CHAIRMAN'S STATEMENT

The group achieved excellent results with headline earnings per share increasing by 127% to 104.2 cents. Group operating profit rose by 77% to R751.5 million. Increased sugar production in South Africa and record sugar output in all the group's other countries of operation were attained. This, together with improved domestic sales, a significant increase in world and regional sugar prices and cost savings more than offset the negative impact of the continuing strong rand in respect of both sugar and downstream exports and the translation of foreign profits. The change in the value of growing cane, largely as a result of increased sugar prices, enhanced earnings from cane growing.

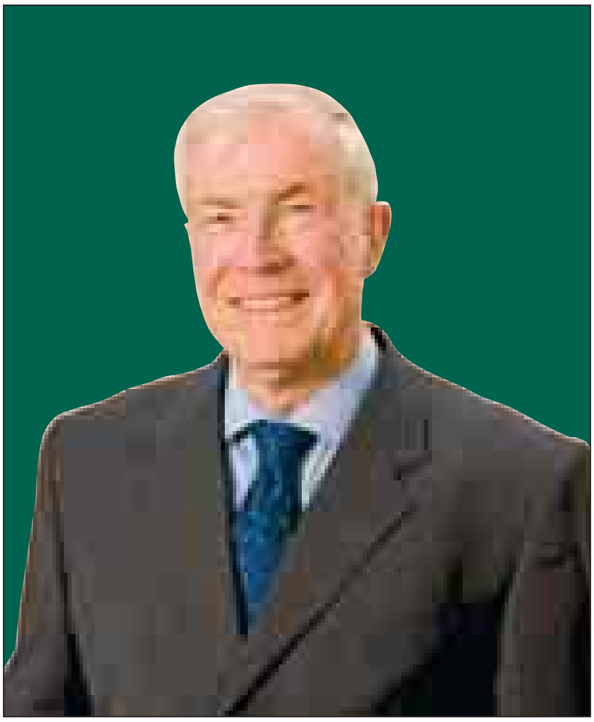
The contributions made to operating profit were sugar production 61%, cane growing 31% and downstream 8%, and by country were South Africa 21%, Malawi 39%, Zambia 20%, Swaziland 10%, Tanzania 9% and Mozambique 1%.

Group borrowings of R441.0 million reflected a major decrease of R360.6 million resulting in gearing of 24.3%. Net financing costs reduced by R53.0 million to R100.9 million, whilst interest cover has improved to 7.4 times. The actions taken to strengthen the balance sheet have been successful and the group is in a sound position to pursue its growth strategy in respect of existing operations, new investments in Africa and in power generation.

Group sugar and cane production of 1.87 million tons and 5.46 million tons respectively were higher than that achieved in the previous season. Overall, the season was characterised by variable weather conditions. However, good irrigation sources and infrastructure offset the very dry conditions experienced in certain areas of operation, and generally much improved yields were achieved. Factory performance continued to improve with high levels of mechanical and operational efficiency. In addition, the performance from downstream operations was good, with record diacetyl and ethyl alcohol production.

Domestic market sugar sales across the group were encouraging, with South Africa, Malawi, and Tanzania all achieving improved offtake, whilst in Swaziland and Mozambique sales were similar to those of last year. Marketing initiatives and improved distribution, particularly in the rural areas, were notably successful in Malawi where volumes improved by 20%. Illegal imports impacted negatively on local market sales in Zambia. Despite the overall improvement in domestic market offtake, it is of concern that illegal sugar imports into some of the countries in Africa where the group has operations have again been an issue during the past year. However, generally the authorities have responded positively to counter the flow of these illegal imports.

Robbie Williams



The world sugar price, although continuing to be volatile, made a most welcome upward adjustment during the past year. The improvement in price also resulted in a firming of sugar revenue realisations in the regional markets supplied by Illovo. World raw sugar prices commenced the 2005/06 season at around US8.0 cents/lb, peaked at around US19.7 cents/lb in February 2006 and ended the financial year in the US17.0 to US18.0 cents/lb range. The upward movement in prices was fuelled by a number of factors including a global production deficit which is currently in its third year, the European Union (EU) sugar regime reform, and growing world-wide interest in ethanol from sugar cane as a bio-renewable energy source. In addition, weather-related factors in certain major producing regions such as the United States, Thailand, China and Brazil impacted on production in the current year. The increase in world consumption of around 2% per annum, together with the structural changes of the EU sugar regime, and the increasing demand for ethanol, have created a positive background for continuing stronger sugar prices compared to the more recent past. The EU reform is expected to result in a decline in production in Europe of between five and seven million tons of sugar per annum. The cost of new sugar production to meet consumer demand around the world will also be impacted by energy prices, as the installation of new productive capacity will be compared with the alternative of using sugar cane for ethanol.

The reform of the EU sugar regime was finalised early in 2006 when proposals were ratified by the European Parliament. The implementation date is 1 July 2006 and the new regime will be effective until 30 September 2015. The detailed rules and regulations to govern the regime are expected to be completed by the end of May 2006. Illovo supports the reform of the EU sugar sector, and welcomes the steps taken in terms of the reform initiative to significantly reduce production of sugar in the EU and to eliminate subsidised exports. The reduction in exports should result in an improved world sugar price over the long term, which will benefit the group's sugar sales into world and regional markets.

The EU raw sugar reference price payable to quota holders under the African, Caribbean and Pacific (ACP) Sugar Protocol (in the case of Illovo, affecting mainly its Swaziland operation) will reduce by 5% on 1 July 2006. This will equalise the price paid for all raw sugar imported into the EU. The price for all suppliers of raw sugar will then remain unchanged until 30 September 2008, after which it will be reduced in two tranches on 1 October 2008 and 1 October 2009. As a result, no significant price reduction impact on Illovo is expected until the 2009 financial year. The effective price cut of 32.5% in the raw sugar reference price applicable to Least Developed Countries (LDC's) over this period is slightly higher than the company originally expected, although the period of implementation is longer than anticipated. Whilst the price cut will impact negatively on revenue from existing export quotas into the EU, a phased reduction in duty commencing from 2006 and culminating in duty-free and quota-free access for exports from 2009 in respect of sugar supplied by LDC's (including the group's operations in Malawi, Zambia, Tanzania and Mozambique) will provide Illovo with opportunities to both substantially increase export volumes into the EU market and extend the range of sugar products supplied. The finalisation of the reform package creates a period of certainty in respect of the EU market until September 2015, which will underpin the expansion plans of the group. Work to finalise claims for assistance under the EU accompanying measures programme is proceeding, with a decision from the EU on country specific packages anticipated by the end of June 2006. Overall, the reform package is expected to benefit the group.

Group cane production of 5.46 million tons was higher than that achieved in the previous season. Although the season was characterised by varying weather conditions, good irrigation sources and infrastructure offset the very dry conditions experienced in certain areas of operation.

Group sugar production amounted to 1.87 million tons with record output in all countries of operation outside South Africa. Excluding production from the Umfolozi mill which was sold prior to the start of the 2005/06 season, South African production increased by 20%.

The group remains focused on being the leading, lowest-cost sugar and downstream products operation in Africa. Benchmarking techniques to measure and implement best practice methods, as well as in-house technical expertise are used to optimise returns on installed capacity. Training and development is a key priority in building competitiveness. The strong South African rand and Zambian kwacha have impacted negatively on production costs in US dollar terms, but a recent independent survey of international sugar production costs, covering in excess of 100 sugar producing countries, indicated that, of the six countries in which Illovo operates, three are in the top ten lowest-cost producers in the world and all six are within the top 25.

Outlook

Illovo's existing factory and field operations have significant expansion potential in the longer term. In the current year, the group will commence these expansions which will be phased-in over a four year period. New investment opportunities in Africa continue to be pursued. In addition, the group's feasibility studies on power generation are well advanced. The potential is exciting.

In the current year, own cane, sugar and downstream production are anticipated to exceed the levels achieved in the past year. World sugar prices have improved considerably, and world and regional sales will earn better prices than those attained in the past year. The results for the current year will again be impacted by the level of the rand compared to other currencies, particularly the US dollar. However, good growth in earnings is anticipated at current exchange rates and world sugar prices.

Firm intention to acquire 51% of Illovo Sugar Limited

Attention is drawn to the joint announcement by Illovo and Associated British Foods plc (ABF) setting out the details of the firm intention by ABF to make an offer to acquire 51% of the issued ordinary shares of Illovo for a cash consideration of R21.00 per share through a scheme of arrangement or substitute offer.

The board has considered the terms of the offer, and is of the opinion that such terms are fair and reasonable to shareholders.

Directorate

We were pleased to welcome Imogen Mkhize to the Board as a non-executive director in November 2005. Ms Mkhize has extensive leadership and management experience in both the corporate and non-profit sectors, and is a director of a number of other listed companies.

Karin Zarnack, previously an audit partner of Deloitte & Touche, was appointed Financial Director on 1 October 2005 in place of John Russell who has been appointed New Projects Director.

Robin Hamilton, who had been a non-executive director of the company since 1989, retired in November 2005. I would like to record our thanks and appreciation to Robin for his contribution and wise counsel over his 17 years as a member of the Board.

Appreciation

On behalf of the board, I would like to thank all the people of Illovo for their enthusiasm and contributions during the past year. The group has clear strategies for future growth, and the achievement of the targets set for the people and operations of the group will ensure delivery of the company's objectives.

R A Williams
Chairman

Mount Edgecombe
18 May 2006