

## Approval of annual financial statements

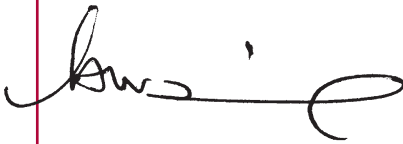
The directors of Illovo Sugar Limited are responsible for overseeing the preparation and the integrity of the annual financial statements of the group and the company and the objectivity of other information presented in this report.

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 International Financial Reporting Standards, are examined by independent auditors in conformity with International Standards on Auditing.

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 51 to 94, were approved by the board of directors on 21 May 2007 and are signed on its behalf by -



**R A Williams**  
Chairman



**D G MacLeod**  
Managing Director

# ILLOVO

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# Auditor's report

## Independent auditor's report to the members of Illovo Sugar Limited

We have audited the annual financial statements and the group annual financial statements of Illovo Sugar Limited, which comprise the statutory information, the balance sheet and the consolidated balance sheet at 31 March 2007, the income statement and the consolidated income statement, the cash flow statement and the consolidated cash flow statement, the statement of changes in equity and the consolidated statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 94.

### Directors' responsibility for the financial statements

The company's directors are responsible for overseeing the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 March 2007 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973.

**Deloitte & Touche**  
Registered Auditors

Per C A Sagar  
Partner

Durban  
21 May 2007

2 Pencarrow Crescent  
La Lucia Ridge Office Estate, Durban

**National Executive:** G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Tax), I Geeringh (Consulting), M G Crisp (Financial Advisory), L Bam (Strategy), C R Beukman (Finance), T J Brown (Clients & Markets), S J C Sibisi (Public Sector and Corporate Social Responsibility), N T Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

## Lodgement of returns with the Registrar of Companies

I hereby certify that for the year ended 31 March 2007, 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  
21 May 2007

# Statutory information

## Nature of business

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

## Review of operations

Detailed commentary is given on pages 14 to 30.

## Share capital

Full details of the current authorised and issued share capital are set out in note 24 to the financial statements on page 82.

During the year under review, the issued ordinary share capital of the company increased by 8 740 000 shares to 348 867 800 shares as a result of options being exercised in terms of the Illovo Sugar 1992 Share Option Scheme.

## Shareholders

An analysis of shareholders and their shareholdings is given on page 95.

On 4 September 2006, pursuant to a scheme of arrangement approved at a general meeting of the members of the company held on 12 July 2006, ABF Overseas Limited acquired 51% of the fully diluted issued ordinary share capital of the company.

Pursuant to the provisions of Section 140A of the Companies Act, 1973, an analysis of the relevant disclosures by nominee shareholders as at 31 March 2007 revealed two beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 95.

## Illovo Sugar 1992 Share Option Scheme

During the previous financial year, the introduction of the Illovo Sugar Phantom Share Scheme, which is more fully explained on pages 54 and 55, replaced the further granting of share options in terms of the Illovo Sugar 1992 Share Option Scheme (the option scheme). The option scheme, however, continues to operate relative to share options previously granted.

The Remuneration / Nomination Committee previously approved the granting of all share options in terms of 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 were granted at the closing market price of the shares on the JSE Limited on the trading day immediately preceding the day on which the relevant options were granted.

As approved at the annual general meeting of members held on 17 July 2002, a total of 33 000 000 ordinary shares were 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 2007 comprise -

|   | <u>No. of shares</u> |
|---|----------------------|
| Options granted and unexpired as at 1 April 2006        | 28 026 800           |
| Less : Options forfeited during the year under review   | <u>(152 300)</u>     |
| Total options granted and unexpired as at 31 March 2007 | <u>27 874 500</u>    |

The option scheme, other than for future exercising of existing unexpired options, has been closed.

During the year under review, options were exercised in respect of 8 740 000 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 23 224 900. Of the options exercised, 6 203 600 shares pertained to the scheme of arrangement whereby ABF Overseas Limited acquired 51% of the fully diluted issued ordinary share capital of the company.

The options granted, and unexpired and unexercised as at 31 March 2007 are categorised as -

| No. of shares    | Expiry date       | Option price (cents) |
|------------------|-------------------|----------------------|
| 459 200          | 30 August 2008    | 435                  |
| 316 700          | 29 August 2009    | 562                  |
| 74 300           | 11 July 2010      | 443                  |
| 164 900          | 12 September 2010 | 520                  |
| 505 800          | 6 June 2011       | 650                  |
| 710 800          | 20 May 2012       | 805                  |
| 1 432 400        | 20 May 2013       | 680                  |
| 984 500          | 1 June 2014       | 770                  |
| <u>4 649 600</u> |                   |                      |

## Statutory information continued

The table below reflects options previously granted to executive directors, options exercised during the year, and options unexpired and unexercised as at 31 March 2007.

|                    | Options as at<br>31 March 2006 | Option<br>price<br>(cents) | Options<br>exercised<br>during<br>the year | Exercise<br>price<br>(cents) | Options as at<br>31 March 2007 | Expiry date |
|--------------------|--------------------------------|----------------------------|--|------------------------------|--------------------------------|-------------|
| <b>Clark G J</b>   | 26 800                         | 443                        | 13 700                                     | 1 801                        | 13 100                         | 11.07.2010  |
|                    | 90 000                         | 650                        | 45 900                                     | 1 801                        | 44 100                         | 06.06.2011  |
|                    | 110 000                        | 805                        | 56 200                                     | 1 801                        | 53 800                         | 20.05.2012  |
|                    | 140 000                        | 680                        | 71 500                                     | 1 801                        | 68 500                         | 20.05.2013  |
|                    | 94 000                         | 770                        | 48 000                                     | 1 801                        | 46 000                         | 01.06.2014  |
|                    |                                |                            |  |                              | 225 500                        |             |
| <b>MacLeod D G</b> | 185 000                        | 435                        | 185 000                                    | 1 781                        | –                              | 30.08.2008  |
|                    | 200 000                        | 562                        | 200 000                                    | 1 781                        | –                              | 29.08.2009  |
|                    | 315 000                        | 443                        | 315 000                                    | 1 781                        | –                              | 11.07.2010  |
|                    | 250 000                        | 650                        | 250 000                                    | 1 781                        | –                              | 06.06.2011  |
|                    | 250 000                        | 805                        | 209 200                                    | 1 785                        | 40 800                         | 20.05.2012  |
|                    | 350 000                        | 680                        | 235 700                                    | 1 791                        | 114 300                        | 20.05.2013  |
|                    | 215 000                        | 770                        | 109 700                                    | 1 801                        | 105 300                        | 01.06.2014  |
|                    |                                |                            |  |                              | 260 400                        |             |
| <b>Russell J T</b> | 140 000                        | 435                        | 140 000                                    | 1 781                        | –                              | 30.08.2008  |
|                    | 80 000                         | 562                        | 80 000                                     | 1 781                        | –                              | 29.08.2009  |
|                    | 80 000                         | 443                        | 80 000                                     | 1 781                        | –                              | 11.07.2010  |
|                    | 90 000                         | 650                        | 90 000                                     | 1 781                        | –                              | 06.06.2011  |
|                    | 110 000                        | 805                        | 92 100                                     | 1 785                        | 17 900                         | 20.05.2012  |
|                    | 140 000                        | 680                        | 94 300                                     | 1 791                        | 45 700                         | 20.05.2013  |
|                    | 87 000                         | 770                        | 44 400                                     | 1 801                        | 42 600                         | 01.06.2014  |
|                    |                                |                            |  |                              | 106 200                        |             |
| <b>Stuart B M</b>  | 110 000                        | 435                        | 110 000                                    | 1 781                        | –                              | 30.08.2008  |
|                    | 85 000                         | 562                        | 85 000                                     | 1 781                        | –                              | 29.08.2009  |
|                    | 80 000                         | 443                        | 80 000                                     | 1 781                        | –                              | 11.07.2010  |
|                    | 90 000                         | 650                        | 90 000                                     | 1 781                        | –                              | 06.06.2011  |
|                    | 110 000                        | 805                        | 92 100                                     | 1 785                        | 17 900                         | 20.05.2012  |
|                    | 140 000                        | 680                        | 94 300                                     | 1 791                        | 45 700                         | 20.05.2013  |
|                    | 94 000                         | 770                        | 48 000                                     | 1 801                        | 46 000                         | 01.06.2014  |
|                    |                                |                            |  |                              | 109 600                        |             |
|                    | 3 661 800                      |                            | 2 960 100                                  |                              | 701 700                        |             |

A significant portion of the options exercised by the executive directors during the year under review pertained to the scheme of arrangement whereby ABF Overseas Limited acquired 51% of the fully diluted issued ordinary share capital of the company.

### Illovo Sugar Phantom Share Scheme

The board approved the adoption of the Illovo Sugar Phantom Share Scheme (the phantom scheme) in 2005.

Whilst the rules of the phantom scheme are modelled on those of the option scheme, the important difference is that options under the phantom scheme are "cash settled" rather than "equity settled". The vesting periods remain

unchanged; one-third becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date, with the maximum period for the exercising of options being ten years.

In terms of the rules of the phantom scheme, the grant price of an option is determined as being equal to the

average of the closing market prices of Illovo shares on the JSE Limited for the 30 trading days immediately preceding the grant date of the relevant option. The cash settlement amount of an option is equal to the difference between the closing market price of Illovo shares on the date upon which an option is exercised and the grant price. The participants will receive the equivalent net proceeds as under the option scheme, but without incurring broking fees which are payable under the option scheme upon the disposal of shares.

The advantages to the company in adopting the phantom scheme include –

- no necessity to issue new shares when options are exercised i.e. no share dilution;
- ease of administration; and
- tax effectiveness of expense in the hands of the company (expensing of conventional options not being tax deductible).

The Remuneration / Nomination Committee approves the granting of all share options in terms of the phantom scheme.

Options granted to executive directors and senior managers as at 31 March 2007 comprise –

|   | <u>No. of shares</u> |
|---|----------------------|
| Options granted and unexpired at 1 April 2006         | 2 169 750            |
| New options granted during the year under review      | 1 038 000            |
| Less : Options forfeited during the year under review | (130 000)            |
|   | <u>3 077 750</u>     |

None of these options are presently exercisable.

The options granted, and unexpired and unexercised as at 31 March 2007 are categorised as –

| No. of shares    | Expiry date     | Option price (cents) |
|------------------|-----------------|----------------------|
| 2 047 250        | 12 July 2015    | 829                  |
| 1 030 500        | 29 October 2016 | 1 634                |
| <u>3 077 750</u> |                 |                      |

The table below reflects options previously granted to executive directors, options granted during the year, and options unexpired and unexercised as at 31 March 2007.

|                    | Options as at<br>31 March 2006 | Option<br>price<br>(cents) | Options<br>granted<br>during<br>the year | Options<br>exercised<br>during<br>the year | Options as at<br>31 March 2007 | Expiry date |
|--------------------|--------------------------------|----------------------------|--|--|--------------------------------|-------------|
| <b>Clark G J</b>   | 92 500                         | 829                        | –  | –  | 92 500                         | 12.07.2015  |
|                    | –                              | 1 634                      | 50 000                                   | –  | 50 000                         | 29.10.2016  |
|                    |                                |                            |  |  | <u>142 500</u>                 |             |
| <b>MacLeod D G</b> | 225 000                        | 829                        | –  | –  | 225 000                        | 12.07.2015  |
|                    | –                              | 1 634                      | 115 000                                  | –  | 115 000                        | 29.10.2016  |
|                    |                                |                            |  |  | <u>340 000</u>                 |             |
| <b>Russell J T</b> | 85 000                         | 829                        | –  | –  | 85 000                         | 12.07.2015  |
|                    | –                              | 1 634                      | 45 000                                   | –  | 45 000                         | 29.10.2016  |
|                    |                                |                            |  |  | <u>130 000</u>                 |             |
| <b>Stuart B M</b>  | 92 500                         | 829                        | –  | –  | 92 500                         | 12.07.2015  |
|                    | –                              | 1 634                      | 45 000                                   | –  | 45 000                         | 29.10.2016  |
|                    |                                |                            |  |  | <u>137 500</u>                 |             |
| <b>Zarnack K</b>   | 125 000                        | 829                        | –  | –  | 125 000                        | 12.07.2015  |
|                    | –                              | 1 634                      | 70 000                                   | –  | 70 000                         | 29.10.2016  |
|                    |                                |                            |  |  | <u>195 000</u>                 |             |
|                    | <u>620 000</u>                 |                            | <u>325 000</u>                           |  | <u>945 000</u>                 |             |

# Statutory information continued

## 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 or the phantom 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.

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 75 814 shares in the company thereby reducing the total number of shares held to 89 456. Of these shares, which are all registered in the name of the trustees, 89 455 are held on behalf of 329 participants. All such shares have been fully paid for by the participants.

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

## Dividends

An interim ordinary dividend (No. 30) of 30.0 cents per share was declared on 16 November 2006, and a final ordinary dividend (No. 31) of 45.0 cents per share was declared on 21 May 2007, making the total distribution for the year 75.0 cents per share.

The interim dividend was paid on 8 January 2007 and the final dividend will be paid on 9 July 2007.

## Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 14 to the financial statements on page 78.

## 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.

Pursuant to the acquisition of 51% of the issued ordinary share capital of the company by ABF Overseas Limited on 4 September 2006, the following changes in directorate were effected on 5 September 2006 –

- \* Dr M I Carr and Messrs D R Langlands and P A Lister, as nominated by the holding company, were appointed as non-executive directors; and
- \* Messrs N M Hawley, M I Hlatshwayo and A R Mpungwe resigned from the board.

In terms of the company's articles of association, Messrs G J Clark, D G MacLeod, R A Norton, B M Stuart 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 executive directors, including those proposed for re-election, are employed in terms of indefinite period service contracts, with notice periods of less than one year.

The beneficial interests of the directors in the issued ordinary share capital of the company as at 31 March 2007 were as follows -

|               | 2007           |              | 2006    |          |
|---------------|----------------|--------------|---------|----------|
|               | Direct         | Indirect     | Direct  | Indirect |
| Clark G J     | 14 698         |              | 30 000  |          |
| Connellan B P | 12 358         | 1 588        | 25 224  | 3 242    |
| MacLeod D G   | 300 000        |              | 300 000 |          |
| Russell J T   | 48 994         |              | 100 000 |          |
| Stuart B M    | 62 908         |              | 128 400 |          |
| Williams R A  | 18 223         | 3 479        | 37 194  | 7 101    |
|               | <b>457 181</b> | <b>5 067</b> | 620 818 | 10 343   |
| Total         | <b>462 248</b> |              | 631 161 |          |

The reductions in the shareholdings of directors during the year under review, are attributable to the scheme of arrangement in terms of which ABF Overseas Limited acquired 51% of the fully diluted issued ordinary share capital of the company.

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

At the forthcoming annual general meeting, members will be requested to approve increases in the fees payable to non-executive directors with effect from 1 April 2007 as follows –

|                                       | Rands per annum |           |
|---------------------------------------|-----------------|-----------|
|                                       | Current         | Proposed  |
| Board :                               |                 |           |
| Chairman *                            | 1 400 000       | 1 505 000 |
| Other members                         | 125 000         | 135 000   |
| Audit Committee :                     |                 |           |
| Chairman                              | 100 000         | 107 500   |
| Other members                         | 60 000          | 64 500    |
| Remuneration / Nomination Committee : |                 |           |
| Chairman                              | 80 000          | 86 000    |
| Other members                         | 60 000          | 64 500    |
| Risk Management Committee :           |                 |           |
| Chairman                              | 65 000          | 70 000    |
| Other members                         | 50 000          | 54 000    |

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

### Holding company

Pursuant to its acquisition of 51% of the issued ordinary share capital of the company on 4 September 2006, ABF Overseas Limited became the holding company of Illovo Sugar Limited. ABF Overseas Limited is a wholly-owned subsidiary of Associated British Foods plc which is therefore the ultimate holding company of Illovo Sugar Limited. Associated British Foods plc is listed on the London Stock Exchange.

### Auditors

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

### Special resolutions passed by subsidiary companies

A number of special resolutions were passed by certain subsidiary companies during the year under review, but are not considered to deal with material matters which would affect the understanding of the group.

### Post balance sheet events

On 2 April 2007, it was announced that the board had approved a major expansion of the group's operations in Zambia. Details are given in the Chairman's Statement on pages 11 and 12, and in the Review of Operations on page 22.

# Income statements for the year ended 31 March 2007

|  | Notes | Group               |                     | Company             |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  |       | March<br>2007<br>Rm | March<br>2006<br>Rm | March<br>2007<br>Rm | March<br>2006<br>Rm |
| <b>Revenue</b>                                   | 4     | <b>6 263.6</b>      | 5 468.8             | <b>2 765.7</b>      | 2 588.7             |
| Cost of sales                                    |       | <b>4 000.3</b>      | 3 448.8             | <b>2 239.9</b>      | 2 018.7             |
| <b>Gross profit</b>                              |       | <b>2 263.3</b>      | 2 020.0             | <b>525.8</b>        | 570.0               |
| Distribution expenses                            |       | <b>384.2</b>        | 419.2               | <b>177.1</b>        | 223.1               |
| Administrative expenses                          |       | <b>673.9</b>        | 621.0               | <b>195.4</b>        | 220.1               |
| Other operating expenses/ (income)               |       | <b>170.9</b>        | 228.3               | <b>(8.7)</b>        | 13.8                |
| <b>Operating profit</b>                          | 5     | <b>1 034.3</b>      | 751.5               | <b>162.0</b>        | 113.0               |
| Dividend income                                  |       | <b>1.4</b>          | 1.0                 | <b>317.3</b>        | 113.1               |
| Net financing costs                              | 6     | <b>97.8</b>         | 101.9               | <b>104.2</b>        | 82.7                |
| Interest paid                                    |       | <b>153.4</b>        | 159.6               | <b>110.3</b>        | 109.0               |
| Interest received                                |       | <b>(27.8)</b>       | (46.0)              | <b>(4.1)</b>        | (24.2)              |
| Foreign exchange gains                           |       | <b>(27.8)</b>       | (11.7)              | <b>(2.0)</b>        | (2.1)               |
| <b>Profit before taxation and material items</b> |       | <b>937.9</b>        | 650.6               | <b>375.1</b>        | 143.4               |
| Material items                                   | 7     | <b>4.2</b>          | 3.5                 | <b>4.5</b>          | 3.1                 |
| <b>Profit before taxation</b>                    |       | <b>942.1</b>        | 654.1               | <b>379.6</b>        | 146.5               |
| Taxation   | 8     | <b>288.3</b>        | 197.3               | <b>45.1</b>         | 17.8                |
| <b>Profit for the year</b>                       |       | <b>653.8</b>        | 456.8               | <b>334.5</b>        | 128.7               |
| Attributable to:                                 |       |                     |                     |                     |                     |
| Shareholders of Illovo Sugar Limited             |       | <b>516.5</b>        | 357.7               | <b>334.5</b>        | 128.7               |
| Minority interest                                |       | <b>137.3</b>        | 99.1                |                     |                     |
|  |       | <b>653.8</b>        | 456.8               | <b>334.5</b>        | 128.7               |
| <b>Earnings per share (cents)*</b>               |       |                     |                     |                     |                     |
| Basic  |       | <b>149.5</b>        | 105.8               |                     |                     |
| Diluted  |       | <b>148.0</b>        | 103.0               |                     |                     |

\* See Note 10 for headline earnings per share.

# Balance sheets at 31 March 2007

|  | Notes | Group               |                     | Company             |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  |       | March<br>2007<br>Rm | March<br>2006<br>Rm | March<br>2007<br>Rm | March<br>2007<br>Rm |
| <b>ASSETS</b>  |       |                     |                     |                     |                     |
| <b>Non-current assets</b>  |       |                     |                     |                     |                     |
|  |       | <b>2 577.8</b>      | 2 373.6             | <b>1 685.1</b>      | 1 695.4             |
| Property, plant and equipment                                      | 11    | <b>1 806.3</b>      | 1 675.7             | <b>668.7</b>        | 669.0               |
| Cane roots   | 12    | <b>661.6</b>        | 589.1               | <b>77.8</b>         | 80.8                |
| Product registrations  | 13    | <b>34.7</b>         | 29.2                | <b>34.7</b>         | 29.1                |
| Investment in subsidiaries   | 14    |                     |                     | <b>897.4</b>        | 897.4               |
| Investment in associates   | 15    |                     |                     | <b>-</b>            | -                   |
| Investment in joint ventures                                       | 16    |                     |                     | <b>1.1</b>          | 0.6                 |
| Available-for-sale investments                                     | 17    | <b>7.7</b>          | 1.3                 | <b>2.0</b>          | 1.3                 |
| Loans  | 18    | <b>66.5</b>         | 67.3                | <b>3.4</b>          | 7.6                 |
| Deferred taxation asset  | 31    | <b>1.0</b>          | 11.0                | <b>-</b>            | 9.6                 |
| <b>Current assets</b>  |       |                     |                     |                     |                     |
|  |       | <b>2 871.5</b>      | 2 261.7             | <b>1 237.9</b>      | 909.2               |
| Inventories  | 19    | <b>341.8</b>        | 325.6               | <b>113.0</b>        | 81.5                |
| Growing cane   | 20    | <b>743.1</b>        | 657.9               | <b>51.5</b>         | 62.0                |
| Trade and other receivables  | 21    | <b>638.2</b>        | 504.8               | <b>453.3</b>        | 345.4               |
| Factory overhaul costs   | 22    | <b>168.3</b>        | 145.2               | <b>72.7</b>         | 61.4                |
| Derivative financial instruments                                   | 23    | <b>6.4</b>          | 0.9                 | <b>6.4</b>          | 0.9                 |
| Amounts due by subsidiaries  | 14    |                     |                     | <b>38.8</b>         | 27.6                |
| Cash and cash equivalents  |       | <b>973.7</b>        | 627.3               | <b>502.2</b>        | 330.4               |
| <b>Total assets</b>  |       |                     |                     |                     |                     |
|  |       | <b>5 449.3</b>      | 4 635.3             | <b>2 923.0</b>      | 2 604.6             |
| <b>EQUITY AND LIABILITIES</b>                                      |       |                     |                     |                     |                     |
| <b>Equity attributable to shareholders in Illovo Sugar Limited</b> |       |                     |                     |                     |                     |
|  |       | <b>1 771.7</b>      | 1 425.5             | <b>1 060.6</b>      | 909.2               |
| Share capital and premium  | 24    | <b>354.5</b>        | 298.4               | <b>354.5</b>        | 298.4               |
| Share-based payment reserve  | 25    | <b>10.9</b>         | 8.1                 | <b>10.9</b>         | 8.1                 |
| Non-distributable reserves   | 26    | <b>146.3</b>        | 122.1               | <b>320.1</b>        | 308.4               |
| Dividend reserve   | 27    | <b>157.0</b>        | 144.6               | <b>157.0</b>        | 144.6               |
| Retained earnings  | 28    | <b>1 103.0</b>      | 852.3               | <b>218.1</b>        | 149.7               |
| Minority interest  |       | <b>456.6</b>        | 388.0               |                     |                     |
| <b>Total equity</b>  |       |                     |                     |                     |                     |
|  |       | <b>2 228.3</b>      | 1 813.5             | <b>1 060.6</b>      | 909.2               |
| <b>Non-current liabilities</b>                                     |       |                     |                     |                     |                     |
|  |       | <b>789.5</b>        | 664.7               | <b>126.9</b>        | 124.8               |
| Long term borrowings   | 29    | <b>223.2</b>        | 172.2               | <b>-</b>            | -                   |
| Deferred taxation liability  | 31    | <b>575.3</b>        | 492.5               | <b>126.9</b>        | 124.8               |
| <b>Current liabilities</b>   |       |                     |                     |                     |                     |
|  |       | <b>2 422.5</b>      | 2 157.1             | <b>1 735.5</b>      | 1 570.6             |
| Short term borrowings  | 30    | <b>928.1</b>        | 805.0               | <b>870.1</b>        | 752.9               |
| Trade and other payables   | 32    | <b>970.8</b>        | 913.3               | <b>470.1</b>        | 450.6               |
| Bank overdraft   |       | <b>94.1</b>         | 91.1                | <b>0.6</b>          | -                   |
| Taxation   |       | <b>115.8</b>        | 70.7                | <b>-</b>            | 1.8                 |
| Provisions   | 33    | <b>216.7</b>        | 186.7               | <b>128.1</b>        | 129.1               |
| Amounts due to subsidiaries  | 14    |                     |                     | <b>170.0</b>        | 145.9               |
| Derivative financial instruments                                   | 23    | <b>97.0</b>         | 90.3                | <b>96.6</b>         | 90.3                |
| <b>Total liabilities</b>   |       |                     |                     |                     |                     |
|  |       | <b>3 221.0</b>      | 2 821.8             | <b>1 862.4</b>      | 1 695.4             |
| <b>Total equity and liabilities</b>                                |       |                     |                     |                     |                     |
|  |       | <b>5 449.3</b>      | 4 635.3             | <b>2 923.0</b>      | 2 604.6             |

# Cash flow statements for the year ended 31 March 2007

|  | Notes | Group               |                     | Company             |                     |
|--|-------|---------------------|---------------------|---------------------|---------------------|
|  |       | March<br>2007<br>Rm | March<br>2006<br>Rm | March<br>2007<br>Rm | March<br>2006<br>Rm |
| <b>Cash flows from operating activities</b>                  |       |                     |                     |                     |                     |
| Operating profit before working capital movements            | a     | 1 058.7             | 710.5               | 236.0               | 169.7               |
| Working capital movements                                    | b     | (61.0)              | 117.2               | (112.2)             | 225.2               |
| Cash generated from operations                               |       | 997.7               | 827.7               | 123.8               | 394.9               |
| Net financing costs  |       | (85.2)              | (101.9)             | (91.6)              | (82.7)              |
| Taxation paid  | c     | (190.4)             | (89.5)              | (47.9)              | (0.7)               |
| Dividend income  |       | 1.4                 | 1.0                 | 317.3               | 113.1               |
| Dividends paid   | d     | (334.2)             | (150.9)             | (249.7)             | (113.3)             |
| <b>Net cash inflow from operating activities</b>             |       | <b>389.3</b>        | <b>486.4</b>        | <b>51.9</b>         | <b>311.3</b>        |
| <b>Cash flows from investing activities</b>                  |       |                     |                     |                     |                     |
| Replacement of property, plant and equipment                 |       | (124.7)             | (120.8)             | (36.6)              | (30.1)              |
| Expansion capital expenditure                                |       | (90.5)              | (75.4)              | (20.3)              | (75.4)              |
| Capitalisation of product registrations                      |       | (5.5)               | (8.8)               | (5.6)               | (8.8)               |
| Proceeds on disposal of plant and equipment                  |       | 20.0                | 4.9                 | 16.6                | 2.1                 |
| Proceeds on disposal of property                             |       | 7.6                 | 25.3                | 6.1                 | 5.8                 |
| Research expenditure   |       | (17.2)              | (14.5)              | (17.2)              | (14.5)              |
| Net movement on investments and loans                        |       | 2.8                 | 13.7                | 3.0                 | (5.4)               |
| <b>Net cash outflow from investing activities</b>            |       | <b>(207.5)</b>      | <b>(175.6)</b>      | <b>(54.0)</b>       | <b>(126.3)</b>      |
| <b>Net cash inflow/(outflow) before financing activities</b> |       | <b>181.8</b>        | <b>310.8</b>        | <b>(2.1)</b>        | <b>185.0</b>        |
| <b>Cash flows from financing activities</b>                  |       |                     |                     |                     |                     |
| Long term borrowings repaid                                  |       | (16.4)              | (15.2)              | -                   | -                   |
| Short term borrowings raised/(repaid)                        |       | 130.2               | (42.9)              | 117.8               | 0.2                 |
| Capitalised finance leases repaid                            |       | (0.8)               | (0.2)               | -                   | -                   |
| Proceeds from issue of share capital                         | e     | 56.1                | 15.9                | 56.1                | 15.9                |
| <b>Net cash inflow/(outflow) from financing activities</b>   |       | <b>169.1</b>        | <b>(42.4)</b>       | <b>173.9</b>        | <b>16.1</b>         |
| <b>Net increase in cash and cash equivalents</b>             |       | <b>350.9</b>        | <b>268.4</b>        | <b>171.8</b>        | <b>201.1</b>        |
| <b>Cash and cash equivalents</b>                             |       |                     |                     |                     |                     |
| <b>at beginning of the year</b>                              |       | <b>622.8</b>        | <b>358.9</b>        | <b>330.4</b>        | <b>129.3</b>        |
| <b>at end of the year</b>                                    |       | <b>973.7</b>        | <b>627.3</b>        | <b>502.2</b>        | <b>330.4</b>        |

# Notes to the cash flow statements

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2007<br>Rm | 2006<br>Rm | 2007<br>Rm | 2006<br>Rm |
| <b>a Operating profit movements is calculated as follows:</b>  |            |            |            |            |
| Operating profit   | 1 034.3    | 751.5      | 162.0      | 113.0      |
| Material items   | 4.2        | 3.5        | 4.5        | 3.1        |
| Total income   | 1 038.5    | 755.0      | 166.5      | 116.1      |
| Add back: Depreciation   | 140.4      | 127.7      | 54.7       | 47.3       |
| Change in fair value of cane roots   | (59.5)     | (77.9)     | (5.5)      | (6.5)      |
| Change in fair value of growing cane   | (80.2)     | (121.6)    | 5.2        | (15.2)     |
| Profit on disposal of property, plant and equipment  | (0.5)      | (0.9)      | (4.3)      | 1.9        |
| Amortisation of product registration costs   | -          | 10.0       | -          | 8.8        |
| Research expenditure   | 17.2       | 14.5       | 17.2       | 14.5       |
| Share based payments expense   | 2.8        | 3.7        | 2.2        | 2.8        |
| Operating profit before working capital movements  | 1 058.7    | 710.5      | 236.0      | 169.7      |
| <b>b Working capital movements comprise the following:</b>   |            |            |            |            |
| Inventories  | (11.3)     | (44.1)     | (31.5)     | 9.0        |
| Trade and other receivables  | (108.0)    | 85.1       | (109.6)    | 84.0       |
| Factory overhaul costs   | (21.0)     | (19.0)     | (11.3)     | (9.8)      |
| Trade and other payables   | 79.3       | 95.2       | 40.2       | 142.0      |
| Working capital movements  | (61.0)     | 117.2      | (112.2)    | 225.2      |
| <b>c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:</b>                     |            |            |            |            |
| Amounts unpaid at beginning of year  | (67.5)     | (32.4)     | (1.8)      | (1.8)      |
| Translation rate adjustment  | 0.2        | 1.5        |            |            |
| Per income statements (excluding deferred taxation)  | (219.1)    | (126.1)    | (36.6)     | (0.7)      |
| Amounts unpaid at end of year, net of overpayments   | 96.0       | 67.5       | (9.5)      | 1.8        |
| Total taxation paid  | (190.4)    | (89.5)     | (47.9)     | (0.7)      |
| <b>d Dividends paid are reconciled as follows:</b>   |            |            |            |            |
| Dividend paid to shareholders of Illovo Sugar Limited (per note 9 to the financial statements)                         | (249.7)    | (113.3)    | (249.7)    | (113.3)    |
| Dividends paid to outside shareholders of subsidiary companies   | (84.5)     | (37.6)     |            |            |
| Total dividends paid   | (334.2)    | (150.9)    | (249.7)    | (113.3)    |
| <b>e Proceeds from issue of share capital</b>  |            |            |            |            |
| During the year the company issued 8 740 000 (2006: 2 933 300) new shares.   | 56.1       | 15.9       | 56.1       | 15.9       |
| <b>f Cash and cash equivalents at beginning of year</b>  |            |            |            |            |
| 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  | 627.3      | 345.6      | 330.4      | 129.3      |
| Translation adjustment on opening balance of cash and cash equivalents   | (4.5)      | 13.3       |            |            |
| Per the cashflow statement   | 622.8      | 358.9      | 330.4      | 129.3      |

# Statement of changes in equity at 31 March 2007

| Group   | Share capital and premium<br>Rm | Share based payment reserve<br>Rm | Translation reserve<br>Rm | Other non-distributable reserves<br>Rm |
|---|---------------------------------|-----------------------------------|---------------------------|--|
| <b>Balance at 31 March 2005</b>                               | 282.5                           | 4.4                               | –                         | 95.4                                   |
| Net gains and losses not recognised in the income statement:- | –                               | 3.7                               | 26.6                      | 0.1                                    |
| Realised surpluses - disposal of land                         |                                 |                                   |                           | 0.2                                    |
| Change in shareholding  |                                 |                                   |                           | (0.1)                                  |
| Adjustments for cashflow hedges                               |                                 |                                   | 26.6                      |  |
| Currency translation differences                              |                                 | 3.7                               |                           |  |
| Recognition of share-based payments                           |                                 |                                   |                           |  |
| Transfer to dividend reserve                                  |                                 |                                   |                           |  |
| Profit for the year   |                                 |                                   |                           |  |
| Dividends paid  |                                 |                                   |                           |  |
| Issue of share capital  | 15.9                            |                                   |                           |  |
| <b>Balance at 31 March 2006</b>                               | 298.4                           | 8.1                               | 26.6                      | 95.5                                   |
| Net gains and losses not recognised in the income statement:- | –                               | 2.8                               | 13.2                      | 11.0                                   |
| Realised surpluses - disposal of land                         |                                 |                                   |                           | 3.7                                    |
| Change in shareholding  |                                 |                                   |                           | 7.3                                    |
| Adjustments for cashflow hedges                               |                                 |                                   | 13.2                      |  |
| Currency translation differences                              |                                 | 2.8                               |                           |  |
| Recognition of share-based payments                           |                                 |                                   |                           |  |
| Transfer to dividend reserve                                  |                                 |                                   |                           |  |
| Profit for the year   |                                 |                                   |                           |  |
| Dividends paid  |                                 |                                   |                           |  |
| Issue of share capital  | 56.1                            |                                   |                           |  |
| <b>Balance at 31 March 2007</b>                               | <b>354.5</b>                    | <b>10.9</b>                       | <b>39.8</b>               | <b>106.5</b>                           |
| <b>Company</b>  |                                 |                                   |                           |  |
| <b>Balance at 31 March 2005</b>                               | 282.5                           | 4.4                               | –                         | 307.7                                  |
| Net gains and losses not recognised in the income statement:- | –                               | 3.7                               | –                         | 0.7                                    |
| Recognition of share-based payments                           |                                 | 3.7                               |                           |  |
| Transfer to dividend reserve                                  |                                 |                                   |                           |  |
| Adjustments for cashflow hedges                               |                                 |                                   |                           | 0.7                                    |
| Profit for the year   |                                 |                                   |                           |  |
| Dividends paid  |                                 |                                   |                           |  |
| Issue of share capital  | 15.9                            |                                   |                           |  |
| <b>Balance at 31 March 2006</b>                               | 298.4                           | 8.1                               | –                         | 308.4                                  |
| Net gains and losses not recognised in the income statement:- | –                               | 2.8                               | –                         | 11.7                                   |
| Realised surpluses - disposal of land                         |                                 |                                   |                           | 4.0                                    |
| Recognition of share-based payments                           |                                 | 2.8                               |                           |  |
| Transfer to dividend reserve                                  |                                 |                                   |                           |  |
| Adjustments for cashflow hedges                               |                                 |                                   |                           | 7.7                                    |
| Profit for the year   |                                 |                                   |                           |  |
| Dividends paid  |                                 |                                   |                           |  |
| Issue of share capital  | 56.1                            |                                   |                           |  |
| <b>Balance at 31 March 2007</b>                               | <b>354.5</b>                    | <b>10.9</b>                       | <b>–</b>                  | <b>320.1</b>                           |

| Dividend reserve<br>Rm | Retained surplus<br>Rm | Attributable to the<br>shareholders<br>of Illovo<br>Sugar Limited<br>Rm | Minority<br>interest<br>Rm | Total<br>Rm    |
|------------------------|------------------------|---|----------------------------|----------------|
| 45.5                   | 707.2                  | 1 135.0   | 330.9                      | <b>1 465.9</b> |
| 212.4                  | (212.6)                | 30.2  | (4.4)                      | <b>25.8</b>    |
|                        | (0.2)                  | -   | 2.3                        | -              |
|                        |                        | (0.1)   | (6.7)                      | <b>2.3</b>     |
|                        |                        | 26.6  |                            | <b>(0.1)</b>   |
|                        |                        | 3.7   |                            | <b>19.9</b>    |
| 212.4                  | (212.4)                | -   |                            | <b>3.7</b>     |
|                        |                        |   |                            | -              |
|                        | 357.7                  | 357.7   | 99.1                       | <b>456.8</b>   |
| (113.3)                |                        | (113.3)   | (37.6)                     | <b>(150.9)</b> |
|                        |                        | 15.9  |                            | <b>15.9</b>    |
| 144.6                  | 852.3                  | 1 425.5   | 388.0                      | <b>1 813.5</b> |
| <b>262.1</b>           | <b>(265.8)</b>         | <b>23.3</b>   | <b>15.8</b>                | <b>39.1</b>    |
|                        | (3.7)                  | -   | 2.7                        | -              |
|                        |                        | -   |                            | <b>2.7</b>     |
|                        |                        | 7.3   |                            | <b>7.3</b>     |
|                        |                        | 13.2  | 13.1                       | <b>26.3</b>    |
|                        |                        | 2.8   |                            | <b>2.8</b>     |
| 262.1                  | (262.1)                | -   |                            | -              |
|                        | 516.5                  | 516.5   | 137.3                      | <b>653.8</b>   |
| (249.7)                |                        | (249.7)   | (84.5)                     | <b>(334.2)</b> |
|                        |                        | 56.1  |                            | <b>56.1</b>    |
| <b>157.0</b>           | <b>1 103.0</b>         | <b>1 771.7</b>  | <b>456.6</b>               | <b>2 228.3</b> |
| 45.5                   | 233.4                  | 873.5   |                            |                |
| 212.4                  | (212.4)                | 4.4   |                            |                |
| 212.4                  | (212.4)                | 3.7   |                            |                |
|                        |                        | -   |                            |                |
|                        |                        | 0.7   |                            |                |
|                        | 128.7                  | 128.7   |                            |                |
| (113.3)                |                        | (113.3)   |                            |                |
|                        |                        | 15.9  |                            |                |
| 144.6                  | 149.7                  | 909.2   |                            |                |
| <b>262.1</b>           | <b>(266.1)</b>         | <b>10.5</b>   |                            |                |
|                        | (4.0)                  | -   |                            |                |
| 262.1                  | (262.1)                | 2.8   |                            |                |
|                        |                        | -   |                            |                |
|                        |                        | 7.7   |                            |                |
|                        | 334.5                  | 334.5   |                            |                |
| (249.7)                |                        | (249.7)   |                            |                |
|                        |                        | 56.1  |                            |                |
| <b>157.0</b>           | <b>218.1</b>           | <b>1 060.6</b>  |                            |                |

# Notes to the financial statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. This is consistent with the prior year.

During the year, the group adopted all relevant new and revised standards and interpretations issued by the International Accounting Standards Board. The adoption of these has not resulted in changes to the group's accounting policies.

The principal accounting policies adopted are set out below.

### 1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### 1.2 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised but is tested for impairment at each balance sheet date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### 1.3 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are not recognised.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is

included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

#### **1.4 Interests in joint ventures**

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control: that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

#### **1.5 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **1.6 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

#### **1.7 Foreign currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# Notes to the financial statements continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 1.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 1.9 Retirement benefit costs

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

Contributions to defined contribution retirement benefit plans are expensed as they fall due. Contributions made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets, are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

All plans are funded. Funding shortfalls arising in defined benefit 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 post retirement medical benefit is now closed, a liability still exists in respect of current and retired employees to whom the benefit was granted. These costs are provided on the accrual basis, determined actuarially.

## 1.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

#### **1.11 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use and is calculated at rates appropriate in terms of management's current assessment of useful lives and residuals values. Land is not depreciated.

Management reviews the residual values annually, considering market conditions and projected disposal values. In the annual assessment of useful lives, maintenance programmes and technological innovations are considered.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **1.12 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, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.

Growing cane - the estimated sucrose content at 31 March valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport.

#### **1.13 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 over its expected useful life.

#### **1.14 Research and development expenditure**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expenses as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

# Notes to the financial statements continued

## 1.15 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.

## 1.16 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 1.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except in the case of downstream products where the first in first out basis is used. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

## 1.18 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

### *Trade receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### *Investments*

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was

recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### ***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### ***Bank borrowings***

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see above).

#### ***Trade payables***

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### ***Equity instruments***

Equity instruments issued by the company are recorded at the value of the proceeds received, net of direct issue costs.

#### ***Derivative financial instruments and hedge accounting***

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans. When appropriate the group converts a proportion of its floating rate debt to fixed rates. The group designates these as cash flow hedges of interest rate risk.

The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss.

The group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges

# Notes to the financial statements continued

that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

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 the liability simultaneously.

Financial guarantee contracts are accounted for as insurance contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

## 1.19 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

## 1.20 Share-based payments

The group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

## 1.21 Segmental analysis

Segment reporting is presented in respect of the group's business and geographic segments. The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics. Inter-segment pricing is determined on an arm's length basis.

Segments results; assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segmental capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

The group is comprised of the following business segments –

- Cane growing - the processing of sugar cane for use in the sugar production process,
- Sugar production – the manufacture of sugar from cane, and
- Downstream operations – the manufacture and sale of downstream products including syrup, furfural and alcohol.

The secondary format presents the revenues, profits and assets for the countries in which the group operates.

## 2. INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE, BUT NOT YET EFFECTIVE

At the date of approval of these financial statements, the following relevant standards and interpretations were in issue, but not yet effective:

- IFRS 7 Financial instruments: Disclosures
- IFRS 8 Operating segments
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 IFRS 2: Group and treasury share transactions
- IFRIC 12 Service concession arrangements

The group is in the process of evaluating the effects of these new standards and interpretations. Whilst they are not expected to have a significant impact on the group's results, additional disclosures may be required.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### 3.1 Critical accounting judgements made by management

In the process of applying the group's accounting policies, management has made the following judgement, apart from those involving estimations, that affect the amounts recognised in the financial statements and related disclosure –

- Impairment of assets  
In making its judgement, management has assessed at each balance sheet date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

### 3.2 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date –

- Property, plant and equipment residual values and useful lives  
These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 11 to the financial statements.
- Cane roots valuation  
The escalated average cost of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The carrying value of cane roots is disclosed in note 12 to the financial statements.
- Growing cane valuation  
Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programs. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 20 to the financial statements.

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the balance sheet date, that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Notes to the financial statements continued

## 4. REVENUE

|  | Group          |            | Company        |            |
|--|----------------|------------|----------------|------------|
|  | 2007<br>Rm     | 2006<br>Rm | 2007<br>Rm     | 2006<br>Rm |
| Revenue represents the proceeds from –                       |                |            |                |            |
| – sugar production   | <b>4 410.7</b> | 3 883.2    | <b>2 256.4</b> | 2 068.0    |
| – cane growing   | <b>1 344.8</b> | 1 081.5    | <b>93.7</b>    | 86.0       |
| – downstream   | <b>508.1</b>   | 504.1      | <b>415.6</b>   | 434.7      |
|  | <b>6 263.6</b> | 5 468.8    | <b>2 765.7</b> | 2 588.7    |
| Includes revenue from exports outside country of origin of – | <b>2 215.6</b> | 2 026.7    | <b>921.6</b>   | 910.6      |

Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.

## 5. OPERATING PROFIT

Operating profit has been determined after taking into account the following items –

|  |                |       |              |       |
|--|----------------|-------|--------------|-------|
| Depreciation                               | <b>140.4</b>   | 127.7 | <b>54.7</b>  | 47.3  |
| – buildings                                | <b>7.9</b>     | 4.8   | –            | 3.3   |
| – leasehold properties                     | <b>7.1</b>     | 7.1   | <b>6.1</b>   | –     |
| – plant, machinery and other               | <b>125.4</b>   | 115.8 | <b>48.6</b>  | 44.0  |
| Loss on disposal of plant and equipment    | <b>3.7</b>     | 2.6   | <b>0.2</b>   | 5.0   |
| Amortisation of product registration costs | –              | 10.0  | –            | 8.8   |
| Amortisation of factory overhaul costs     | <b>148.3</b>   | 127.3 | <b>61.4</b>  | 51.6  |
| Fair value adjustments                     |                |       |              |       |
| – cane roots                               | <b>59.5</b>    | 77.9  | <b>5.5</b>   | 6.5   |
| – growing cane                             | <b>80.2</b>    | 121.6 | <b>(5.2)</b> | 15.2  |
| Operating lease charges                    |                |       |              |       |
| – property                                 | <b>32.3</b>    | 24.6  | <b>28.8</b>  | 24.1  |
| – plant and equipment                      | <b>26.0</b>    | 27.5  | <b>6.7</b>   | 6.8   |
| Auditors' remuneration                     | <b>7.4</b>     | 6.1   | <b>3.3</b>   | 3.0   |
| – audit fees                               | <b>5.8</b>     | 5.2   | <b>2.8</b>   | 2.4   |
| – fees for other services                  | <b>1.1</b>     | 0.2   | <b>0.4</b>   | 0.2   |
| – expenses                                 | <b>0.5</b>     | 0.7   | <b>0.1</b>   | 0.4   |
| Research costs                             | <b>17.2</b>    | 14.5  | <b>17.2</b>  | 14.5  |
| Staff costs                                | <b>1 102.0</b> | 941.0 | <b>427.3</b> | 402.0 |

## 6. NET FINANCING COSTS

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2007<br>Rm | 2006<br>Rm | 2007<br>Rm | 2006<br>Rm |
| Interest paid on –                      |            |            |            |            |
| Long term borrowings                    | 16.5       | 14.0       | –          | –          |
| Bank and short term borrowings          | 133.5      | 139.2      | 99.9       | 97.9       |
| Capitalised finance leases              | –          | 2.3        | –          | –          |
| Other                                   | 3.4        | 4.1        | 10.4       | 11.1       |
| Total interest paid                     | 153.4      | 159.6      | 110.3      | 109.0      |
| Interest received on loans and deposits | (27.8)     | (46.0)     | (4.1)      | (24.2)     |
| Foreign exchange gains                  | (27.8)     | (11.7)     | (2.0)      | (2.1)      |
|   | 97.8       | 101.9      | 104.2      | 82.7       |

## 7. MATERIAL ITEMS

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Profit arising on disposal of properties | 4.2   | 3.5   | 4.5   | 3.1   |
| Per income statement                     | 4.2   | 3.5   | 4.5   | 3.1   |
| Taxation                                 | (0.5) | (0.2) | (0.5) | (0.1) |
|  | 3.7   | 3.3   | 4.0   | 3.0   |

# Notes to the financial statements continued

## 8. TAXATION

|   |                | Group        |            | Company     |            |
|---|----------------|--------------|------------|-------------|------------|
|   |                | 2007<br>Rm   | 2006<br>Rm | 2007<br>Rm  | 2006<br>Rm |
| South African normal taxation                               |                |              |            |             |            |
| Current tax   | - current year | 1.9          | 1.9        | 5.4         | -          |
|   | - prior year   | 0.1          | 1.7        | -           | -          |
| Deferred tax  | - current year | (2.5)        | 8.8        | (2.5)       | 8.8        |
|   | - prior year   | 11.0         | (5.2)      | 11.0        | (5.2)      |
| Secondary tax on companies                                  | - current year | 31.2         | 13.5       | 31.2        | 13.5       |
|   | - prior year   | -            | 0.7        | -           | 0.7        |
| Foreign taxation  |                |              |            |             |            |
| Current tax   | - current year | 187.8        | 123.6      | -           | -          |
|   | - prior year   | (1.9)        | (1.6)      | -           | -          |
| Deferred tax  | - current year | 62.7         | 53.9       | -           | -          |
|   | - prior year   | (2.0)        | -          | -           | -          |
|   |                | <b>288.3</b> | 197.3      | <b>45.1</b> | 17.8       |
| <b>Reconciliation of rate of taxation</b>                   |                | <b>%</b>     | <b>%</b>   | <b>%</b>    | <b>%</b>   |
| South African normal rate of taxation                       |                | 29.0         | 29.0       | 29.0        | 29.0       |
| Less increase/(reduction) in charge for year due to -       |                | 1.6          | 1.2        | (17.1)      | (16.6)     |
| Adjustment from prior years                                 |                | (1.6)        | (3.3)      | (0.4)       | (8.8)      |
| Adjustment in respect of material items                     |                | (0.1)        | -          | (0.1)       | 0.1        |
| Exempt income   |                | (5.6)        | (3.1)      | (24.6)      | (26.5)     |
| Assessed losses created                                     |                | 0.1          | 0.1        | -           | -          |
| Disallowable expenditure                                    |                | 3.5          | 5.7        | 2.4         | 11.3       |
| Secondary tax on companies                                  |                | 3.3          | 0.1        | 8.3         | 0.5        |
| Fair value adjustments                                      |                | (0.4)        | (0.6)      | (1.1)       | (2.6)      |
| Taxation rate differentials - foreign subsidiaries          |                | 1.9          | (0.5)      | -           | -          |
| Other   |                | 0.5          | 2.8        | (1.6)       | 9.4        |
| Effective rate of taxation                                  |                | <b>30.6</b>  | 30.2       | <b>11.9</b> | 12.4       |
|   |                | <b>Rm</b>    | Rm         | <b>Rm</b>   | Rm         |
| The estimated tax losses at the end of the year aggregate - |                | 12.7         | 46.1       | -           | 9.6        |

## 9. DIVIDENDS PAID

|  |                       | <b>Group and Company</b> |            |
|--|-----------------------|--------------------------|------------|
|  |                       | <b>2007<br/>Rm</b>       | 2006<br>Rm |
| Dividend no. 27 of 13.5 cents per share (final 2005)   | - paid 11 July 2005   |                          | 45.5       |
| Dividend no. 28 of 20.0 cents per share (interim 2006) | - paid 9 January 2006 |                          | 67.8       |
| Dividend no. 29 of 42.5 cents per share (final 2006)   | - paid 10 July 2006   | <b>145.1</b>             |            |
| Dividend no. 30 of 30.0 cents per share (interim 2007) | - paid 8 January 2007 | <b>104.6</b>             |            |
|  |                       | <b>249.7</b>             | 113.3      |

In respect of the current year, the directors declared a final dividend of 45.0 cents per share on 21 May 2007 which will be paid to shareholders on 9 July 2007. No liability has been raised for this dividend nor the related secondary tax on companies charge, in these financial statements.

The total estimated dividend to be paid of R157 million has been transferred out of retained earnings to a separate dividend reserve (refer note 27).

## 10. EARNINGS AND HEADLINE EARNINGS PER SHARE

|   |  |                    |             |
|---|--|--------------------|-------------|
| <b>Earnings</b>   |  |                    |             |
| Earnings for the purposes of basic earnings per share                                     |  | <b>516.5</b>       | 357.7       |
| Dilutive effect of potential ordinary shares  |  |                    |             |
| – Share options   |  | <b>1.8</b>         | 4.5         |
| Earnings for the purposes of diluted earnings per share                                   |  | <b>518.3</b>       | 362.2       |
| <b>Number of shares</b>   |  | <b>Shares</b>      | Shares      |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   |  | <b>345 545 311</b> | 338 220 000 |
| Dilutive effect of potential ordinary shares  |  |                    |             |
| – Share options   |  | <b>4 649 600</b>   | 13 541 900  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share |  | <b>350 194 911</b> | 351 761 900 |
| <b>Reconciliation of headline earnings:-</b>  |  | <b>Rm</b>          | Rm          |
| Net profit attributable to shareholders of Illovo Sugar Limited                           |  | <b>516.5</b>       | 357.7       |
| Adjusted for –  |  |                    |             |
| Profit on disposal of property, plant and equipment                                       |  | <b>(1.2)</b>       | (5.3)       |
| Headline earnings   |  | <b>515.3</b>       | 352.4       |
| <b>Headline earnings per share</b>  |  | <b>Cents</b>       | Cents       |
| Basic (cents)   |  | <b>149.1</b>       | 104.2       |
| Diluted (cents)   |  | <b>147.7</b>       | 101.4       |

# Notes to the financial statements continued

## 11. PROPERTY, PLANT AND EQUIPMENT

|  | 2007           |                                   | 2006       |                                   |
|--|----------------|-----------------------------------|------------|-----------------------------------|
|  | Cost<br>Rm     | Accumulated<br>depreciation<br>Rm | Cost<br>Rm | Accumulated<br>depreciation<br>Rm |
| <b>Group</b>                             |                |                                   |            |                                   |
| Freehold land and buildings              | 406.9          | 69.3                              | 397.0      | 74.0                              |
| Leasehold properties                     | 338.7          | 59.8                              | 287.3      | 51.5                              |
| Plant, machinery and other               | 2 486.3        | 1 297.3                           | 2 262.5    | 1 146.4                           |
| Capitalised leased plant (refer note 29) | 1.3            | 0.5                               | 1.2        | 0.4                               |
|  | <b>3 233.2</b> | <b>1 426.9</b>                    | 2 948.0    | 1 272.3                           |
| <b>Net book value</b>                    | <b>1 806.3</b> |                                   | 1 675.7    |                                   |
| <b>Company</b>                           |                |                                   |            |                                   |
| Freehold land and buildings              | 261.5          | 46.9                              | 262.8      | 42.7                              |
| Plant, machinery and other               | 1 041.4        | 587.3                             | 993.8      | 544.9                             |
|  | <b>1 302.9</b> | <b>634.2</b>                      | 1 256.6    | 587.6                             |
| <b>Net book value</b>                    | <b>668.7</b>   |                                   | 669.0      |                                   |

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R15 123 million (2006: R14 666 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 106 673 hectares (2006: 108 343) 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.

### Group

The carrying amount of the group's property, plant and equipment comprises –

|                                     | Freehold<br>land and<br>buildings<br>Rm | Leasehold<br>properties<br>Rm | Plant<br>machinery<br>and other<br>Rm | 2007<br>Total<br>Rm | 2006<br>Total<br>Rm |
|-------------------------------------|---|-------------------------------|---------------------------------------|---------------------|---------------------|
| Net book value at beginning of year | 323.0                                   | 235.7                         | 1 117.0                               | 1 675.7             | 1 631.2             |
| Additions                           | 3.7                                     | 32.4                          | 179.0                                 | 215.1               | 196.2               |
| Transfers                           | 19.8                                    | –                             | (19.8)                                | –                   | –                   |
| Disposals                           | (3.5)                                   | –                             | (7.8)                                 | (11.3)              | (29.3)              |
| Exchange differences                | 2.5                                     | 17.9                          | 46.8                                  | 67.2                | 5.3                 |
|                                     | <b>345.5</b>                            | <b>286.0</b>                  | <b>1 315.2</b>                        | <b>1 946.7</b>      | 1 803.4             |
| Depreciation                        | (7.9)                                   | (7.1)                         | (125.4)                               | (140.4)             | (127.7)             |
| Net book value at end of year       | <b>337.6</b>                            | <b>278.9</b>                  | <b>1 189.8</b>                        | <b>1 806.3</b>      | 1 675.7             |

## 11. PROPERTY, PLANT AND EQUIPMENT continued

### Company

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

|                                     | Freehold<br>land and<br>buildings<br>Rm | Plant<br>machinery<br>and other<br>Rm | 2007<br>Total<br>Rm | 2006<br>Total<br>Rm |
|-------------------------------------|---|---------------------------------------|---------------------|---------------------|
| Net book value at beginning of year | 220.1                                   | 448.9                                 | 669.0               | 620.5               |
| Additions                           | 2.2                                     | 54.7                                  | 56.9                | 105.6               |
| Disposals                           | (1.6)                                   | (0.9)                                 | (2.5)               | (9.8)               |
|                                     | 220.7                                   | 502.7                                 | 723.4               | 716.3               |
| Depreciation                        | (6.1)                                   | (48.6)                                | (54.7)              | (47.3)              |
| Net book value at end of year       | 214.6                                   | 454.1                                 | 668.7               | 669.0               |

## 12. CANE ROOTS

The carrying value of cane roots comprises -

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2007<br>Rm | 2006<br>Rm | 2007<br>Rm | 2006<br>Rm |
| Carrying value at beginning of year      | 589.1      | 543.7      | 80.8       | 82.8       |
| Change in fair value                     | 59.5       | 77.9       | 5.5        | 6.5        |
| Disposal of farms                        | (8.5)      | (8.5)      | (8.5)      | (8.5)      |
| Exchange rate translation                | 21.5       | (24.0)     |            |            |
| Carrying value at end of year            | 661.6      | 589.1      | 77.8       | 80.8       |
| Area under cane at 31 March (hectares) – |            |            |            |            |
| South Africa                             | 9 575      | 10 668     | 9 575      | 10 668     |
| Malawi                                   | 18 900     | 18 381     |            |            |
| Zambia                                   | 11 050     | 11 030     |            |            |
| Swaziland                                | 7 950      | 7 946      |            |            |
| Tanzania                                 | 8 224      | 8 003      |            |            |
| Mozambique                               | 3 671      | 3 671      |            |            |
|  | 59 370     | 59 699     |            |            |

The average remaining expected lives of cane roots, for both the current and the previous years, are: 10 years in South Africa; 7 years in Zambia; and 8 years in each of the other countries of operation.

## 13. PRODUCT REGISTRATIONS

Intangible assets comprise product registrations which represent registered rights to exclusively sell licensed products in specific countries.

|                                      |      |        |      |       |
|--------------------------------------|------|--------|------|-------|
| Balance at the beginning of the year | 29.2 | 30.4   | 29.1 | 29.1  |
| Current year movements               |      |        |      |       |
| – expenditure                        | 5.5  | 8.8    | 5.6  | 8.8   |
| – amortisation                       | –    | (10.0) | –    | (8.8) |
| Balance at the end of the year       | 34.7 | 29.2   | 34.7 | 29.1  |

No amortisation was provided for in the current year as the balance of product registrations have yet to be brought into use.

# Notes to the financial statements continued

## 14. INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Illovo Sugar Limited are as follows –

### 2007

|   | Issued capital<br>Rm | Effective percentage holding<br>% | Shares at cost<br>Rm | Amounts due to subsidiaries<br>Rm | Amounts due from subsidiaries<br>Rm |
|---|----------------------|-----------------------------------|----------------------|-----------------------------------|-------------------------------------|
| <b>Illovo Distributors (Pty) Limited</b>          | –                    | 100                               | 0.4                  | –                                 | (12.2)                              |
| <b>Illprop (Pty) Limited</b>                      | 1.3                  | 100                               | 0.2                  | 0.1                               | –                                   |
| <b>Reynolds Brothers Limited</b>                  | –                    | 100                               | –                    | 3.8                               | –                                   |
| <b>Eureka Trading Limited</b>                     | –                    | 100                               | –                    | 1.6                               | (0.6)                               |
| <b>Illovo Project Services Limited</b>            | –                    | 100                               | –                    | –                                 | (0.1)                               |
| <b>CGS Investments (Pty) Limited</b>              | –                    | 100                               | 0.9                  | –                                 | (1.5)                               |
| <b>Glendale Sugar Limited</b>                     | 5.6                  | 100                               | 20.9                 | –                                 | (20.2)                              |
| <b>East African Supply (Pty) Limited</b>          | –                    | 100                               | –                    | 21.1                              | –                                   |
| <b>Illovo Sugar (Africa) Limited</b>              | 95.8                 | 100                               | 41.9                 | –                                 | (72.5)                              |
| <b>Ubombo Sugar Limited</b>                       | 49.5                 | 60                                | –                    | 5.9                               | (62.4)                              |
| <b>Illovo Sugar (Malawi) Limited</b>              | 45.4                 | 76                                | –                    | 1.3                               | (0.5)                               |
| <b>Zambia Sugar Plc</b>                           | 4.6                  | 90                                | –                    | 1.5                               | –                                   |
| <b>Maragra Açúcar SARL</b>                        | 267.5                | 74                                | –                    | 0.6                               | –                                   |
| <b>Kilombero Sugar Company Limited</b>            | 0.1                  | 55                                | –                    | 1.0                               | –                                   |
| <b>Illovo Group Holdings Limited - ordinary</b>   | –                    | 100                               | –                    | 1.1                               | –                                   |
| <b>Illovo Group Holdings Limited - preference</b> | 1 212.0              | 100                               | 815.6                | –                                 | –                                   |
| <b>Palaa Consultores Marketing E Servicos Lda</b> | –                    | 100                               | –                    | –                                 | –                                   |
| <b>Monitor Holdings Limited</b>                   | 250.0                | 100                               | 17.5                 | 0.4                               | –                                   |
| <b>Sucoma Holdings Limited</b>                    | 455.7                | 100                               | –                    | –                                 | –                                   |
| <b>Illovo Tanzania Limited</b>                    | –                    | 100                               | –                    | –                                 | –                                   |
| <b>Illovo Sugar Ireland</b>                       | –                    | 100                               | –                    | 0.4                               | –                                   |
| <b>Illovo Sugar España, S.L.</b>                  | –                    | 100                               | –                    | –                                 | –                                   |
|   |                      |                                   | <b>897.4</b>         | <b>38.8</b>                       | <b>(170.0)</b>                      |

### 2006

|   |         |     |              |             |                |
|---|---------|-----|--------------|-------------|----------------|
| <b>Illovo Distributors (Pty) Limited</b>          | –       | 100 | 0.4          | –           | (9.5)          |
| <b>Illprop (Pty) Limited</b>                      | 1.3     | 100 | 0.2          | 0.1         | –              |
| <b>Reynolds Brothers Limited</b>                  | –       | 100 | –            | 4.1         | –              |
| <b>Eureka Trading Limited</b>                     | –       | 100 | –            | 1.7         | –              |
| <b>Illovo Project Services Limited</b>            | –       | 100 | –            | –           | –              |
| <b>CGS Investments (Pty) Limited</b>              | –       | 100 | 0.9          | –           | (1.5)          |
| <b>Glendale Sugar Limited</b>                     | 5.6     | 100 | 20.9         | –           | (17.7)         |
| <b>East African Supply (Pty) Limited</b>          | –       | 100 | –            | 13.6        | –              |
| <b>Illovo Sugar (Africa) Limited</b>              | 95.8    | 100 | 41.9         | –           | (70.6)         |
| <b>Ubombo Sugar Limited</b>                       | 49.5    | 60  | –            | –           | (46.6)         |
| <b>Illovo Sugar (Malawi) Limited</b>              | 41.9    | 76  | –            | –           | –              |
| <b>Zambia Sugar Plc</b>                           | 5.1     | 90  | –            | 1.0         | –              |
| <b>Maragra Açúcar SARL</b>                        | 228.3   | 75  | –            | 0.5         | –              |
| <b>Kilombero Sugar Company Limited</b>            | 0.1     | 55  | –            | 1.4         | –              |
| <b>Illovo Group Holdings Limited - ordinary</b>   | –       | 100 | –            | 0.1         | –              |
| <b>Illovo Group Holdings Limited - preference</b> | 1 034.4 | 100 | 815.6        | –           | –              |
| <b>Palaa Consultores Marketing E Servicos Lda</b> | –       | 100 | –            | 0.2         | –              |
| <b>Monitor Holdings Limited</b>                   | 250.0   | 100 | 17.5         | 0.2         | –              |
| <b>Sucoma Holdings Limited</b>                    | 388.9   | 100 | –            | 2.2         | –              |
| <b>Illovo Tanzania Limited</b>                    | –       | 100 | –            | –           | –              |
| <b>Illovo Sugar Ireland</b>                       | –       | 100 | –            | 1.2         | –              |
| <b>Illovo Sugar España, S.L.</b>                  | –       | 100 | –            | 1.3         | –              |
|   |         |     | <b>897.4</b> | <b>27.6</b> | <b>(145.9)</b> |

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

## 15. INVESTMENT IN ASSOCIATES

| <b>Principal associates of the group</b>                  | <b>Year end</b> | <b>Nature of business</b> | <b>Group</b>                  |                               |
|---|-----------------|---------------------------|-------------------------------|-------------------------------|
|   |                 |                           | <b>2007<br/>%<br/>holding</b> | <b>2006<br/>%<br/>holding</b> |
| Southern Cross Sugar Exports (Pty) Limited                | 31 March        | Sugar export agents       | <b>33.3%</b>                  | 33.3%                         |
| Kilombero Sugar Distributors Limited                      | 31 October      | Distribution agents       | <b>20.0%</b>                  | 20.0%                         |
| <b>Investment in associate companies</b>                  |                 |                           | <b>Rm</b>                     | <b>Rm</b>                     |
| Cost of investment in associate                           |                 |                           | -                             | -                             |
| Share of post acquisition profit net of dividend received |                 |                           | -                             | -                             |
| <b>Directors' valuation of -</b>                          |                 |                           |                               |                               |
| Shares and loans in unlisted associate companies          |                 |                           | -                             | -                             |

## 16. INVESTMENT IN JOINT VENTURES

| <b>Principal joint ventures of the group</b> | <b>Year end</b> | <b>Nature of business</b> | <b>Group</b>                  |                               |
|--|-----------------|---------------------------|-------------------------------|-------------------------------|
|  |                 |                           | <b>2007<br/>%<br/>holding</b> | <b>2006<br/>%<br/>holding</b> |
| Glendale Distilling Company                  | 31 March        | Alcohol distillers        | <b>50.0%</b>                  | 50.0%                         |
| Lacsa (Pty) Limited                          | 31 March        | Lactulose producer        | <b>50.0%</b>                  | 50.0%                         |
| Relax Limited                                | 31 March        | Lactulose agents          | <b>50.0%</b>                  | 50.0%                         |

The income statements and balance sheets of the above joint ventures are proportionately consolidated into the group's financial statements.

Glendale Distilling Company had the following capital commitments which have been included in note 37 -

- contracted
- approved but not contracted

| <b>Rm</b>  | <b>Rm</b> |
|------------|-----------|
| -          | -         |
| <b>1.5</b> | 0.6       |
| <b>1.5</b> | 0.6       |

## 17. AVAILABLE-FOR-SALE INVESTMENTS

|                                | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | <b>2007<br/>Rm</b> | <b>2006<br/>Rm</b> | <b>2007<br/>Rm</b> | <b>2006<br/>Rm</b> |
| Available-for-sale investments | <b>7.7</b>         | 1.3                | <b>2.0</b>         | 1.3                |
|                                | <b>7.7</b>         | 1.3                | <b>2.0</b>         | 1.3                |

# Notes to the financial statements continued

## 18. LOANS

|                                      | Group       |             | Company    |            |
|--------------------------------------|-------------|-------------|------------|------------|
|                                      | 2007<br>Rm  | 2006<br>Rm  | 2007<br>Rm | 2006<br>Rm |
| Long term promissory note receivable | 20.5        | 19.3        | –          | –          |
| Other loans                          | 46.0        | 48.0        | 3.4        | 7.6        |
|                                      | <b>66.5</b> | <b>67.3</b> | <b>3.4</b> | <b>7.6</b> |

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

The other loans bear interest at varying rates and have varying terms of repayment.

## 19. INVENTORIES

|                            |              |              |              |             |
|----------------------------|--------------|--------------|--------------|-------------|
| Finished goods             | 120.8        | 130.6        | 48.5         | 29.9        |
| Consumables and components | 221.0        | 195.0        | 64.5         | 51.6        |
|                            | <b>341.8</b> | <b>325.6</b> | <b>113.0</b> | <b>81.5</b> |

## 20. GROWING CANE

The carrying value of growing cane comprises –

|   |              |              |             |             |
|---|--------------|--------------|-------------|-------------|
| Carrying value at the beginning of the year | 657.9        | 534.5        | 62.0        | 51.3        |
| Change in fair value                        | 80.2         | 121.6        | (5.2)       | 15.2        |
| Disposal of farms                           | (5.3)        | (4.5)        | (5.3)       | (4.5)       |
| Exchange rate translation                   | 10.3         | 6.3          |             |             |
| Carrying value at the end of the year       | <b>743.1</b> | <b>657.9</b> | <b>51.5</b> | <b>62.0</b> |

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2007 –

|   | South Africa   | Malawi          | Zambia          | Swaziland      | Tanzania       | Mozambique     |
|---|----------------|-----------------|-----------------|----------------|----------------|----------------|
| <b>2007</b>                                 |                |                 |                 |                |                |                |
| <b>Expected area to harvest (hectares)</b>  | <b>5 377.0</b> | <b>18 510.0</b> | <b>10 897.0</b> | <b>7 574.0</b> | <b>8 062.0</b> | <b>3 587.0</b> |
| <b>Estimated yield (tons cane/hectare)</b>  | <b>70.0</b>    | <b>109.6</b>    | <b>116.0</b>    | <b>98.2</b>    | <b>80.7</b>    | <b>99.0</b>    |
| <b>Average maturity of cane at 31 March</b> | <b>57.00%</b>  | <b>66.67%</b>   | <b>66.67%</b>   | <b>66.67%</b>  | <b>50.00%</b>  | <b>66.67%</b>  |
| <b>2006</b>                                 |                |                 |                 |                |                |                |
| <b>Expected area to harvest (hectares)</b>  | <b>6 173.0</b> | <b>18 071.8</b> | <b>10 948.0</b> | <b>7 572.3</b> | <b>7 815.3</b> | <b>3 648.8</b> |
| <b>Estimated yield (tons cane/hectare)</b>  | <b>69.0</b>    | <b>109.0</b>    | <b>118.0</b>    | <b>105.9</b>   | <b>76.0</b>    | <b>102.1</b>   |
| <b>Average maturity of cane at 31 March</b> | <b>56.10%</b>  | <b>66.67%</b>   | <b>66.67%</b>   | <b>66.67%</b>  | <b>50.00%</b>  | <b>66.67%</b>  |

## 21. TRADE AND OTHER RECEIVABLES

|                           | Group        |              | Company      |              |
|---------------------------|--------------|--------------|--------------|--------------|
|                           | 2007<br>Rm   | 2006<br>Rm   | 2007<br>Rm   | 2006<br>Rm   |
| Trade debtors             | 351.5        | 295.2        | 242.5        | 205.0        |
| Prepayments               | 25.5         | 31.1         | 12.6         | 17.9         |
| Other accounts receivable | 261.2        | 178.5        | 198.2        | 122.5        |
|                           | <b>638.2</b> | <b>504.8</b> | <b>453.3</b> | <b>345.4</b> |

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

An allowance has been made for impairment of receivables amounting to R33.4 million (2006: R11.0 million).

## 22. FACTORY OVERHAUL COSTS

|                                  |              |              |             |             |
|----------------------------------|--------------|--------------|-------------|-------------|
| Balance at the beginning of year | 145.2        | 123.5        | 61.4        | 51.6        |
| Capitalised during the year      | 169.3        | 146.3        | 72.7        | 61.4        |
| Amortised during the year        | (148.3)      | (127.3)      | (61.4)      | (51.6)      |
| Exchange rate translation        | 2.1          | 2.7          |             |             |
| Balance at the end of year       | <b>168.3</b> | <b>145.2</b> | <b>72.7</b> | <b>61.4</b> |

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Forward exchange contracts - imports (refer note 40) | 0.2           | (0.1)         | 0.2           | (0.1)         |
| Forward exchange contracts - exports (refer note 40) | 3.3           | 0.9           | 3.7           | 0.9           |
| Sugar commodities futures contracts                  | 2.5           | (3.5)         | 2.5           | (3.5)         |
| Cross currency interest rate swap (refer note 40)    | (96.6)        | (86.7)        | (96.6)        | (86.7)        |
|  | <b>(90.6)</b> | <b>(89.4)</b> | <b>(90.2)</b> | <b>(89.4)</b> |
| Comprising –   |               |               |               |               |
| Assets   | 6.4           | 0.9           | 6.4           | 0.9           |
| Liabilities  | (97.0)        | (90.3)        | (96.6)        | (90.3)        |
|  | <b>(90.6)</b> | <b>(89.4)</b> | <b>(90.2)</b> | <b>(89.4)</b> |

# Notes to the financial statements continued

## 24. SHARE CAPITAL AND PREMIUM

|   | <b>Group and Company</b> |       |
|---|--------------------------|-------|
|   | <b>2007</b>              | 2006  |
|   | <b>Rm</b>                | Rm    |
| Authorised –<br>900 000 000 (2006: 900 000 000) ordinary shares of 4 cents each               | <b>36.0</b>              | 36.0  |
| Issued and fully paid –<br>348 867 800 (2006: 340 127 800) ordinary shares of 4 cents each    | <b>14.0</b>              | 13.6  |
| Share premium account   | <b>340.5</b>             | 284.8 |
|   | <b>354.5</b>             | 298.4 |
| The movement on the share capital and share premium accounts<br>for the year was as follows – |                          |       |
| – Balance at beginning of year  | <b>298.4</b>             | 282.5 |
| – Share options exercised   | <b>56.1</b>              | 15.9  |
| – Balance at end of year  | <b>354.5</b>             | 298.4 |

## 25. SHARE-BASED PAYMENTS RESERVE

|                              |             |     |
|------------------------------|-------------|-----|
| Balance at beginning of year | <b>8.1</b>  | 4.4 |
| Share-based payments expense | <b>2.8</b>  | 3.7 |
| Balance at end of year       | <b>10.9</b> | 8.1 |

## 26. NON-DISTRIBUTABLE RESERVES

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2007<br>Rm | 2006<br>Rm | 2007<br>Rm | 2006<br>Rm |
| Comprises –   |            |            |            |            |
| Realised surpluses on sales of land and investments                             | 67.7       | 64.0       | 282.4      | 278.4      |
| Capital redemption reserve fund   | 37.1       | 37.1       | 35.6       | 35.6       |
| Hedging reserve   | 1.7        | (5.6)      | 2.1        | (5.6)      |
| Foreign currency translation reserve  | 39.8       | 26.6       | –          | –          |
| Total non-distributable reserves  | 146.3      | 122.1      | 320.1      | 308.4      |
| Movement for the year –   |            |            |            |            |
| Balance at beginning of year  | 122.1      | 95.4       | 308.4      | 307.7      |
| Transfer to retained earnings - realised surpluses<br>on sale of land (note 28) | 3.7        | 0.2        | 4.0        | –          |
| Adjustments for cashflow hedges   | 7.3        | (0.1)      | 7.7        | 0.7        |
| Currency translation differences  | 13.2       | 26.6       | –          | –          |
| Balance at end of year  | 146.3      | 122.1      | 320.1      | 308.4      |

## 27. DIVIDEND RESERVE

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Balance at beginning of year              | 144.6   | 45.5    | 144.6   | 45.5    |
| Transfer from retained earnings (note 28) | 262.1   | 212.4   | 262.1   | 212.4   |
| Less dividends paid                       | (249.7) | (113.3) | (249.7) | (113.3) |
| Balance at end of year                    | 157.0   | 144.6   | 157.0   | 144.6   |

## 28. RETAINED EARNINGS

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Balance at beginning of year   | 852.3   | 707.2   | 149.7   | 233.4   |
| Profit for the year attributable to<br>shareholders of Ilovo Sugar Limited               | 516.5   | 357.7   | 334.5   | 128.7   |
| Transfer to non-distributable reserves - realised surpluses<br>on sale of land (note 26) | (3.7)   | (0.2)   | (4.0)   | –       |
| Transfer to dividend reserve (note 27)   | (262.1) | (212.4) | (262.1) | (212.4) |
| Balance at end of year   | 1 103.0 | 852.3   | 218.1   | 149.7   |

# Notes to the financial statements continued

## 29. LONG TERM BORROWINGS

|   | Group        |              | Company    |            |
|---|--------------|--------------|------------|------------|
|   | 2007<br>Rm   | 2006<br>Rm   | 2007<br>Rm | 2006<br>Rm |
| South African borrowings  | 0.7          | 1.4          | -          | -          |
| Foreign currency borrowings   | 244.3        | 225.1        | -          | -          |
| <b>Total borrowings</b>   | <b>245.0</b> | <b>226.5</b> | <b>-</b>   | <b>-</b>   |
| Less: Current portion redeemable and repayable<br>within one year (refer note 30) | 21.8         | 54.3         | -          | -          |
|   | <b>223.2</b> | <b>172.2</b> | <b>-</b>   | <b>-</b>   |
| The above borrowings are due for repayment in the following years ending 31 March |              |              |            |            |
| 2007  |              | 54.3         | -          | -          |
| 2008  | 21.8         | 60.1         | -          | -          |
| 2009  | 21.2         | 59.4         | -          | -          |
| 2010  | 64.8         | 16.1         | -          | -          |
| 2011  | 63.1         | 36.6         | -          | -          |
| 2012 and thereafter   | 74.1         |              | -          | -          |
|   | <b>245.0</b> | <b>226.5</b> | <b>-</b>   | <b>-</b>   |

|   | Foreign<br>currency<br>millions | Years of<br>redemption/<br>payment | Interest<br>rate<br>% | Group        |              |
|---|---------------------------------|------------------------------------|-----------------------|--------------|--------------|
|   |                                 |                                    |                       | 2007<br>Rm   | 2006<br>Rm   |
| <b>South African borrowings</b>                                 |                                 |                                    |                       |              |              |
| Liabilities under capitalised finance leases<br>(refer note 11) |                                 | 2008 - 2009                        | 12.0                  | 0.7          | 1.4          |
| <b>Total South African borrowings</b>                           |                                 |                                    |                       | <b>0.7</b>   | <b>1.4</b>   |
| <b>Foreign borrowings</b>                                       |                                 |                                    |                       |              |              |
| Unsecured loans   |                                 |                                    |                       |              |              |
| - Euro  | 11.8                            | 2008 - 2015                        | 3.0 - 7.1             | 72.1         | 69.8         |
| - Swaziland Lilangeni   | -                               | 2008 - 2011                        | 10.0                  | -            | 0.1          |
| - Mozambican Metical  |                                 |                                    |                       | -            | 0.2          |
| Secured loans   |                                 |                                    |                       |              |              |
| - US Dollar *   | 23.8                            | 2008 - 2012                        | 6.58 - 7.83           | 172.1        | 154.7        |
| - Mozambican Metical  | 2 550.0                         | 2008                               | 8.0                   | 0.1          | 0.3          |
| <b>Total foreign borrowings</b>                                 |                                 |                                    |                       | <b>244.3</b> | <b>225.1</b> |
| <b>Total borrowings</b>   |                                 |                                    |                       | <b>245.0</b> | <b>226.5</b> |

\* These loans are secured by guarantee from Illovo Sugar Limited

### 30. SHORT TERM BORROWINGS

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2007<br>Rm   | 2006<br>Rm   | 2007<br>Rm   | 2006<br>Rm   |
| Amounts due to bankers                            | 36.3         | 750.7        | 0.1          | 752.9        |
| Loan from holding company                         | 870.0        | –            | 870.0        | –            |
| Current portion of long term borrowings (note 29) | 21.8         | 54.3         | –            | –            |
|   | <b>928.1</b> | <b>805.0</b> | <b>870.1</b> | <b>752.9</b> |

The amounts due to bankers have no fixed terms of repayment and bear interest at variable market related interest rates.

### 31. DEFERRED TAXATION

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance at beginning of year                      | 481.5        | 430.5        | 115.2        | 97.8         |
| Provision on financial instrument taken to equity | 3.2          | 0.8          | 3.2          | 0.8          |
| Changes during the year –                         |              |              |              |              |
| – Exchange rate translation difference            | 14.2         | (18.7)       | –            | –            |
| – Other   | 6.2          | (2.1)        | –            | (0.6)        |
| Charged to income –                               |              |              |              |              |
| – Secondary tax on companies                      | –            | 13.5         | –            | 13.5         |
| – Temporary differences                           | 69.2         | 57.5         | 8.5          | 3.7          |
| Balance at end of year                            | <b>574.3</b> | <b>481.5</b> | <b>126.9</b> | <b>115.2</b> |
| Analysis of provision                             |              |              |              |              |
| – Property, plant and equipment                   | 276.4        | 271.9        | 95.8         | 96.0         |
| – Growing cane and cane roots                     | 339.7        | 269.2        | 37.5         | 41.4         |
| – Tax losses                                      | (12.7)       | (42.8)       | –            | (9.6)        |
| – Other   | (29.0)       | (16.8)       | (6.4)        | (12.6)       |
| Balance at end of year                            | <b>574.3</b> | <b>481.5</b> | <b>126.9</b> | <b>115.2</b> |
| – Asset   | (1.0)        | (11.0)       | –            | (9.6)        |
| – Liability                                       | <b>575.3</b> | <b>492.5</b> | <b>126.9</b> | <b>124.8</b> |

### 32. TRADE AND OTHER PAYABLES

|                              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|
| Trade creditors and accruals | 333.6        | 331.6        | 162.2        | 150.4        |
| Other accounts payable       | 637.2        | 581.7        | 307.9        | 300.2        |
|                              | <b>970.8</b> | <b>913.3</b> | <b>470.1</b> | <b>450.6</b> |

Trade creditors and accruals principally comprise amounts outstanding for trade purchase and ongoing costs. The directors consider that the carrying amount of trade payables approximate their fair value.

# Notes to the financial statements continued

## 33. PROVISIONS

|                                       | Group      |            | Company    |            |
|---------------------------------------|------------|------------|------------|------------|
|                                       | 2007<br>Rm | 2006<br>Rm | 2007<br>Rm | 2006<br>Rm |
| <b>Leave pay</b>                      |            |            |            |            |
| Balance at beginning of year          | 38.2       | 33.3       | 21.6       | 19.2       |
| Raised during the year                | 4.8        | 4.8        | 2.4        | 2.4        |
| Foreign currency translation movement | 0.4        | 0.1        |            |            |
| Balance at end of year                | 43.4       | 38.2       | 24.0       | 21.6       |
| <b>Post retirement benefits</b>       |            |            |            |            |
| Balance at beginning of year          | 121.8      | 125.1      | 104.9      | 106.4      |
| Utilised during the year              | -          | (2.0)      | (10.3)     | (1.5)      |
| Raised during the year                | 15.8       | -          | -          | -          |
| Foreign currency translation movement | 0.7        | (1.3)      |            |            |
| Balance at end of year                | 138.3      | 121.8      | 94.6       | 104.9      |
| <b>Other</b>                          |            |            |            |            |
| Balance at beginning of year          | 26.7       | 16.6       | 2.6        | -          |
| Raised during the year                | 8.3        | 10.1       | 6.9        | 2.6        |
| Balance at end of year                | 35.0       | 26.7       | 9.5        | 2.6        |
| <b>Total provisions</b>               |            |            |            |            |
| Balance at beginning of year          | 186.7      | 175.0      | 129.1      | 125.6      |
| Utilised during the year              | -          | (2.0)      | (10.3)     | (1.5)      |
| Raised during the year                | 28.9       | 14.9       | 9.3        | 5.0        |
| Foreign currency translation movement | 1.1        | (1.2)      |            |            |
| Balance at end of year                | 216.7      | 186.7      | 128.1      | 129.1      |

## 34. RETIREMENT BENEFITS

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

During the year an amount of R43.8 million (2006: R37.5 million) was expensed in respect of defined contribution plans and R3.7 million (2006: R4.0 million) was expensed 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 and cover 179 employees (2006: 207).

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 IAS 19, a valuation using the projected unit credit method was last performed on the two defined benefit plans at 31 March 2007. 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% (2006: 8.25%), an expected rate of salary increase of 5.5% (2006: 5.5%), an expected rate of pension increase of 2.38% (2006: 2.38%) and an expected rate of inflation of 4.5% (2006: 4.5%). The assumptions and methods used are consistent with the requirements of the revised statement IAS 19, 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 R874.8 million (2006: R796.0 million) whilst the actuarial present value of promised retirement benefits totalled R491.2 million (2006: R396.4 million).

The actuarial surplus per the statutory valuations as at 31 December 2002 of R17.5 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, surplus apportionment exercises have been carried out and the proposed scheme of apportionment was submitted to the FSB for approval in December 2006.

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.

#### **Zambia**

The defined benefit pension scheme was closed to new members on 1 April 2004. Members' interests have been transferred to the defined contribution scheme set up for the benefit of permanent employees.

Total pension costs for the period to 31 March 2007 amounting to R0.04 million (2006: R0.1 million) were paid in respect of the defined benefit scheme for members that did not transfer to the defined contribution scheme.

With effect from 1 May 2002, the company established a defined contribution pension scheme and the pension costs are recognised when incurred. An amount of R7.2 million (2006: R5.3 million) was expensed during the year in respect of the defined contribution pension scheme.

#### **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.

Arrangements exist in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of permanent employment service. An actuarial valuation carried out by independent consulting actuaries at 31 March 2007 indicated that the provision in respect of these benefits and the statutory benefits was fairly stated at R25.6 million (2006: R24.1 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of return of 7.75%, an expected rate of salary increase of 6% and an expected rate of inflation of 6%.

#### **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 2007, the total provision amounted to R94.6 million (2006: R104.8 million). During the current year, R10.2 million was released (2006: R1.5 million) to the income statement whilst there were no foreign currency translations in the current year to reduce the provision.

A valuation of this provision was performed as at 31 March 2007. In arriving at his finding, the actuary took into account a discount rate and expected rate of health care inflation of 7.75% (2006: 7.5%) and an expected retirement age of 58 (2006: 58).

# Notes to the financial statements continued

## 35. SHARE-BASED PAYMENTS

### Equity settled share option scheme

The Company has a share option scheme for certain employees of the group. Options are exercisable at a price equal to the closing market price of the company's shares on the JSE Limited on the day preceding the date of grant.

Vesting periods for the share options are one-third after three years, two-thirds after four years, and the full allocation after five years.

Details of the share options movements during the year are as follows:

|                                  | 2007                          |  | 2006   |
|----------------------------------|-------------------------------|--|--|
|                                  | Number of<br>share<br>options | Weighted<br>average<br>option<br>price<br>Rand | Number of<br>share<br>options                  |
|                                  |                               |  | Weighted<br>average<br>option<br>price<br>Rand |
| Outstanding at beginning of year | 13 541 900                    |  | 16 800 600                                     |
| Forfeited                        | (152 300)                     | 6.78   | (325 400)                                      |
| Exercised                        | (8 740 000)                   | 6.41   | (2 933 300)                                    |
| Expired                          | -                             |  | -  |
| Outstanding at end of year       | 4 649 600                     |  | 13 541 900                                     |
| Exercisable at end of year       | 2 189 300                     |  | 5 729 300                                      |

In accordance with the transitional provisions of IFRS 2, the standard has been applied to all option grants issued after 7 November 2002 that were unvested as at 1 January 2005.

During the year, the group recognised total expenses of R2.8 million (2006: R3.7 million) related to equity-settled share-based payment transactions.

The actuaries made use of the following assumptions in arriving at their valuation –

| Grant date | Vesting date | Expected option lifetime | Rolling volatility | Dividend yield | Risk-free rate |
|------------|--------------|--------------------------|--------------------|----------------|----------------|
| 21/05/2003 | 20/05/2006   | 4                        | 33.91              | 5.7            | 9.42           |
| 21/05/2003 | 21/05/2007   | 5                        | 33.14              | 5.7            | 9.42           |
| 21/05/2003 | 20/05/2008   | 6                        | 33.14              | 5.7            | 9.44           |
| 02/06/2004 | 02/06/2007   | 4                        | 33.91              | 5.94           | 9.88           |
| 02/06/2004 | 02/06/2008   | 5                        | 33.14              | 5.94           | 9.88           |
| 02/06/2004 | 02/06/2009   | 6                        | 33.14              | 5.94           | 9.91           |

### Cash settled equity instrument scheme

During the year the group issued cash settled equity instruments to certain employees that require the group to pay the intrinsic value of the cash settled equity instrument at the date of exercise. At 31 March 2007, the group has recorded liabilities of R9.5 million (2006: R2.6 million) and has expensed an amount of R6.9 million (2006: R2.6 million) during the year. The fair value of the cash settled equity instruments has been determined actuarially.

The actuaries made use of the following assumptions in arriving at their valuation –

| Grant date | Vesting date | Expected option lifetime | Rolling volatility | Dividend yield | Risk-free rate |
|------------|--------------|--------------------------|--------------------|----------------|----------------|
| 13/07/2005 | 13/07/2008   | 2                        | 23.76              | 3.27           | 8.23           |
| 13/07/2005 | 13/07/2009   | 3                        | 24.74              | 3.27           | 7.94           |
| 13/07/2005 | 13/07/2010   | 4                        | 25.15              | 3.27           | 7.73           |
| 30/10/2006 | 30/10/2009   | 4                        | 25.15              | 3.27           | 7.73           |
| 30/10/2006 | 30/10/2010   | 5                        | 25.55              | 3.27           | 7.65           |
| 30/10/2006 | 30/10/2011   | 6                        | 27.59              | 3.27           | 7.60           |

### 35. SHARE-BASED PAYMENTS continued

#### Illovo Sugar Employees' Share Purchase Scheme

Under the Illovo Sugar Employees' Share Purchase Scheme, all employees, except directors and employees who are participants in the option scheme, may purchase the company's shares. Contributions made by employees are enhanced by a 10% contribution from the company, and the company pays for the trading costs. Employees may acquire up to 5 000 shares in the aggregate and 1000 shares in a continuous 12 month period.

### 36. CAPITAL EXPENDITURE COMMITMENTS

|                               | Group          |              | Company      |              |
|-------------------------------|----------------|--------------|--------------|--------------|
|                               | 2007<br>Rm     | 2006<br>Rm   | 2007<br>Rm   | 2006<br>Rm   |
| South Africa                  |                |              |              |              |
| - contracted                  | 8.1            | 18.2         | 8.1          | 18.2         |
| - approved but not contracted | 78.3           | 62.4         | 78.3         | 62.4         |
| Malawi                        |                |              |              |              |
| - contracted                  | 1.5            | 3.0          |              |              |
| - approved but not contracted | 92.6           | 54.6         |              |              |
| Zambia                        |                |              |              |              |
| - contracted                  | 8.9            | 3.6          |              |              |
| - approved but not contracted | 1 447.3        | 53.4         |              |              |
| Swaziland                     |                |              |              |              |
| - contracted                  | 3.1            | 0.9          |              |              |
| - approved but not contracted | 42.0           | 34.6         |              |              |
| Tanzania                      |                |              |              |              |
| - contracted                  | 3.2            | 2.3          |              |              |
| - approved but not contracted | 56.6           | 15.4         |              |              |
| Mozambique                    |                |              |              |              |
| - contracted                  | 0.8            | 0.1          |              |              |
| - approved but not contracted | 16.7           | 8.3          |              |              |
| Corporate                     |                |              |              |              |
| - contracted                  | 3.6            | -            | 3.6          | -            |
| - approved but not contracted | 36.3           | 27.4         | 36.3         | 27.4         |
| Contracted                    | 29.2           | 28.1         | 11.7         | 18.2         |
| Approved but not contracted   | 1 769.8        | 256.1        | 114.6        | 89.8         |
|                               | <b>1 799.0</b> | <b>284.2</b> | <b>126.3</b> | <b>108.0</b> |

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

### 37. CONTINGENT LIABILITIES

|  |            |             |              |              |
|--|------------|-------------|--------------|--------------|
| Guarantees in respect of liabilities of third parties and claims against the group | 5.2        | 10.5        | -            | 0.1          |
| Guarantees in respect of liabilities of subsidiary companies                       |            |             | 280.9        | 216.5        |
|  | <b>5.2</b> | <b>10.5</b> | <b>280.9</b> | <b>216.6</b> |

# Notes to the financial statements continued

## 38. OPERATING LEASE COMMITMENTS

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

|                                | 2008        | 2009        | 2010        | 2011       | 2012 onwards | 2007        | 2006         |
|--------------------------------|-------------|-------------|-------------|------------|--------------|-------------|--------------|
|                                | Rm          | Rm          | Rm          | Rm         | Rm           | Rm          | Rm           |
| Property                       | 23.8        | 0.7         | 0.2         | 0.1        | 5.8          | 30.6        | 46.8         |
| Plant and equipment            | 20.4        | 12.7        | 11.2        | 9.0        | 9.0          | 62.3        | 68.4         |
| <b>Total lease commitments</b> | <b>44.2</b> | <b>13.4</b> | <b>11.4</b> | <b>9.1</b> | <b>14.8</b>  | <b>92.9</b> | <b>115.2</b> |

## 39. RELATED PARTY TRANSACTIONS

### 39.1 Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2007 was as follows –

| Name                 | Salary       | Bonus         | Retirement and medical contributions | Other benefits | Option gains  | 2007 Total    |
|----------------------|--------------|---------------|--------------------------------------|----------------|---------------|---------------|
|                      | R'000        | R'000         | R'000                                | R'000          | R'000         | R'000         |
| Executive directors: |              |               |                                      |                |               |               |
| G J Clark            | 1 468        | 1 800         | 307                                  | 123            | 2 571         | 6 269         |
| N M Hawley *         | 361          | 470           | 85                                   | 79             | 1 773         | 2 768         |
| M I Hlatshwayo *     | 356          | 442           | 80                                   | 94             | 1 451         | 2 423         |
| D G MacLeod          | 2 887        | 3 647         | 576                                  | 265            | 17 770        | 25 145        |
| J T Russell          | 1 435        | 1 836         | 295                                  | 154            | 7 356         | 11 076        |
| B M Stuart           | 1 460        | 1 738         | 300                                  | 168            | 7 050         | 10 716        |
| K Zarnack            | 1 102        | 1 386         | 223                                  | 162            | –             | 2 873         |
| <b>Total</b>         | <b>9 069</b> | <b>11 319</b> | <b>1 866</b>                         | <b>1 045</b>   | <b>37 971</b> | <b>61 270</b> |

\* Resigned 5 September 2006

The remuneration of key management personnel for the year ended 31 March 2006 was as follows –

| Name                 | Salary       | Bonus         | Retirement and medical contributions | Other benefits | Option gains | 2006 Total    |
|----------------------|--------------|---------------|--------------------------------------|----------------|--------------|---------------|
| Executive directors: |              |               |                                      |                |              |               |
| G J Clark            | 1 350        | 1 721         | 293                                  | 280            | –            | 3 644         |
| N M Hawley           | 849          | 1 078         | 195                                  | 190            | –            | 2 312         |
| M I Hlatshwayo       | 790          | 951           | 183                                  | 214            | –            | 2 138         |
| D G MacLeod          | 2 649        | 3 461         | 534                                  | 102            | –            | 6 746         |
| J T Russell          | 1 335        | 1 650         | 280                                  | 148            | –            | 3 413         |
| B M Stuart           | 1 350        | 1 644         | 295                                  | 153            | –            | 3 442         |
| K Zarnack            | 465          | 590           | 96                                   | 77             | –            | 1 228         |
| <b>Total</b>         | <b>8 788</b> | <b>11 095</b> | <b>1 876</b>                         | <b>1 164</b>   | <b>–</b>     | <b>22 923</b> |

### 39. RELATED PARTY TRANSACTIONS continued

The fees paid to non-executive directors were as follows –

|                          | <b>2007</b>  | 2006         |
|--------------------------|--------------|--------------|
|                          | <b>Fees</b>  | Fees         |
|                          | <b>R'000</b> | R'000        |
| Non-executive directors: |              |              |
| B P Connellan            | 125          | 105          |
| D Konar                  | 225          | 195          |
| P M Madi                 | 185          | 155          |
| I N Mkhize               | 154          | 44           |
| A R Mpungwe **           | 76           | 155          |
| R A Norton               | 265          | 225          |
| M J Shaw                 | 310          | 265          |
| R A Williams             | 1 400        | 1 125        |
| M I Carr ^               | –            | –            |
| D R Langlands ^          | –            | –            |
| P A Lister ^             | –            | –            |
| Total                    | <b>2 740</b> | <b>2 269</b> |

\*\* Resigned 5 September 2006

^ Appointed 5 September 2006

M I Carr, D R Langlands and P A Lister, directors nominated by the holding company (Associated British Foods plc), have each elected not to receive the payment of the fees due to them as non-executive members of the board and the board committees upon which they serve.

Interests of the directors of the company in the share capital and share options are set out in the Statutory Information.

Benefits paid to past directors amounted to R32 963 for the year (2006: R42 951).

#### 39.2 Subsidiaries, associates and joint ventures

Details of investments in principal subsidiaries, associates and joint ventures are disclosed in notes 14, 15 and 16 respectively.

#### 39.3 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 95.

#### 39.4 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.

#### 39.5 Shareholders and related interests of directors and officers in share capital

Details have been included in the Statutory Information on pages 53 to 57.

#### 39.6 Recovery of management services

Management fees are charged to all operating subsidiaries in order to recover the company's management time and effort.

# Notes to the financial statements continued

## 40. FINANCIAL RISK MANAGEMENT

### 40.1 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 (i.e. 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.

### 40.2 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 2007 is as follows –

|                    | Floating rate | 1-6 months | Greater than 6 months | Long term borrowings | Current portion long term borrowings | Total borrowings |
|--------------------|---------------|------------|-----------------------|----------------------|--------------------------------------|------------------|
| Borrowings (Rm)    | 94.0          | 688.8      | 217.5                 | 223.2                | 21.8                                 | 1 245.3          |
| % total borrowings | 8%            | 55%        | 17%                   | 18%                  | 2%                                   | 100%             |

At year-end, the group did not have any open interest rate derivatives.

### 40.3 Currency risk management

In order to minimise the risk on a 120 million US Dollar loan from the holding company, 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. (refer note 23)

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 2007 financial year.

|                              | Group                    |                   |              | Group                    |                   |              |
|------------------------------|--------------------------|-------------------|--------------|--------------------------|-------------------|--------------|
|                              | Foreign currency million | 2007 Average rate | Amount in Rm | Foreign currency million | 2006 Average rate | Amount in Rm |
| <b>Foreign currency sold</b> |                          |                   |              |                          |                   |              |
| US Dollars                   | 6.4                      | 7.42              | 47.5         | 4.6                      | 6.35              | 29.2         |
| Euros                        | 1.0                      | 9.90              | 9.9          | 1.0                      | 7.62              | 7.6          |

## 40. FINANCIAL RISK MANAGEMENT continued

### 40.3 Currency risk management (continued)

Unhedged and uncovered foreign currency monetary items which are repayable within twelve months comprise –

|                    | Group                          |                    | Group                          |                    |
|--------------------|--------------------------------|--------------------|--------------------------------|--------------------|
|                    | 2007                           |                    | 2006                           |                    |
|                    | Foreign<br>currency<br>million | Amount<br>in<br>Rm | Foreign<br>currency<br>million | Amount<br>in<br>Rm |
| <b>Assets</b>      |                                |                    |                                |                    |
| US Dollars         | 8.2                            | 59.2               | 16.3                           | 101.1              |
| Euros              | 3.0                            | 29.4               | 0.3                            | 2.2                |
| Other              |                                | 0.2                |                                | –                  |
|                    |                                | <b>88.8</b>        |                                | <b>103.3</b>       |
| <b>Liabilities</b> |                                |                    |                                |                    |
| US Dollars         | 0.2                            | 1.3                | 25.0                           | 155.9              |
| Euros              | 4.5                            | 43.9               | 5.3                            | 40.1               |
| Other              |                                | 4.4                |                                | 27.9               |
|                    |                                | <b>49.6</b>        |                                | <b>223.9</b>       |

### 40.4 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments, trade debtors and loans. 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 and loans comprise a widespread base, and group companies undertake ongoing credit evaluations of the financial condition of the other parties. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2007, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

### 40.5 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 think fit.

The group treasury has access to the following local and foreign banking facilities at 31 March 2007 –

|  | Rm             |
|--|----------------|
| Local, fixed and flexible term, general banking facilities   | 3 016.0        |
| Foreign, fixed and flexible term, general banking facilities | 906.0          |
|  | <b>3 922.0</b> |

# Notes to the financial statements continued

## 41. SEGMENTAL ANALYSIS

### Business segments

Year to 31 March 2007

|                  | Group          |                           |                       |                              |                    |
|------------------|----------------|---------------------------|-----------------------|------------------------------|--------------------|
|                  | Revenue<br>Rm  | Operating<br>profit<br>Rm | Total<br>assets<br>Rm | Capital<br>expenditure<br>Rm | Depreciation<br>Rm |
| Sugar production | 4 410.7        | 612.4                     | 2 253.1               | 150.1                        | 99.9               |
| Cane growing     | 1 344.8        | 340.8                     | 1 930.9               | 61.7                         | 29.8               |
| Downstream       | 508.1          | 81.1                      | 284.2                 | 3.3                          | 10.7               |
|                  | <b>6 263.6</b> | <b>1 034.3</b>            | <b>4 468.2</b>        | <b>215.1</b>                 | <b>140.4</b>       |

31 March 2006

|                  | Group          |                           |                       |                              |                    |
|------------------|----------------|---------------------------|-----------------------|------------------------------|--------------------|
|                  | Revenue<br>Rm  | Operating<br>profit<br>Rm | Total<br>assets<br>Rm | Capital<br>expenditure<br>Rm | Depreciation<br>Rm |
| Sugar production | 3 883.2        | 463.9                     | 2 060.8               | 148.3                        | 91.6               |
| Cane growing     | 1 081.5        | 235.3                     | 1 701.9               | 41.6                         | 25.6               |
| Downstream       | 504.1          | 52.3                      | 233.4                 | 6.3                          | 10.5               |
|                  | <b>5 468.8</b> | <b>751.5</b>              | <b>3 996.1</b>        | <b>196.2</b>                 | <b>127.7</b>       |

### Geographical segments

2007

|            | Revenue<br>Rm  | Operating<br>profit<br>Rm | Total<br>assets<br>Rm | Capital<br>expenditure<br>Rm |
|------------|----------------|---------------------------|-----------------------|------------------------------|
|            | South Africa   | 2 824.1                   | 213.1                 | 1 564.5                      |
| Malawi     | 1 137.5        | 408.5                     | 971.2                 | 60.5                         |
| Zambia     | 1 053.1        | 232.3                     | 642.3                 | 50.4                         |
| Swaziland  | 612.8          | 68.9                      | 439.3                 | 24.8                         |
| Tanzania   | 423.3          | 93.6                      | 421.7                 | 14.6                         |
| Mozambique | 212.8          | 17.9                      | 429.2                 | 6.2                          |
|            | <b>6 263.6</b> | <b>1 034.3</b>            | <b>4 468.2</b>        | <b>215.1</b>                 |

2006

|            | Revenue<br>Rm  | Operating<br>profit<br>Rm | Total<br>assets<br>Rm | Capital<br>expenditure<br>Rm |
|------------|----------------|---------------------------|-----------------------|------------------------------|
|            | South Africa   | 2 631.1                   | 156.8                 | 1 401.6                      |
| Malawi     | 938.0          | 293.3                     | 719.2                 | 26.8                         |
| Zambia     | 784.9          | 153.2                     | 719.0                 | 18.5                         |
| Swaziland  | 586.1          | 73.0                      | 425.8                 | 11.4                         |
| Tanzania   | 353.9          | 68.6                      | 357.3                 | 12.4                         |
| Mozambique | 174.8          | 6.6                       | 373.2                 | 2.2                          |
|            | <b>5 468.8</b> | <b>751.5</b>              | <b>3 996.1</b>        | <b>196.2</b>                 |