.3	1.3	1.3	1.3
Loans	65.6	79.3	2.2	4.8
	86.9	80.6	3.5	6.1
Long term promissory note at directors' valuation	20.0	–	–	–
Unlisted investments at directors' valuation	1.3	1.3	1.3	1.3

The long term promissory note receivable is unsecured and is denominated in US Dollars with the interest calculated at 6% per annum, payable monthly. The principal is payable in 108 equal monthly instalments commencing on 1 November 2005 with the final payment due on 1 October 2014.

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

14 INVENTORIES

Finished goods	70.7	367.4	23.9	28.3
Consumables and components	221.0	262.0	66.7	91.7
	291.7	629.4	90.6	120.0

NOTES TO THE FINANCIAL STATEMENTS

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15 GROWING CANE

The carrying value of cane roots comprises:

	Group		Company	
	2005 Total Rm	2004 Total Rm	2005 Total Rm	2004 Total Rm
Carrying value at beginning of year	547.4	602.0	77.6	97.3
Change in fair value	9.8	89.6	0.1	(9.1)
Acquisition of farms	0.5	–	–	–
Disposal of businesses	(24.0)	–	(24.0)	–
Disposal of farms	(2.4)	(10.6)	(2.4)	(10.6)
Exchange rate translation	3.2	(133.6)		
Carrying value at end of year	534.5	547.4	51.3	77.6

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2005:

	South Africa	Malawi	Swaziland	Zambia	Tanzania	Mozambique
2005						
Expected area to harvest (Ha)	6 203.0	18 131.0	7 659.0	10 889.0	7 759.2	3 680.0
Estimated yield (tons cane/ha)	67.0	105.0	99.0	116.5	85.2	90.9
Average maturity of cane at 31 March	56.10%	66.67%	66.67%	66.67%	50.00%	66.67%
2004						
Expected area to harvest (Ha)	8 295.0	18 441.0	7 634.0	10 908.0	7 835.1	3 096.0
Estimated yield (tons cane/ha)	69.0	104.0	100.7	116.0	85.9	93.7
Average maturity of cane at 31 March	56.40%	66.67%	66.67%	66.67%	50.00%	66.67%

16 ACCOUNTS RECEIVABLE

Trade debtors	348.2	272.1	165.2	136.4
Other accounts receivable	240.4	213.6	168.3	89.6
	588.6	485.7	333.5	226.0

17 FACTORY OVERHAUL COSTS

Balance at the beginning of the year	127.8	145.8	68.0	81.9
Disposal of businesses	(7.8)	–	(7.8)	–
Capitalised during the year	122.5	135.2	51.6	68.0
Amortised during the year	(119.4)	(138.2)	(60.2)	(81.9)
Exchange rate translation	0.4	(15.0)		
Balance at the end of the year	123.5	127.8	51.6	68.0

18 FINANCIAL INSTRUMENTS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Forward exchange contracts - imports	(0.2)	(0.6)	(0.2)	(0.5)
Forward exchange contracts - exports	0.5	1.8	(0.3)	1.1
Sugar Commodities Futures contracts	0.2	5.5	0.2	5.5
Embedded derivatives	0.1	(1.9)	0.1	(1.9)
Cross Currency Interest Rate Swap	(92.8)	(73.8)	(92.8)	(73.8)
	(92.2)	(69.0)	(93.0)	(69.6)
Comprising:				
Assets	1.9	11.8	1.1	11.2
Liabilities	(94.1)	(80.8)	(94.1)	(80.8)
	(92.2)	(69.0)	(93.0)	(69.6)

19 ORDINARY SHARE CAPITAL AND PREMIUM

	Group and Company	
	2005 Rm	2004 Rm
Authorised share capital 900 000 000 (2004: 900 000 000) ordinary shares of 4 cents each	36.0	36.0
Issued share capital 337 194 500 (2004: 333 830 700) ordinary shares of 4 cents each	13.5	13.3
Share premium account	269.0	251.0
	282.5	264.3
The movement on the share capital and share premium accounts for the year was as follows:		
Balance at beginning of year	264.3	259.9
Issue of new shares	18.2	4.4
Balance at end of year	282.5	264.3

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 335 019 478 (2004: 333 345 538) and that used in the calculation of diluted earnings per share and headline earnings per share was 351 680 078 (2004: 349 141 938).

NOTES TO THE FINANCIAL STATEMENTS

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20 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Realised surpluses on sales of land and investments	66.6	68.1	278.4	278.4
Capital redemption reserve funds	37.1	37.1	35.6	35.6
Hedging reserve	(5.5)	4.2	(6.3)	3.5
Foreign currency translation reserve	–	–	–	–
Total non-distributable reserves	98.2	109.4	307.7	317.5
Balance at beginning of year	109.4	91.7	317.5	314.0
Realised (losses)/surpluses - sale of land	(1.5)	(5.3)	–	–
Adjustments for cashflow hedges	(9.7)	4.2	(9.8)	3.5
Currency translation differences	(31.3)	(390.9)	–	–
Transfer of debit foreign currency translation reserve to retained surplus	31.3	409.7	–	–
Balance at end of year	98.2	109.4	307.7	317.5

21 RETAINED SURPLUS

Balance at beginning of year	921.3	1 264.6	353.8	550.0
Restatement of prior year in terms of AC 501 (Note 30)	–	21.8	–	21.8
Derecognition of negative goodwill	21.0	–	–	–
Adjustment for cashflow hedges	0.2	(1.3)	0.2	(1.3)
Net profit for the year	40.7	240.5	73.8	(16.8)
Dividends paid	(133.8)	(199.9)	(133.8)	(199.9)
Transfer of debit foreign currency translation reserve from non-distributable reserves	(31.3)	(409.7)	–	–
Realised losses/(surpluses) - sale of land	1.5	5.3	–	–
Balance at end of year	819.6	921.3	294.0	353.8

22 DEFERRED TAXATION

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Balance at beginning of year	608.5	697.2	177.7	203.2
Restatement of prior year in terms of AC 501		(21.8)		(21.8)
Provision on Financial Instrument's taken to equity	(1.2)	(1.7)	(1.2)	(1.7)
On disposal of businesses	(117.1)	–	(47.9)	–
Changes during the year:				
Exchange rate translation difference	3.1	(125.3)		
Charged/(credited) to income:				
Secondary tax on companies	(9.7)	18.8	(9.7)	18.8
Temporary differences	14.3	40.4	(12.5)	(20.8)
Rate change adjustment	(3.7)	0.9	(3.7)	–
Balance at end of year	494.2	608.5	102.7	177.7
Analysis of provision				
Property, plant and equipment	286.1	486.2	102.7	180.7
Tax losses	(48.4)	(73.2)	–	–
Other	256.5	195.5	–	(3.0)
Balance at end of year	494.2	608.5	102.7	177.7
Asset	(30.8)	(22.1)	(29.3)	(16.4)
Liability	525.0	630.6	132.0	194.1

23 LONG TERM BORROWINGS

South African borrowings	2.0	2.4	–	–
Foreign currency borrowings	247.1	388.6	–	–
Total borrowings	249.1	391.0	–	–
Less: Current portion redeemable and repayable within one year	11.6	51.6	–	–
	237.5	339.4	–	–
The above borrowings are due for repayment in the following years ending 31 March				
2005		51.6	–	–
2006	11.6	124.8	–	–
2007	56.5	50.3	–	–
2008	62.1	56.4	–	–
2009 and thereafter	118.9	107.9	–	–
	249.1	391.0	–	–

NOTES TO THE FINANCIAL STATEMENTS

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23 LONG TERM BORROWINGS continued

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group	
				2005 Rm	2004 Rm
South African borrowings					
Liabilities under capitalised finance leases		2004 - 2009	18.0	2.0	2.4
Total South African borrowings				2.0	2.4
Foreign borrowings					
Unsecured loans					
US Dollar	18.4	2005 - 2014	2.7 - 7.0	–	116.7
Euro	17.0	2005 - 2015	3.0 - 7.1	90.3	98.3
Swaziland Lilangeni	0.2	2010	10.0	0.1	0.2
Mozambican Metical	3 400.0	2005 - 2007	8.0	0.9	0.9
Secured loans					
US Dollar	25.0	2009 - 2010	4.4 - 5.6	154.9	170.5
Mozambican Metical	2 550.0	2005 - 2008	8.0	0.9	0.5
Liabilities under capitalised finance leases					
US Dollar	0.2	2013	5.6	–	1.5
Total foreign borrowings				247.1	388.6
Total borrowings				249.1	391.0

24 SHORT TERM BORROWINGS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Amounts due to bankers	788.3	1 067.6	752.7	813.4
Current portion of long term borrowings (note 23)	11.6	51.6	–	–
	799.9	1 119.2	752.7	813.4

25 ACCOUNTS PAYABLE

Trade creditors	296.4	291.0	106.9	127.4
Other accounts payable	525.2	590.1	268.9	271.0
	821.6	881.1	375.8	398.4

26 PROVISIONS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Leave pay				
Balance at beginning of year	44.1	46.2	23.8	23.2
Disposal of businesses	(10.9)	–	(6.0)	–
Raised during the year	0.2	2.1	1.4	0.6
Foreign currency translation movement	0.2	(4.2)		
Balance at end of year	33.6	44.1	19.2	23.8
Post retirement benefits				
Balance at beginning of year	237.2	289.1	106.7	102.4
Disposal of businesses	(109.0)	–	(4.1)	–
(Utilised)/raised during the year	(4.8)	(15.8)	3.8	4.3
Foreign currency translation movement	1.7	(36.1)		
Balance at end of year	125.1	237.2	106.4	106.7
Other				
Balance at beginning of year	19.6	19.1	–	–
Raised during the year	(3.0)	0.5	–	–
Balance at end of year	16.6	19.6	–	–
Total provisions				
Balance at beginning of year	300.9	354.4	130.5	125.6
Disposal of businesses	(119.9)	–	(10.1)	–
(Utilised)/raised during the year	(7.6)	(13.2)	5.2	4.9
Foreign currency translation movement	1.9	(40.3)		
Balance at end of year	175.3	300.9	125.6	130.5

27 RETIREMENT BENEFITS

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

An amount of R30.7 million (2004: R32.1 million) was expensed during the year in respect of defined contribution plans and R15.3 million (2004: R20.2 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 AC116, a valuation using the projected unit credit method was last 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 took 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 group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions to these funds are treated as an expense in the financial period.

With effect from 30 September 2004, the group transferred all qualifying employees that were previously on the defined benefit pension scheme to a defined contribution provident fund. At the time of the conversion, the defined benefit scheme was independently valued by the actuaries of the fund. The deficit arising at the time of conversion was R3.4 million net of tax. This deficit has been treated as an expense in the current financial period.

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 2005 the balance not provided for in this regard was R1.8 million (2004: R4.2 million) which is to be provided over the next year.

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 2004 identified a deficit of R18.5 million which has been fully funded. The fair value of assets amounted to R12.0 million whilst the actuarial value of promised retirement benefits totalled R30.5 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%.

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.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis, determined actuarially. At 31 March 2005, the total provision amounted to R106.3 million (2004: R203.7 million). During the current year R9.7 million (2004: R13.1 million) was charged to the Income Statement whilst foreign currency translations reduced the provision by R1.8 million (2004: R22.5 million).

NOTES TO THE FINANCIAL STATEMENTS

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28 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
South Africa				
- contracted	3.6	5.3	3.6	5.3
- approved but not contracted	162.1	94.5	162.1	94.5
Swaziland				
- contracted	0.1	0.3		
- approved but not contracted	11.9	13.2		
Malawi				
- contracted	1.8	2.0		
- approved but not contracted	21.3	27.5		
Zambia				
- contracted	4.4	5.2		
- approved but not contracted	19.4	27.4		
Tanzania				
- contracted	1.7	4.8		
- approved but not contracted	14.3	22.2		
Mozambique				
- contracted	-	0.1		
- approved but not contracted	4.8	6.5		
United States of America				
- contracted	-	1.7		
- approved but not contracted	-	31.4		
Contracted	11.6	19.4	3.6	5.3
Approved but not contracted	233.8	222.7	162.1	94.5
	245.4	242.1	165.7	99.8

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	14.4	16.0	0.1	0.2
Guarantees in respect of liabilities of subsidiary companies			313.9	317.0
	14.4	16.0	314.0	317.2

30 CHANGE IN ACCOUNTING POLICY

The group adopted AC 501 (Accounting for Secondary Tax on Companies (STC)) with effect from 1 April 2004. As required by AC 501, it 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	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Balance sheet				
The impact on equity at 31 March 2004 is as follows:				
Increase in deferred tax asset		21.8		21.8
Increase in equity		21.8		21.8
Income statement				
The impact on net profit attributable to shareholders is as follows:				
(Decrease)/increase in taxation	(9.7)	18.8	(9.7)	18.8
(Increase)/decrease in attributable profit	(9.7)	18.8	(9.7)	18.8

In addition, the group has adopted AC 140 (Business Combinations). In terms of this statement, previously recognised negative goodwill has been derecognised at the beginning of the period with a corresponding adjustment to opening retained income (Refer note 10).

NOTES TO THE FINANCIAL STATEMENTS

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31 DISPOSAL OF UNITED STATES OF AMERICA OPERATION

Effective 30 September 2004, the group disposed of its investment in Monitor Sugar Company. The total consideration of US\$39.2 million was settled partly in cash of US\$36 million in October 2004 and the balance of US\$3.2 million by delivery of a ten year promissory note (Note 13). Upon receipt of the cash, the group immediately settled liabilities in Monitor Sugar Company of US\$20.9 million. The consideration, net of costs associated with the disposal, represents a deficit over the net asset value at 30 September 2004 of R242.5 million. In addition to the proceeds, the borrowings in Monitor Sugar Company were taken over by the purchaser. At 31 March 2004 these amounted to US\$48.7 million.

The result of the operations of Monitor Sugar Company to 30 September 2004 were as follows:

	6 months 30 Sept 2004 Rm	Year ended 31 March 2004 Rm
Revenue	334.5	727.3
Loss from operations	(22.8)	(10.6)
Net finance costs	2.9	7.3
Loss before taxation	(25.7)	(17.9)
Taxation	(7.7)	(6.1)
Loss after taxation	(18.0)	(11.8)

The net cash flow attributable to Monitor Sugar Company to 30 September 2004 was as follows:

Cash flow from operating activities	152.3	25.8
Cash flow from investing activities	1.7	8.2
Net cash flow before financing activities	154.0	34.0
Cash flow from financing activities	(156.3)	(42.6)
Net movement in cash	(2.3)	(8.6)

32 OPERATING LEASES

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

	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 onwards Rm	2005 Rm	2004 Rm
Property	5.6	5.4	5.7	6.1	92.4	115.2	429.7
Plant and equipment	21.7	19.5	13.6	6.2	5.9	66.9	65.6
Total lease commitments	27.3	24.9	19.3	12.3	98.3	182.1	495.3

33 DIRECTORS' REMUNERATION (R 000)

The directors' remuneration for the year ended 31 March 2005 was as follows:

Name	Salary	Bonus	Retirement and medical contributions	Other benefits	Option Gains	2005 Total	2004 Total
Executive directors:							
G J Clark	1 248	–	289	62	770	2 369	1 501
N M Hawley	786	–	182	184	369	1 521	1 088
M I Hlatswayo	725	–	170	188	199	1 282	995
D G MacLeod	2 429	–	493	99	335	3 356	2 816
J T Russell	1 241	–	263	157	200	1 861	1 557
B M Stuart	1 248	–	282	123	200	1 853	1 554
W M A Buchanan	–	–	–	–	–	–	968
G D Knox	–	–	–	–	–	–	962
R L Hetzler	–	–	–	–	–	–	3 987
Total	7 677	–	1 680	814	2 073	12 242	
March 2004 totals	11 256	–	2 916	1 191	65		15 428
Non-executive directors:							
B P Connellan						100	90
R D Hamilton						–	–
D Konar						175	165
P M Madi						102	90
A R Mpungwe						102	90
R A Norton						210	200
M J Shaw						260	215
R A Williams						1 125	1 125
						2 074	1 975

Interests 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 R51 805 for the year (2004: R53 918).

34 RELATED PARTY TRANSACTIONS

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

34.1 Subsidiaries and associates

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

34.2 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 87.

34.3 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.

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

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

35 FINANCIAL RISK MANAGEMENT

35.1 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.

35.2 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 2005 is as follows:

	Floating rate	1-6 months	Greater than 6 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	109.8	755.5	32.8	237.5	11.6	1 147.2
% total borrowings	10%	66%	3%	20%	1%	100%

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

35 FINANCIAL RISK MANAGEMENT continued

35.3 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 forecast foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2005 financial year.

	Group			Group		
	Foreign currency million	2005 Average rate	Amount in Rm	Foreign currency million	2004 Average rate	Amount in Rm
Foreign currency sold						
US Dollars	6.0	6.20	37.2	3.0	6.83	20.5
Euro	2.7	8.11	21.9			

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

	Group		Group	
	2005 Foreign currency million	Amount in Rm	2004 Foreign currency million	Amount in Rm
Assets				
US Dollars	6.0	37.3	1.2	7.8
		37.3		7.8
Liabilities				
US Dollars	1.3	7.9	–	–
Euro	0.1	0.7	0.1	0.7
Pound sterling	0.1	0.7		
		9.3		0.7

35.4 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 2005, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

35.5 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 2005:

	Rm
Local, fixed and flexible term, general banking facilities	2 368.0
Foreign, fixed and flexible term, general banking facilities	818.0
	3 186.0

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

36 SEGMENTAL ANALYSIS

Business segmental analysis

Year to 31 March 2005

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
Sugar production	3 740.3	274.8	2 159.4	263.6	139.9
Cane growing	893.6	63.8	1 606.3	42.4	28.8
Downstream	509.1	67.0	258.7	18.7	11.5
	5 143.0	405.6	4 024.4	324.7	180.2

Year to 31 March 2004

Group

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
Sugar production	4 892.1	424.7	3 030.4	118.6	189.1
Cane growing	1 040.7	236.8	1 676.4	46.0	35.7
Downstream	555.4	65.1	254.5	21.4	11.3
	6 488.2	726.6	4 961.3	186.0	236.2

Geographical segmental analysis

Group

	2005		2004	
	Revenue Rm	Operating profit Rm	Revenue Rm	Operating profit Rm
South Africa	2 449.7	52.5	3 216.7	133.2
Malawi	722.9	138.2	789.0	247.1
Swaziland	507.5	18.4	548.0	68.4
Zambia	632.1	153.2	648.2	186.4
Tanzania	348.1	69.2	396.0	111.2
Mozambique	148.2	(3.1)	154.0	(9.1)
USA	334.5	(22.8)	727.3	(10.6)
	5 143.0	405.6	6 488.2	726.6