Chairman's statement

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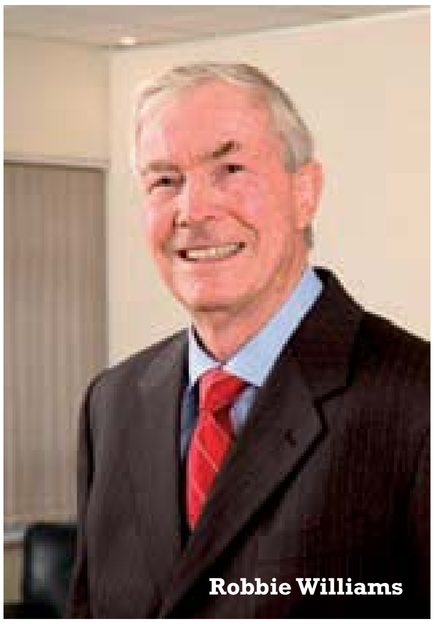
ILLOVO


Robbie Williams

During the year, Associated British Foods plc, through a wholly-owned subsidiary, acquired 51% of the company's issued share capital. The change in control has gone smoothly and arrangements have settled down well. Operational and export marketing benefits are expected to flow in the years ahead.

The group achieved good results for the year ended 31 March 2007 with headline earnings per share increasing by 43% to 149.1 cents. Group operating profit rose by 38% to R1 034.3 million. Much improved world and regional sugar prices, higher downstream product export prices, strong domestic market sales, cost savings and the weaker rand more than offset the negative impact of lower sugar production, primarily in South Africa and Tanzania.

The contributions made to operating profit were sugar production 59%, cane growing 33% and downstream 8%, and by country were South Africa 21%, Malawi 39%, Zambia 22%, Swaziland 7%, Tanzania 9% and Mozambique 2%.

Group borrowings decreased by R169.3 million to R271.7 million, resulting in a gearing of 12.2%. Net financing costs reduced to R96.4 million, whilst interest cover has improved to 10.7 times. The group is very well positioned to pursue its growth strategy in respect of existing operations and new investments in Africa. As part of this growth plan, a major expansion of the group's operations in Zambia commenced early in April 2007.

Group cane production of 5.44 million tons was similar to that achieved in the previous season, whilst sugar production of 1.72 million tons was significantly lower due to adverse weather conditions, primarily in South Africa and Tanzania. The rest of the group experienced more normal weather which, with effective irrigation and above-average sunshine hours, was conducive to good cane growth. In general, the sugar factories performed satisfactorily with high levels of mechanical and operational efficiency being achieved. The operation in Mozambique performed well and a number of records were established. Record cane and sugar production was achieved in Malawi. Downstream operations performed well, with record output of ethyl alcohol, diacetyl and lactulose. During the year, new irrigated cane fields were developed in Zambia, by outgrowers, and in Malawi and Tanzania.

Domestic sugar markets are very important to the group and it was encouraging that sales into these markets across the group have shown an improvement, with South Africa, Malawi, Zambia and Mozambique all achieving increased offtake, whilst in Swaziland sales were similar to those of last year. In Tanzania, sales into the domestic market were constrained by production, but prices were strong. In Malawi, successful marketing initiatives and continued good distribution into the rural areas resulted in volumes improving by 12%. Demand for sugar from regional markets was strong. The world sugar price, although continuing to be volatile, trended downwards from a peak in February 2006. Increased sugar output by producers around the globe, particularly India, Brazil, China and Thailand, resulted in the global production deficits of the previous two years switching to a surplus in the 2006/07 international sugar season which ends in September 2007. This combined with other factors, such as the lower than anticipated production quota reductions forecast in 2007/08 in the European

Union (EU), resulted in sugar prices coming under pressure from May 2006 onwards and were around the US10 cents/lb level at the end of the financial year. Nevertheless, the group benefited from the much improved prices available during the season, thereby improving revenues from both world and regional markets. Improved refined premiums were also achieved. The near to medium-term outlook will be dependent on a number of factors, including how much of India's increased production will be exported, the size of the Brazilian cane crop and the amount of cane which is utilised for fuel alcohol production, the demand for fuel-alcohol in general, and the level of sugar imports. Normal world consumption growth for sugar is around 2% per annum, but last year with higher sugar prices, it is estimated that consumption increased by only 1.8%, whereas at current lower prices, estimates are that the increase in consumption will be greater than normal. In the longer-term, prices will be influenced by growth in sugar consumption, the demand for fuel-alcohol, the impact of the changes to the EU sugar regime and the ability of producers to meet the increase in requirements. The cost of installing and the operating costs of new production capacity, and the exchange rate in Brazil will be major drivers in the price required by producers to meet future demand for both sugar and fuel-alcohol.

The changes to the EU sugar regime have only partially achieved the objective of reducing domestic production, and the European Commission is preparing to amend the domestic quota restructuring scheme in the light of experience to date. The inadequate take-up of the scheme would result in surplus production for both the current and future years, and this has affected market stability. The new proposals are expected to make voluntary quota renunciations more attractive to growers and manufacturers. These amendments are aimed at re-establishing market equilibrium within the EU prior to 2009, when increased exports from Least Developed Countries (LDC's) are expected. On the basis of reduced EU domestic sugar production, increased access for African, Caribbean and Pacific (ACP) countries and LDC's is also being provided. The consequent removal or positive modifications to quota and tariff limitations has been tabled by the European Commission for inclusion in the Economic Partnership Agreement negotiations. These changes will not apply to South Africa, which is currently not a beneficiary under the ACP Sugar Protocol.

The board has approved a major expansion of sugar and cane production in Zambia. An additional 10 500 hectares of irrigated cane will be developed by the company and its growers, representing a 50% increase in area. The factory at Nakambala is being expanded from 410 tons of cane per hour to 640 tons of cane per hour, which will enable it to produce 440 000 tons of sugar per annum, an increase of around 200 000 tons compared to the past year. The project,

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Chairman's statement continued

which commenced in April 2007, will be undertaken over two years and will cost R1.4 billion. The first phase of the expansion to 465 tons of cane per hour will be completed in time for the commencement of the 2008/09 sugar season. The long-lead time items of plant have been ordered, and the installation of the irrigation infrastructure for the company's cane development and for certain growers' needs will be undertaken during the current season. The project has had good support from the Zambian Government which has granted a number of investment incentives in terms of prevailing legislation. Smaller factory expansions in both Malawi, at Dwangwa, and in Tanzania are planned during the current financial year. In addition, extra areas will be planted to cane in Malawi and Tanzania.

The group is committed to progressing its Black Economic Empowerment initiatives in South Africa and has adopted an integrated approach which encompasses meaningful and sustainable participation of Black people in the operations of the company and the sugar industry in general. During the past three years, the company sold its Gledhow and Umfolozi sugar mills, which produce around 12% of South Africa's sugar, to a Black-owned consortium. The company continues to provide management support to these operations. The programme for the sale of Illovo cane farms to Black farmers, which commenced in the 1997 financial year, has resulted in the percentage of company cane land which has been transferred to Black people rising to 58% following the sale of a large-scale farm in the year under review. It is planned to sell another farm in the current season, which will result in total sales exceeding the company's target of 60%. The company provides considerable support to both the medium-scale and small-scale cane farmers. The quantity of cane delivered by these growers to Illovo mills in South Africa in the past season was 780 000 tons. The company has been successful in co-ordinating meaningful cane rehabilitation projects funded by government and third parties at both Sezela and Umzimkulu. In the past year, a project to re-develop a further 500 hectares in the Sezela cane supply area was successfully launched. A formal company policy is in place to promote preferential procurement and outsourcing to Black enterprises and service providers. Extensive resources are invested in various human resource development and skills upliftment programmes. The group has specific objectives for achieving meaningful

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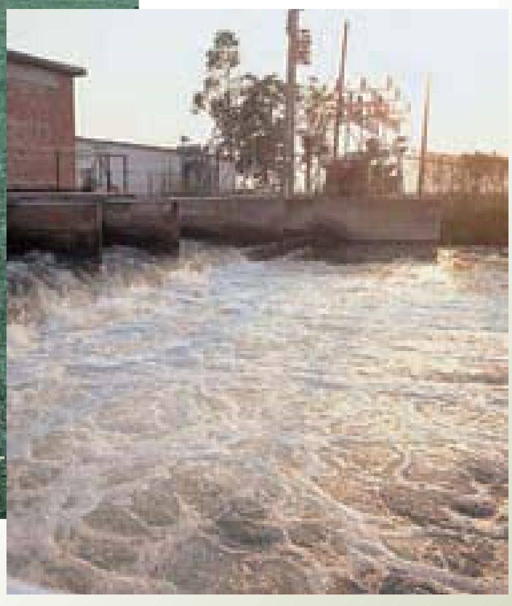
The group's significant access to secure water supplies for irrigation purposes is an important factor in the recently-commenced expansion of Zambia Sugar's operations which will result in sugar production in Zambia increasing by 200 000 tons to 440 000 tons.



employment equity targets. Whilst good progress has been made, further progress at senior management levels is required. Illovo has an active social investment programme in each of the countries in which it operates, structured to meet the specific needs of the relevant local communities.

The group continues to take a pro-active stance against life threatening epidemics such as HIV/AIDS, malaria and tuberculosis. As part of the group's initiative relative to HIV/AIDS, a heightened educational and awareness programme, together with voluntary testing and counselling, is being undertaken, the aim of which is to encourage employees throughout the group to know their HIV/AIDS status. The company also has a Wellness Programme for those afflicted by the disease. The programme involves ongoing education and awareness campaigns, effective treatment and prevention of sexually transmitted infections, the use of peer counsellors, the use of prophylactic antibiotics, effective screening for tuberculosis, and the promotion of a healthy lifestyle. Government interventions relative to the provision of anti-retroviral (ARV) drug therapy are being closely monitored in all countries of operation. In South Africa, formal facilitation partnerships have been developed with local government hospitals designated as HIV ARV treatment centres, to allow employees and dependants on the company's Wellness Programme to be bridged into the government ARV programme as and when their status for this treatment is medically indicated. In Malawi, the company assists in implementing the government-funded ARV therapy programme at its mill-based medical facilities. In Zambia and Swaziland, similar government / public sector partnerships are being developed whereby in one form or another, government-funded ARV therapy treatment will be available via the company's mill-based medical facilities. In Mozambique and Tanzania, patients are referred to the nearest government facility for this form of treatment. In respect of malaria, the group subscribes to the African continent's recognised 'Roll Back' malaria programme, and mosquito control spray programmes continue to be carried out in areas most affected. This, together with established laboratory testing facilities to enable early detection, is having an encouraging impact, with a further reduction in the number of positive cases being reported to the group's health care facilities.

The group remains focused on being the leading lowest cost sugar and downstream products producer 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. A recent survey of international 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 15 lowest-cost cane sugar producers in the world, and all six are within the top 25.

Outlook

In the current year, own cane, sugar and downstream production are anticipated to exceed the levels achieved in the past year. World prices have declined from last year's levels, which will impact on revenues from both world and regional markets. The results for the current year will again be impacted by the level of the rand compared to other currencies, particularly the US dollar. In recent weeks, the rand has strengthened considerably which will impact negatively on profits. Overall, it is anticipated that growth in earnings in real terms will be achieved in the year ahead.

Illovo's existing factory and field operations have significant growth potential and the major expansion in Zambia is the first step in this process. Further investments in Africa continue to be pursued.

Directorate

As a result of the acquisition of 51% of the issued share capital of Illovo by Associated British Foods, the following changes in directorate were effected on 5 September 2006:

Dr Mark Carr and Messrs David Langlands and Paul Lister were appointed as non-executive directors, and Messrs Ami Mpungwe, Nigel Hawley and Mandla Hlatshwayo resigned from the board. Nigel Hawley and Mandla Hlatshwayo remain members of the group executive committee, whilst Ami Mpungwe has been appointed to the boards of Zambia Sugar Plc and Illovo Sugar (Malawi) Limited, which companies are listed on their local stock exchanges.

Appreciation

On behalf of the board, I would like to thank all the people of Illovo for their efforts and contributions during the past year. The group has clear strategies for future growth, and the year ahead has many opportunities and challenges for the people of the group.

R A Williams
Chairman

Mount Edgecombe
21 May 2007