



ANNUAL REPORT 2008





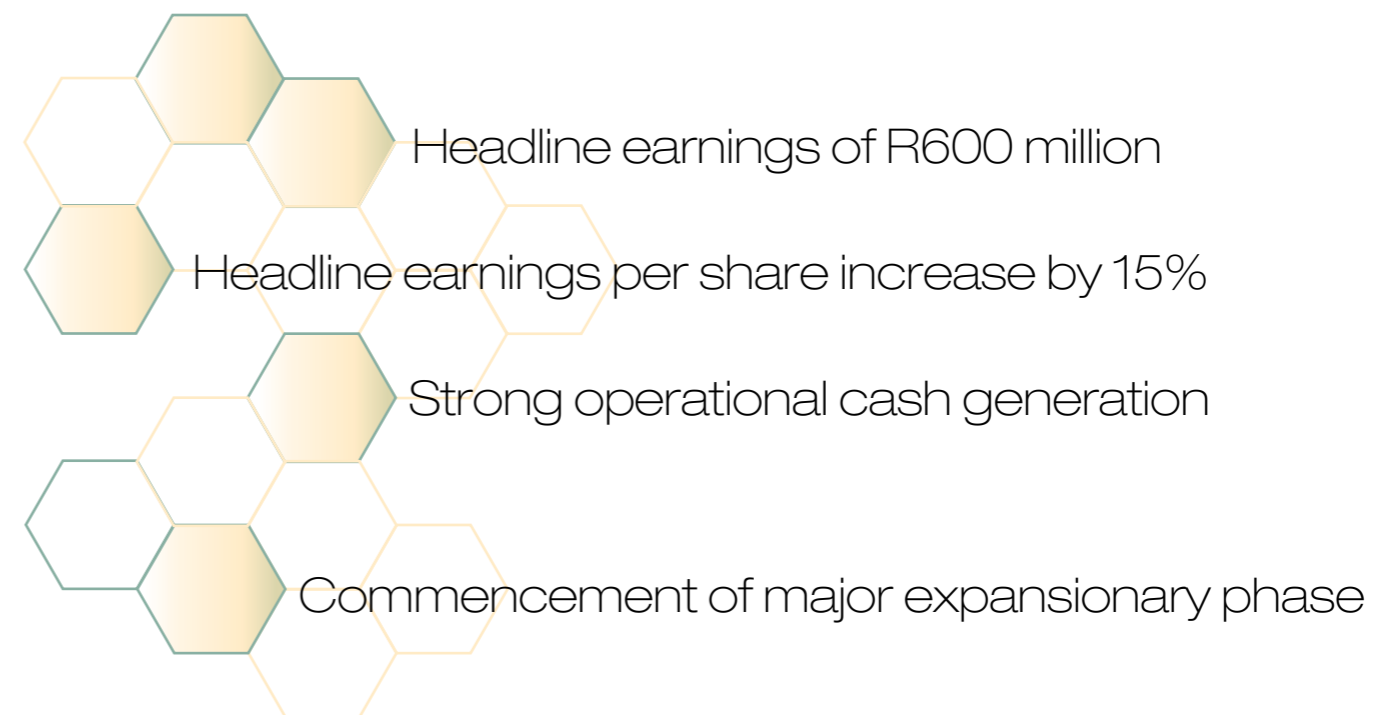
STRATEGIC INTENT

To:

- be the leading sugar and downstream products operation in Africa, an increasing global player and a world-class organisation.
- be the lowest-cost producer in every country in which it operates and among the lowest-cost producers in the world.
- optimise the return on every stick of cane by adding value to its core commodity products - fibre, sugar and molasses. It will focus on its core business and develop material niche operations which add value.
- be the market leader, meeting and proactively anticipating customer needs.
- increase profits in real terms on an ongoing basis and maximise the return on capital employed through cost leadership, the use of innovative technology and the participation of all of its employees.
- be a moral performance focused organisation that people are proud to work for, where they are challenged to 'go the extra mile', feel they can make a difference and know that good performance is recognised.
- be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities; aligning strategies to meet changing circumstances in the various countries in which the group operates.
- be cognisant of the rural locations of the group's operations and the impact that it has on job creation and poverty alleviation in such areas.

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FEATURES

	Year ended 31 March		
	2008	2007	% change
Results (Rm)			
Revenue	6 794.1	6 263.6	8
Operating profit	1 064.5	1 034.3	3
Net financing costs	170.4	96.4	77
Headline earnings	599.6	515.3	16
Share performance (cents per share)			
Headline earnings	171.6	149.1	15
Dividend (interim - paid; final - declared)	85.5	75.0	14
Year-end market price	2 964	1 900	
Balance sheet and cash flow (Rm)			
Total assets	6 262.8	4 468.2	
Ordinary shareholders' funds	2 373.3	1 771.7	
Net borrowings	1 168.3	271.7	
Cash generated from operations	1 101.2	997.7	
Financial ratios			
Operating margin (%)	15.7	16.5	
Gearing (%)	39.9	12.2	
Interest cover (times)	6.2	10.7	
Return on net assets (%)	24.1	28.5	
Net asset value per share (cents)	837.2	638.7	
Dividend cover (times)	2.0	2.0	
Price : headline earnings ratio	17.3	12.7	

GROUP PROFILE

Illovo Sugar is a leading, global, low-cost sugar producer and a significant manufacturer of high-value downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. Downstream products include furfural (used mainly in lube oil refineries for the purification of oils), furfuryl alcohol (used mainly to produce a resin in the foundry industry as a binder for foundry sands), Agriguard (an agricultural nematicide), diacetyl and 2,3-pentanedione (both used as high-quality natural flavourants), BioMass Sugar (a sugar cane-based fertiliser), ethyl alcohol and lactulose (a natural laxative). Illovo is listed on the JSE Limited. It is a subsidiary of Associated British Foods plc which holds 51% of the issued share capital.

Excellent climatic and soil conditions in the group's countries of operation, accompanied by irrigation from secure water sources, are ideal for the cultivation of high-yielding and excellent quality sugar cane. Annual cane production of approximately 5.7 million tons is produced on agricultural estates in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. Annual sugar output amounts to approximately two million tons comprising 900 000 tons produced in South Africa, Malawi 290 000 tons, Zambia 300 000 tons, Swaziland 230 000 tons, Tanzania 150 000 tons and Mozambique 80 000 tons.

A major expansion project currently in progress will see annual sugar production in Zambia increasing to 440 000 tons in 2009. In addition, a major equity investment in a public / private partnership with the Government of Mali, for the construction of a new sugar mill which will ultimately produce 200 000 tons sugar per annum, an ethanol plant which will produce 15 000 kilolitres per annum, and an electricity co-generation facility is presently being progressed.

The most recent independent survey of international sugar production costs covering in excess of 100 sugar producing countries indicated that, of the six countries in which Illovo operates, three are in the top fifteen lowest-cost cane sugar producers in the world, and all six are within the top 25.

The group is a major supplier of sugar to African consumer and industrial markets, particularly in its own countries of operation. In Malawi, Illovo is that country's sole sugar

producer and in Zambia, manufactures 91% of all local production. The group's share of industry production in South Africa is 38%, Swaziland 35%, Tanzania 48% and Mozambique 31%. Illovo has significant and increasing access to preferential markets in the European Union (EU) and the United States of America (US), whilst the operations outside South Africa also have access to the South African Customs Union (SACU) market in terms of the Southern African Development Community (SADC) Sugar Protocol on Trade. Pre-packed and bagged sugar is supplied into other regional markets within Africa. The group, through the South African sugar industry exports sugar into the world free market.

Syrup and speciality sugars are produced in South Africa and Zambia mainly for domestic consumption, whilst speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi also in the US.

The majority of downstream products are sold internationally into high-value, niche markets. Furfural and its derivatives are produced at the Sezela mill complex on the south coast of KwaZulu-Natal. High quality ethyl alcohol, from which various grades of alcohol are made, is produced at the Merebank plant near Durban and at the Glendale distillery on the north coast. Lactulose is also manufactured at Merebank.

In recognition of the group's interdependence with the communities in which it operates, Illovo co-ordinates a wide-range of social investment-related programmes focusing on basic needs such as the provision of water and sanitation, access to health care, education delivery and involvement in community outreach programmes. Illovo also provides considerable extension, training and other support to Black farmers in order to promote sustainable agriculture and economic development activities. Total cane supplies from small and medium-scale growers, including community-based co-operative schemes, amount to 2.5 million tons annually, generating revenue of approximately R580 million. Particular attention is given to preferential procurement with the aim of promoting and supporting the development of small and medium-sized businesses which supply goods and services to both cane growing communities and the group.



GOALS AND OBJECTIVES

Primary objective

- To enhance the wealth of shareholders by optimising the long-term returns and growth of the business.
- To be a world-class organisation and amongst the most efficient and lowest-cost producers in the world.
- To achieve a balanced and integrated economic, social and environmental performance.

Growth

- To expand the group's sugar and cane production.
- To consolidate and improve the profitability of downstream products and further develop new applications where appropriate.
- To maximise usage of bagasse and biomass to generate electricity for own operations and to supply power into national grids.
- To seek new opportunities for sugar and downstream products nationally and internationally.

Profitability

- To achieve a competitive rate of return on shareholders' funds and increase profits on an ongoing basis in real terms.
- To maintain a dividend cover of between two and three times.

Asset management

- To manage investments in fixed assets and working capital so as to achieve the most efficient usage of funds employed with the objective of achieving gearing of 40% over the long term and an interest cover of not less than five times.

Product development

- To be proactive in identifying the needs of our customers.
- To consistently deliver quality products and services to our customers.
- To undertake research and development to improve returns, and develop new products and applications, from its core commodity products using every stick of cane.

Human resources


- To promote the ongoing development of all our employees in order that they reach their maximum level of competence and participate fully in achieving the group's primary objective.
- To offer equal opportunity to all employees.

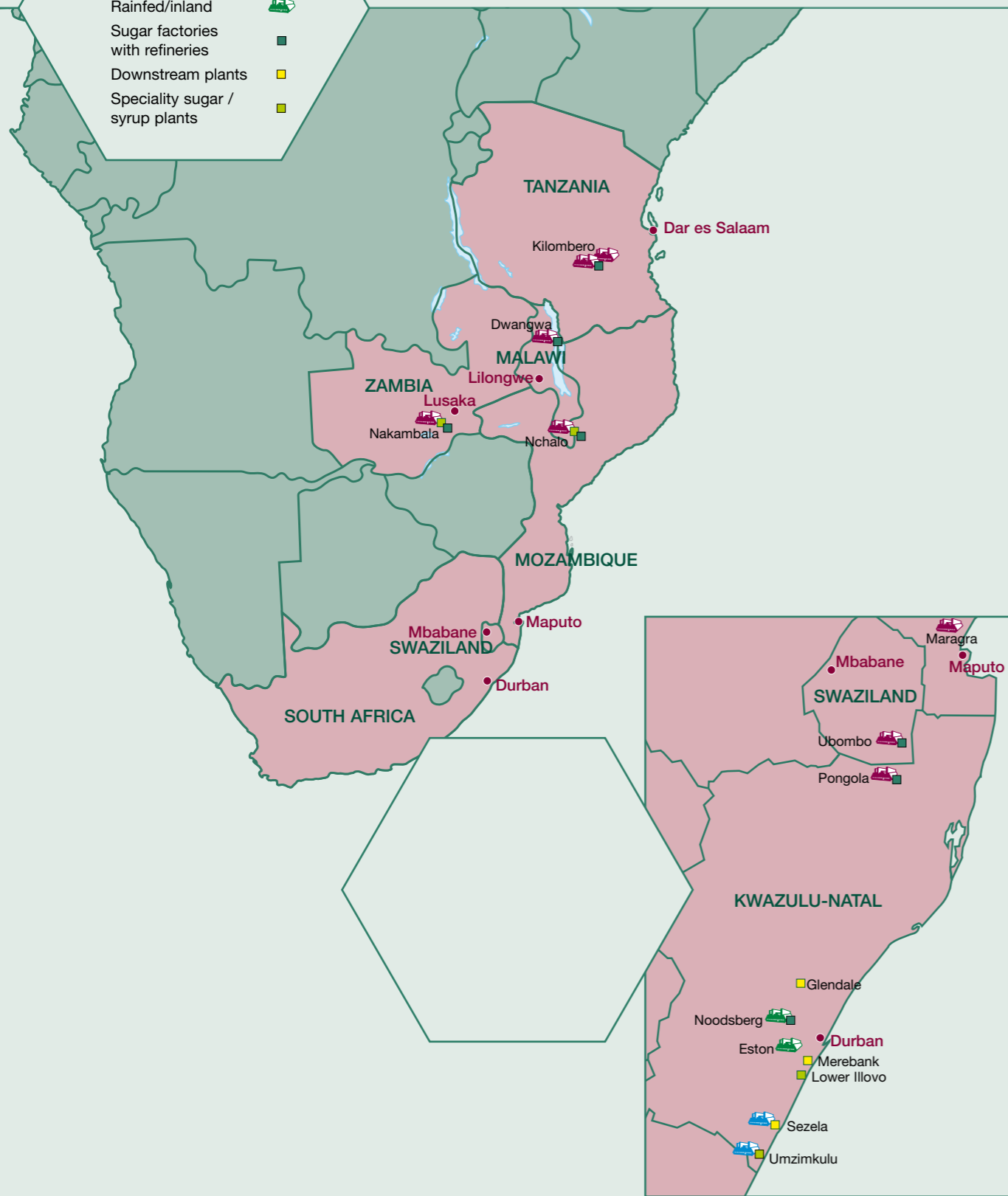
Corporate governance

- To ensure that the company is managed in an efficient, accountable, responsible and moral manner.
- To be socially responsible, and maintain and develop appropriate ethical, environmental and risk management standards as an integral part of the business.
- To take cognisance of all stakeholders' interests in the group's business.

GROUP LOCATIONS

Factories and cane supply regions

- Irrigated 
- Rainfed/coastal 
- Rainfed/inland 
- Sugar factories with refineries 
- Downstream plants 
- Speciality sugar / syrup plants 



GROUP STRUCTURE

ASSOCIATED BRITISH FOODS



OPERATIONS

	Operation	Cane growing	Sugar manufacturing	Sugar refining	Speciality sugar / syrup	Downstream production
SOUTH AFRICA	Pongola		○	○		
	Noodsberg		○	○		
	Eston	○	○		○	
	Sezela	○	○			○
	Umzimkulu	○	○		○	
	Merebank					○
	Glendale					○
MALAWI	Nchalo	○	○	○	○	
	Dwangwa	○	○	○		
ZAMBIA	Nakambala	○	○	○	○	
SWAZILAND	Ubombo	○	○	○		
TANZANIA	Kilombero	○	○	○		
MOZAMBIQUE	Maragra	○	○			

DIRECTORATE

NON-EXECUTIVE INDEPENDENT DIRECTORS

CHAIRMAN



Robbie Williams

R A Williams (67) * #
B.A., L.L.B.
Chairman of Nomination Committee
Director of companies
Appointed to the Board 1985



Brian Connellan

B P Connellan (67)
C.A.(S.A.)
Director of companies
Appointed to the Board 1993



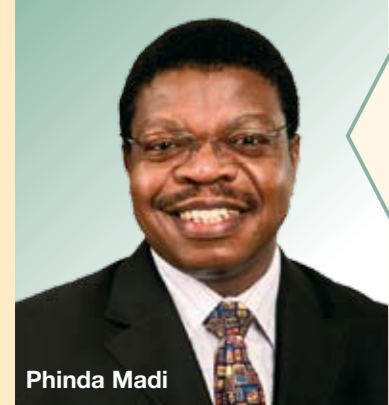
Mike Hankinson

M J Hankinson (59)
B.Com., C.A.(S.A.)
Director of companies
Appointed to the Board 2008



Len Konar

D Konar (Dr) (54) *
C.A.(S.A.), M.A.S., D.Com.
Chairman of Audit Committee
Director of companies
Appointed to the Board 1995



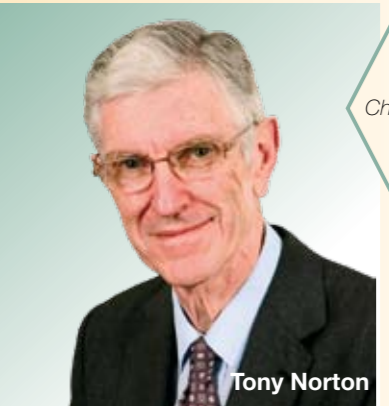
Phinda Madi

P M Madi (44) #
B.Proc., E.D.P.
Director of companies
Appointed to the Board 2002



Imogen Mkhize

I N Mkhize (45) ^
B.Sc.I.S., M.B.A.
Director of companies
Appointed to the Board 2005



Tony Norton

R A Norton (69) * #
M.A.
Chairman of Remuneration Committee
Director of companies
Appointed to the Board 1997



Martin Shaw

M J Shaw (69) * # ^
C.A.(S.A.), S.E.P.
Chairman of Risk Management Committee
Director of companies
Appointed to the Board 2001

NON-EXECUTIVE DIRECTORS



Mark Carr

M I Carr (45) # +
B.Sc., Ph.D., M.B.A.,
C.Eng., M.I.Mech.Eng.
Chief Executive Officer -
British Sugar
Appointed to the Board 2006



David Langlands

D R Langlands (42) ^
B.Sc.Maths, A.C.A.
Financial Director -
British Sugar
Appointed to the Board 2006

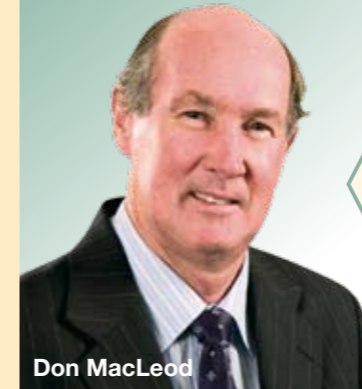


Paul Lister

P A Lister (44)
L.L.B.
Director of Legal Services and
Company Secretary -
Associated British Foods
Appointed to the Board 2006

EXECUTIVE DIRECTORS

MANAGING DIRECTOR



Don MacLeod

D G MacLeod (61) ^ +
B.Com., A.M.P.
Joined the sugar industry 1971
Appointed to the Board 1983



Graham Clark

G J Clark (Australian) (52) ^ +
B.Acct.(Hons.), A.C.A.
Operations Director
Joined the sugar industry 1980
Appointed to the Board 1997



John Russell

J T Russell (59) +
A.C.M.A.
New Projects Director
Joined the sugar industry 1978
Appointed to the Board 1993



Barry Stuart

B M Stuart (60) ^ +
B.Com., Dip. Sugar Tech., S.E.P.
Technical Director
Joined the sugar industry 1968
Appointed to the Board 1994



Karin Zarnack

K Zarnack (35) ^ +
C.A.(S.A.)
Financial Director
Joined the sugar industry 2005
Appointed to the Board 2005

* Member of Audit Committee
Member of Remuneration / Nomination Committee
^ Member of Risk Management Committee
+ Member of Group Executive Committee

SENIOR MANAGEMENT

Name	Qualifications	Joined the group	Operational responsibility
GROUP			
P H Canter (Dr) (61) ^	MB.Ch.B, D.T.M.&H.	1990	Medical services
D G Coates (57) +	H.N.Dip.Mech.Eng., G.C.O.C.	1983	Technical services
R J de Allende (49)	B.A.	1999	EU / regional marketing
M S Edwards (56)	G.C.O.C., A.B.P.	2007	Export marketing
N M Hawley (51) +	B.Com.(Hons.)	1978	Human resources
D E Howells (44)	C.A.(S.A.)	1995	Finance
G D Knox (59) ^ +	B.Com.	1984	Administration
X Magojo (45)	B.Jour., M.B.L.	2008	Corporate services
J M Moul (59)	B.Sc.Eng., Nat.Dip.Tech.	1995	New projects
A E Oosthuizen (Ms) (41) ^	B.Com., M.B.L.	2003	Internal audit
D A Schaller (44)	B.Com., A.C.M.A.	1999	Information technology
G S Trott (40)	B.Sc.Agric.Eng.	1992	Agriculture
E I Williams (61)	Cert.Eng., S.M.S.A.I.E.E.	1984	New projects
SOUTH AFRICA OPERATIONS			
L W Riddle (48) +	B.Com., C.A.(S.A.)	1986	General Manager
H R Hackmann (49)	B.Com.	2000	Marketing
S Hlela (49)	B.A.	1995	Human resources
G F Mann (54)	Dip.Sugar Tech.	1979	Refined sugar
N T Moor (Ms) (36)	B.Compt.(Hons.), B.Com.(Hons.)	1998	Finance
S Rau (56)	B.Sc.Agric.	1981	Raw sugar production
L Bachan (54)	B.Sc., M.B.L., Dip.Sugar Tech.	1978	Umzimkulu
B R Cornish (54)	B.Com., H.N.Dip.Mech.Eng.	1983	Merebank
B V Holmes (53)	G.C.O.C., M.D.P.	1999	Pongola
E W Lucht (42)	G.C.O.C.Mech.Eng., M.B.A.	1985	Noodsberg
S S Munsamy (53)	B.Tech.Mgt., M.D.P.	1982	Sezela
V Pillay (53)	B.Sc., B.Com., Dip.Sugar Tech.	1978	Eston
MALAWI OPERATIONS			
D L Haworth (59) +	B.Sc.(Hons.)	1999	Managing director
D P R Davies (53)	Dip.Mkt.Mgt.(I.M.M.)	2003	Marketing
C H Kyle (58)	B.Com., H.D.P.M.	1998	Human resources
G M Mkandawire (61)	B.Sc.Econ., M.Com.Mkt.	2003	Commercial
I G Parrott (41)	B.Com., C.I.A.	1997	Finance
K M J Tembo (45)	Dip.Industrial Eng.	1992	Dwangwa
T C Wormald (62)	Dip.Sugar Tech.	1968	Nchalo
ZAMBIA OPERATIONS			
J P M De Robillard (61) +	Dip.Sugar Tech.	1974	Managing director
J A Blumberg (48)	B.Compt., M.B.L.	1996	Finance
R A Dehrmann (41)	H.N.D.Mech.Eng.	2001	Factory
D Kabunda (Ms) (45)	B.A.Pub.Admin., M.B.A.	1986	Human resources
R M L Katowa (Ms) (47)	B.A., M.B.A.	1997	Marketing
S D Langton (47)	Pr.Eng., B.Sc.Eng.	1996	Operations director
L M Sievu (45)	A.C.M.A., A.C.I.S.	2004	Corporate affairs
H Veenstra (51)	M.Agric.Mgt.	1990	Agriculture
D S Watson (46)	B.Sc.Elec.Eng., Dip.Bus.Mgt.	1998	Expansion project

^ Member of the Risk Management Committee
+ Member of Group Executive Committee

Name	Qualifications	Joined the group	Operational responsibility
SWAZILAND OPERATIONS			
M I Hlatshwayo (50) +	B.A.(Law)	1987	Managing director
C R Crebo (54)	B.Com., Dip.Sugar Tech.	1984	Factory
D W H Cousins (59)	M.Sc.Eng., M.B.L.	1988	General manager
A H Domleo (48)	B.Com.	1983	Agriculture
J Mashwama (45)	M.Sc.Soil Science, Dip.I.R.	1993	Human resources
G H Williams (40)	C.A.(S.A.)	1996	Finance
TANZANIA OPERATIONS			
D H Carter-Brown (58) +	B.Sc.Agric.Eng.	1978	Managing director
C M Bennie (58)	C.A.(S.A.)	2006	Commercial
L A Elkington (58)	B.Compt.	1984	Finance
A Maenda (55)	B.A.(Hons.), M.A.	2005	Human resources
Z E Mshechu (56)	M.Sc.Agric.	1998	Agriculture
P J van Greunen (43)	H.N.Dip.Mech.Eng., G.C.O.C.	1983	Factory
MOZAMBIQUE OPERATIONS			
W M A Buchanan (58) +	B.Tech.Mkt., S.E.P., C.M.(S.A.)	1981	General manager
J Bain (60)	A.C.M.A.	2007	Finance
M Cotter (52)	R.C.E., G.C.O.C.	1989	Factory
R Giblot-Ducray (52)	Cert.Labour, Cert.Sugar Cane Agric.	2002	Agriculture
P Streng (58)	B.A.Law, F.I.P.M.	2001	Human resources

CORPORATE INFORMATION

Company Secretary:

G D Knox

Business address

and registered office:

Illovo Sugar Park,
1 Montgomery Drive,
Mount Edgecombe, KwaZulu-Natal
P O Box 194,
Durban, 4000

Postal address:

Telephone: +27 31 508-4300

Telefax: +27 31 508-4525

E-mail: gdknox@illovo.co.za

Website: www.illovosugar.com

Transfer Secretaries:

Link Market Services South Africa
(Proprietary) Limited

Business address:

5th Floor, 11 Diagonal Street,
Johannesburg, 2001

Postal address:

P O Box 4844,
Johannesburg, 2000

Telephone: +27 11 834-2266

Telefax: +27 11 834-4398

E-mail: info@linkmarketservices.co.za

Auditors:

Deloitte & Touche

Attorneys:

Garlicke & Bousfield Incorporated

Principal Banker:

The Standard Bank Group Limited

Sponsor:

J P Morgan Equities Limited

Financial adviser:

The Standard Bank Group Limited

Company Registration No:

1906/000622/06

Share Code:

ILV

International Security Identification No:

ZAE000083846