

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 independent 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 53 to 95, were approved by the board of directors on 20 May 2008 and are signed on its behalf by -



R A Williams
Chairman



D G MacLeod
Managing Director

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AUDITOR'S REPORT

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

Report on the financial statements

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 2008, 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 53 to 95.

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. Those 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 2008, 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 Durban 2 Pencarrow Crescent
Partner 20 May 2008 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 & Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), C R Beukman (Finance), T J Brown (Clients & Markets), N T Mtoba (Chairman of the Board).

Regional Leader: G C Brazier

LODGEMENT OF RETURNS WITH THE REGISTRAR OF COMPANIES

I hereby certify that for the year ended 31 March 2008, 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, and that all such returns are true, correct and up to date.



G D Knox
Company Secretary

Mount Edgecombe
20 May 2008

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 81.

During the year under review, the issued ordinary share capital of the company increased by 991 000 shares to 349 858 800 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 96.

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 2008 revealed two beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 96.

Illovo Sugar 1992 Share Option Scheme

During the financial year ended 31 March 2006, the introduction of the Illovo Sugar Phantom Share Scheme, which is more fully explained on page 54, 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 2008 comprise -

	No. of shares
Options granted and unexpired as at 1 April 2007	27 874 500
Less : Options forfeited during the year under review	(8 100)
Options granted and unexpired as at 31 March 2008	27 866 400

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 991 000 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 24 215 900.

The options granted, and unexpired and unexercised as at 31 March 2008 are categorised as -

No. of shares	Expiry date	Option price (cents)
338 200	30 August 2008	435
193 700	29 August 2009	562
74 300	11 July 2010	443
109 200	12 September 2010	520
383 000	6 June 2011	650
499 500	20 May 2012	805
1 158 900	20 May 2013	680
893 700	1 June 2014	770
3 650 500		

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 2008.

	Options as at 31 March 2007	Option price (cents)	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2008	Expiry date
Clark G J	13 100	443	–	–	13 100	11.07.2010
	44 100	650	–	–	44 100	06.06.2011
	53 800	805	–	–	53 800	20.05.2012
	68 500	680	–	–	68 500	20.05.2013
	46 000	770	–	–	46 000	01.06.2014
					225 500	
MacLeod D G	40 800	805	–	–	40 800	20.05.2012
	114 300	680	–	–	114 300	20.05.2013
	105 300	770	–	–	105 300	01.06.2014
					260 400	
Russell J T	17 900	805	–	–	17 900	20.05.2012
	45 700	680	–	–	45 700	20.05.2013
	42 600	770	–	–	42 600	01.06.2014
					106 200	
Stuart B M	17 900	805	–	–	17 900	20.05.2012
	45 700	680	–	–	45 700	20.05.2013
	46 000	770	–	–	46 000	01.06.2014
					109 600	
	701 700		–	–	701 700	

Illovo Sugar Phantom Share Scheme

The board approved the adoption of the Illovo Sugar Phantom Share Scheme (the phantom scheme) in 2005, and in 2007 introduced certain performance hurdles related to the future earnings of the company.

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 2008 comprise –

	No. of shares
Options granted and unexpired at 1 April 2007	3 077 750
New options granted during the year under review	1 158 000
Less : Options forfeited during the year under review	(48 500)
Options granted and unexpired at 31 March 2008	4 187 250

None of these options are presently exercisable.

The options granted, and unexpired and unexercised as at 31 March 2008 are categorised as –

No. of shares	Expiry date	Option price (cents)
2 027 250	12 July 2015	829
1 019 500	29 October 2016	1 634
1 140 500	23 July 2017	2 364
4 187 250		

The table below reflects options previously granted to executive directors, options granted during the year, and options unexpired and unexercised as at 31 March 2008.

	Options as at 31 March 2007	Option price (cents)	Options granted during the year	Options exercised during the year	Options as at 31 March 2008	Expiry date
Clark G J	92 500	829	–	–	92 500	12.07.2015
	50 000	1 634	–	–	50 000	29.10.2016
		2 364	90 000	–	90 000	23.07.2017
					232 500	
MacLeod D G	225 000	829	–	–	225 000	12.07.2015
	115 000	1 634	–	–	115 000	29.10.2016
		2 364	100 000	–	100 000	23.07.2017
					440 000	
Russell J T	85 000	829	–	–	85 000	12.07.2015
	45 000	1 634	–	–	45 000	29.10.2016
		2 364	42 500	–	42 500	23.07.2017
					172 500	
Stuart B M	92 500	829	–	–	92 500	12.07.2015
	45 000	1 634	–	–	45 000	29.10.2016
		2 364	42 500	–	42 500	23.07.2017
					180 000	
Zarnack K	125 000	829	–	–	125 000	12.07.2015
	70 000	1 634	–	–	70 000	29.10.2016
		2 364	80 000	–	80 000	23.07.2017
					275 000	
	945 000		355 000		1 300 000	

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 purchases of 11 685 shares in the company thereby increasing the total number of shares held to 101 141. Of these shares, which are all registered in the name of the trustees, 101 139 are held on behalf of 356 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. 32) of 33.0 cents per share was declared on 13 November 2007, and a final ordinary dividend (No. 33) of 52.5 cents per share was declared on 20 May 2008, making the total distribution for the year 85.5 cents per share.

The interim dividend was paid on 7 January 2008 and the final dividend will be paid on 14 July 2008.

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 77.

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.

Mr M J Hankinson was appointed as a non-executive independent director on 20 May 2008.

In terms of the company's articles of association, Messrs B P Connellan, P M Madi, J T Russell, M J Shaw and Ms I N Mkhize and K Zarnack 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 holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2008 were as follows -

	2008		2007	
	Direct	Indirect	Direct	Indirect
Clark G J	14 698		14 698	
Connellan B P	12 358	1 588	12 358	1 588
MacLeod D G	300 000		300 000	
Russell J T	48 994		48 994	
Stuart B M	62 908		62 908	
Williams R A	18 223	3 479	18 223	3 479
	457 181	5 067	457 181	5 067
Total	462 248		462 248	

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, save Mr M J Hankinson, who was appointed as a director on 20 May 2008, holds 3 000 shares of the company.

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 2008 as follows -

	Rands per annum	
	Current	Proposed
Board :		
Chairman *	1 505 000	1 640 000
Other members	135 000	150 000
Audit Committee :		
Chairman	107 500	118 000
Other members	64 500	70 000
Remuneration / Nomination Committee :		
Chairman	86 000	94 000
Other members	64 500	70 000
Risk Management Committee :		
Chairman	70 000	77 000
Other members	54 000	60 000

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

Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51% interest in its issued share capital. 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

Special resolutions were passed by one of the 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

As shareholders were notified in an announcement released on the JSE's Stock Exchange News Service, on 17 April 2008, the company has taken back ownership of the Umfolozi sugar mill and will be operating it during the current season. Discussions regarding future long term ownership arrangements are continuing.

INCOME STATEMENTS

for the year ended 31 March 2008

	Notes	Group		Company	
		March 2008 Rm	March 2007 Rm	March 2008 Rm	March 2007 Rm
Revenue	4	6 794.1	6 263.6	3 033.9	2 765.7
Cost of sales		4 401.9	4 000.3	2 435.2	2 239.9
Gross profit		2 392.2	2 263.3	598.7	525.8
Distribution expenses		434.6	384.2	184.4	177.1
Administrative expenses		694.7	673.9	208.8	195.4
Other operating expenses/(income)		198.4	170.9	(0.1)	(8.7)
Operating profit	5	1 064.5	1 034.3	205.6	162.0
Dividend income		1.3	1.4	563.5	317.3
Net financing costs	6	171.7	97.8	149.4	104.2
Interest paid		208.5	153.4	155.0	110.3
Interest received		(37.9)	(27.8)	(5.6)	(4.1)
Foreign exchange losses/(gains)		1.1	(27.8)	-	(2.0)
Profit before taxation and material items		894.1	937.9	619.7	375.1
Material items	7	(0.1)	4.2	54.3	4.5
Profit before taxation		894.0	942.1	674.0	379.6
Taxation	8	140.7	288.3	38.4	45.1
Profit for the year		753.3	653.8	635.6	334.5
Attributable to:					
Shareholders of Illovo Sugar Limited		599.8	516.5	635.6	334.5
Minority interest		153.5	137.3	-	-
		753.3	653.8	635.6	334.5
Earnings per share (cents)*					
Basic		171.7	149.5	-	-
Diluted		170.5	148.0	-	-

* See note 10 for headline earnings per share.

BALANCE SHEETS

at 31 March 2008

	Notes	Group		Company	
		March 2008 Rm	March 2007 Rm	March 2008 Rm	March 2007 Rm
ASSETS					
Non-current assets		3 931.9	2 577.8	1 960.4	1 685.1
Property, plant and equipment	11	2 968.1	1 806.3	656.6	668.7
Cane roots	12	821.7	661.6	84.9	77.8
Product registrations	13	46.4	34.7	46.4	34.7
Investment in subsidiaries	14			1 165.1	897.4
Investment in associates	15			-	-
Investment in joint ventures	16			1.1	1.1
Investments	17	10.1	7.7	1.2	2.0
Loans	18	80.2	66.5	5.1	3.4
Deferred taxation asset	31	5.4	1.0	-	-
Current assets		3 512.4	2 871.5	1 290.4	1 237.9
Inventories	19	407.2	341.8	119.6	113.0
Growing cane	20	948.5	743.1	75.5	51.5
Trade and other receivables	21	782.7	638.2	454.4	453.3
Factory overhaul costs	22	197.9	168.3	80.3	72.7
Derivative financial instruments	23	18.2	6.4	18.2	6.4
Amounts due by subsidiaries	14			66.0	38.8
Cash and cash equivalents		1 157.9	973.7	476.4	502.2
Total assets		7 444.3	5 449.3	3 250.8	2 923.0
EQUITY AND LIABILITIES					
Equity attributable to shareholders in Illovo Sugar Limited		2 373.3	1 771.7	1 428.1	1 060.6
Share capital and premium	24	361.0	354.5	361.0	354.5
Share-based payment reserve	25	12.6	10.9	12.6	10.9
Non-distributable reserves	26	412.4	146.3	316.3	320.1
Dividend reserve	27	183.7	157.0	183.7	157.0
Retained earnings	28	1 403.6	1 103.0	554.5	218.1
Minority interest		555.6	456.6	-	-
Total equity		2 928.9	2 228.3	1 428.1	1 060.6
Non-current liabilities		1 835.9	798.5	129.1	126.9
Long term borrowings	29	1 191.5	223.2	-	-
Deferred taxation liability	31	644.4	575.3	129.1	126.9
Current liabilities		2 679.5	2 422.5	1 693.6	1 735.5
Short term borrowings	30	1 052.0	928.1	977.3	870.1
Trade and other payables	32	1 194.1	970.8	461.7	470.1
Bank overdraft		82.7	94.1	-	0.6
Taxation		102.3	115.8	-	-
Provisions	33	239.8	216.7	148.2	128.1
Amounts due to subsidiaries	14			97.8	170.0
Derivative financial instruments	23	8.6	97.0	8.6	96.6
Total liabilities		4 515.4	3 221.0	1 822.7	1 862.4
Total equity and liabilities		7 444.3	5 449.3	3 250.8	2 923.0

CASH FLOW STATEMENTS

for the year ended 31 March 2008

	Notes	Group		Company	
		March 2008 Rm	March 2007 Rm	March 2008 Rm	March 2007 Rm
Cash flows from operating activities					
Operating profit before working capital movements	a	1 055.0	1 058.7	307.5	236.0
Working capital movements	b	46.2	(61.0)	(101.7)	(112.2)
Cash generated from operations		1 101.2	997.7	205.8	123.8
Net financing costs		(171.7)	(85.2)	(149.4)	(91.6)
Taxation paid	c	(151.6)	(190.4)	(37.7)	(47.9)
Dividend income		1.3	1.4	563.5	317.3
Dividends paid	d	(386.9)	(334.2)	(272.5)	(249.7)
Net cash inflow from operating activities		392.3	389.3	309.7	51.9
Cash flows from investing activities					
Replacement of property, plant and equipment		(154.9)	(124.7)	(41.7)	(36.6)
Expansion capital expenditure		(837.0)	(90.5)	(3.6)	(20.3)
Capitalisation of product registrations		(11.7)	(5.5)	(11.7)	(5.6)
Proceeds on disposal of plant and equipment		2.3	20.0	1.5	16.6
Proceeds on disposal of property		-	7.6	-	6.1
Research expenditure		(20.8)	(17.2)	(20.8)	(17.2)
Acquisition of Investments		-	-	(309.7)	-
Other movements		(2.8)	-	-	-
Net movement on investments and loans		(12.6)	2.8	41.7	3.0
Net cash outflow from investing activities		(1 037.5)	(207.5)	(344.3)	(54.0)
Net cash (outflow)/inflow before financing activities		(645.2)	181.8	(34.6)	(2.1)
Cash flows from financing activities					
Long term borrowings raised/(repaid)		796.4	(16.4)	-	-
Short term borrowings (repaid)/raised		(64.5)	130.2	2.3	117.8
Capitalised finance leases repaid		(0.6)	(0.8)	-	-
Proceeds from issue of share capital	e	6.5	56.1	6.5	56.1
Net cash inflow from financing activities		737.8	169.1	8.8	173.9
Net increase/(decrease) in cash and cash equivalents		92.6	350.9	(25.8)	171.8
Cash and cash equivalents					
at beginning of the year	f	1 065.3	622.8	502.2	330.4
at end of the year		1 157.9	973.7	476.4	502.2

NOTES TO THE CASH FLOW STATEMENTS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
a Operating profit movements is calculated as follows:				
Operating profit	1 064.5	1 034.3	205.6	162.0
Material items	(0.1)	4.2	54.3	4.5
Total income	1 064.4	1 038.5	259.9	166.5
Add back: Depreciation	151.7	140.4	56.1	54.7
Change in fair value of cane roots	(80.1)	(59.5)	(7.1)	(5.5)
Change in fair value of growing cane	(101.4)	(80.2)	(24.0)	5.2
(Profit)/loss on disposal of property, plant and equipment	(2.1)	(0.5)	0.1	(4.3)
Research expenditure	20.8	17.2	20.8	17.2
Share based payments expense	1.7	2.8	1.7	2.2
Operating profit before working capital movements	1 055.0	1 058.7	307.5	236.0
b Working capital movements comprise the following:				
Inventories	(29.8)	(11.3)	(6.6)	(31.5)
Trade and other receivables	(99.8)	(108.0)	(26.6)	(109.6)
Factory overhaul costs	(15.7)	(21.0)	(7.6)	(11.3)
Trade and other payables	191.5	79.3	(60.9)	40.2
Working capital movements	46.2	(61.0)	(101.7)	(112.2)
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	(96.0)	(67.5)	9.5	(1.8)
Translation rate adjustment	(7.5)	0.2	-	-
Per income statements (excluding deferred taxation)	(125.8)	(219.1)	(34.8)	(36.6)
Amounts unpaid/(overpaid) at end of year, net of overpayments	77.7	96.0	(12.4)	(9.5)
Total taxation paid	(151.6)	(190.4)	(37.7)	(47.9)
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 9 to the financial statements)	(272.5)	(249.7)	(272.5)	(249.7)
Dividends paid to outside shareholders of subsidiary companies	(114.4)	(84.5)	-	-
Total dividends paid	(386.9)	(334.2)	(272.5)	(249.7)
e Proceeds from issue of share capital				
During the year the company issued 991 000 (2007: 8 740 000) new shares.	6.5	56.1	6.5	56.1
f Cash and cash equivalents at beginning of year				
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	973.7	627.3	502.2	330.4
Translation adjustment on opening balance of cash and cash equivalents	91.6	(4.5)	-	-
Per the cashflow statement	1 065.3	622.8	502.2	330.4

STATEMENT OF CHANGES IN EQUITY

at 31 March 2008

	Share capital and premium Rm	Share based payment reserve Rm	Translation reserve Rm	Other non-distributable reserves Rm
Group				
Balance at 31 March 2006	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 surplus - 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			
Balance at 31 March 2007	354.5	10.9	39.8	106.5
Net gains and losses not recognised in the income statement:-	-	1.7	269.5	(3.4)
Change in shareholding				(3.4)
Adjustments for cashflow hedges				
Currency translation differences			269.5	
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	309.3	103.1
Company				
Balance at 31 March 2006	298.4	8.1	-	308.4
Net gains and losses not recognised in the income statement:-	-	2.8	-	11.7
Realised surplus - 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			
Balance at 31 March 2007	354.5	10.9	-	320.1
Net gains and losses not recognised in the income statement:-	-	1.7	-	(3.8)
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Adjustments for cashflow hedges				(3.8)
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	-	316.3

Dividend reserve Rm	Retained surplus Rm	Attributable to the shareholders of Illovo Sugar Limited Rm	Minority interest Rm	Total Rm
144.6	852.3	1 425.5	388.0	1 813.5
262.1	(265.8)	23.3	15.8	39.1
	(3.7)	-		-
		-	2.7	2.7
		7.3		7.3
		13.2	13.1	26.3
		2.8		2.8
262.1	(262.1)	-		-
(249.7)	516.5	516.5	137.3	653.8
		(249.7)	(84.5)	(334.2)
		56.1		56.1
157.0	1 103.0	1 771.7	456.6	2 228.3
299.2	(299.2)	267.8	59.9	327.7
		-	3.1	3.1
		(3.4)		(3.4)
		269.5	56.8	326.3
		1.7		1.7
299.2	(299.2)	-		-
(272.5)	599.8	599.8	153.5	753.3
		(272.5)	(114.4)	(386.9)
		6.5		6.5
183.7	1 403.6	2 373.3	555.6	2 928.9
144.6	149.7	909.2		
262.1	(266.1)	10.5		
	(4.0)	-		
262.1	(262.1)	2.8		
		-		
		7.7		
(249.7)	334.5	334.5		
		(249.7)		
		56.1		
157.0	218.1	1 060.6		
299.2	(299.2)	(2.1)		
		1.7		
299.2	(299.2)	-		
		(3.8)		
(272.5)	635.6	635.6		
		(272.5)		
		6.5		
183.7	554.5	1 428.1		

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 and impairments are written off in the income statement. Goodwill impairments are not reversed.

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 unless there is a commitment or guarantee that requires further funding.

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.

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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items 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 the 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 against.

Historically, qualifying employees have been granted certain post retirement medical benefits. Although the post retirement medical benefit option 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 to their residual value 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 residual 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 of 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 expense 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

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 forecast 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 regard 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 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 forecast 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

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 the 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 2 (Revised 2008) Share-based Payment - Amendment relating to vesting conditions and cancellations.
- IFRS 3 (Revised 2008) Business combinations - Consequential amendments arising from amendments to IAS 27, IAS 28 and IAS 3.
- IFRS 8 - Operating Segments
- IAS 23 (Revised 2008) - Borrowing Costs
- IFRIC 11- IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes.
- IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The group is in the process of evaluating the effects of these new standards and, 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 is 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.

4 REVENUE

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Revenue represents the proceeds from:				
– Sugar production	4 859.9	4 410.7	2 406.4	2 256.4
– Cane growing	1 358.2	1 344.8	97.4	93.7
– Downstream	576.0	508.1	530.1	415.6
	6 794.1	6 263.6	3 033.9	2 765.7
Includes revenue from exports outside country of origin of:	2 323.6	2 215.6	866.7	921.6

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

NOTES TO THE FINANCIAL STATEMENTS

continued

5 OPERATING PROFIT

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Operating profit has been determined after taking into account the following items:				
Depreciation	151.7	140.4	56.1	54.7
– buildings	6.4	7.9	4.6	6.1
– leasehold properties	8.4	7.1	–	–
– plant, machinery and other	136.9	125.4	51.5	48.6
(Profit)/loss on disposal of plant and equipment	(2.2)	3.7	0.1	0.2
Amortisation of factory overhaul costs	168.3	148.3	72.7	61.4
Fair value adjustments				
– cane roots	72.6	59.5	7.1	5.5
– growing cane	91.2	80.2	24.0	(5.2)
Operating lease charges				
– property	47.2	32.3	45.3	28.8
– plant and equipment	33.7	26.0	9.7	6.7
Auditors' remuneration	16.0	7.4	4.7	3.3
– audit fees	6.8	5.8	3.0	2.8
– fees for other services	8.8	1.1	1.6	0.4
– expenses	0.4	0.5	0.1	0.1
Research costs	20.8	17.2	20.8	17.2
Share-based payment costs	1.7	2.8	1.7	2.8
Retirement benefit costs	55.5	47.5	26.2	24.2
Staff costs	1 111.0	1 102.0	455.0	427.3

6 NET FINANCING COSTS

Interest paid on –				
Long term borrowings	57.6	16.5	–	–
Bank and short term borrowings	180.7	133.5	139.0	99.9
Other	12.1	3.4	16.0	10.4
Total interest paid	250.4	153.4	155.0	110.3
Less capitalised	(41.9)	–	–	–
	208.5	153.4	155.0	110.3
Interest received on loans and deposits	(37.9)	(27.8)	(5.6)	(4.1)
Foreign exchange losses/(gains)	1.1	(27.8)	–	(2.0)
	171.7	97.8	149.4	104.2

7 MATERIAL ITEMS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
(Loss)/profit arising on disposal of properties	(0.1)	4.2	–	4.5
Profit on disposal on investment in subsidiary			54.3	–
Per income statement	(0.1)	4.2	54.3	4.5
Taxation	–	(0.5)	–	(0.5)
	(0.1)	3.7	54.3	4.0

8 TAXATION

South African normal taxation				
Current tax				
– current year	10.4	1.9	3.9	5.4
– prior year	(0.4)	0.1	(0.4)	–
Deferred tax				
– current year	14.4	(2.5)	16.4	(2.5)
– prior year	(8.7)	11.0	(8.7)	11.0
– rate change	(4.0)	–	(4.0)	–
Secondary tax on companies	31.2	31.2	31.2	31.2
Foreign taxation				
Current tax				
– current year	85.8	187.8		
– prior year	(1.2)	(1.9)		
Deferred tax				
– current year	31.1	62.7		
– prior year	(4.8)	(2.0)		
– rate change	(13.1)	–		
	140.7	288.3	38.4	45.1

Reconciliation of rate of taxation

	%	%	%	%
South African normal rate of taxation	29.0	29.0	29.0	29.0
Less (decrease)/increase in charge for year due to:	(13.3)	1.6	(22.8)	(17.1)
Adjustment from prior years	(1.8)	(1.6)	(1.5)	(0.4)
Adjustment in respect of material items	–	(0.1)	–	(0.1)
Exempt income	(1.4)	(5.6)	(26.8)	(24.6)
Assessed losses created	–	0.1	–	–
Disallowable expenditure	1.9	3.5	1.0	2.4
Secondary tax on companies	3.5	3.3	5.0	8.3
Timing differences not provided for	0.1	(0.4)	–	(1.1)
Taxation rate differentials - foreign subsidiaries	(11.7)	1.9	–	–
Capital allowances	(5.0)	–	–	–
Other	1.1	0.5	(0.5)	(1.6)
Effective rate of taxation	15.7	30.6	6.2	11.9
	Rm	Rm	Rm	Rm
The estimated tax losses at the end of the year aggregate:	111.5	12.7	–	–

NOTES TO THE FINANCIAL STATEMENTS

continued

9 DIVIDENDS PAID

		Group and Company	
		2008	2007
		Rm	Rm
Dividend no. 29 of 42.5 cents per share (final 2006)	- paid 10 July 2006		145.1
Dividend no. 30 of 30.0 cents per share (interim 2007)	- paid 8 January 2007		104.6
Dividend no. 31 of 45.0 cents per share (final 2007)	- paid 9 July 2007	157.0	
Dividend no. 32 of 33.0 cents per share (interim 2008)	- paid 7 January 2008	115.5	
		272.5	249.7

In respect of the current year, the directors declared a final dividend of 52.5 cents per share on 20 May 2008 which will be paid to shareholders on 14 July 2008. 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 R183.7 million has been transferred out of retained earnings to a separate dividend reserve (refer note 27).

10 EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings

Earnings for the purposes of basic earnings per share	599.8	516.5
Dilutive effect of potential ordinary shares	2.2	1.8
– Share options		
Earnings for the purposes of diluted earnings per share	602.0	518.3

Number of shares

	Shares	Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	349 424 128	345 545 311
Dilutive effect of potential ordinary shares	3 650 500	4 649 600
– Share options		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	353 074 628	350 194 911

Reconciliation of headline earnings:-

	Rm	Rm
Net profit attributable to shareholders of Illovo Sugar Limited	599.8	516.5
Adjusted for –		
IAS 16 profit on disposal of property, plant and equipment	(0.2)	(1.2)
Headline earnings	599.6	515.3

Headline earnings per share

	Cents	Cents
Basic (cents)	171.6	149.1
Diluted (cents)	170.5	147.7

11 PROPERTY, PLANT AND EQUIPMENT

		2008		2007	
		Cost	Accumulated depreciation	Cost	Accumulated depreciation
		Rm	Rm	Rm	Rm
Group					
Freehold land and buildings		410.9	76.4	406.9	69.3
Leasehold properties		421.8	81.1	338.7	59.8
Plant, machinery and other		3 797.4	1 505.3	2 486.3	1 297.3
Capitalised leased plant (refer note 29)		1.4	0.6	1.3	0.5
		4 631.5	1 663.4	3 233.2	1 426.9
Net book value		2 968.1		1 806.3	
Company					
Freehold land and buildings		261.9	51.4	261.5	46.9
Plant, machinery and other		1 081.4	635.3	1 041.4	587.3
		1 343.3	686.7	1 302.9	634.2
Net book value		656.6		668.7	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R16 698 million (2007: R15 123 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 106 683 hectares (2007: 106 673) 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 land and buildings	Leasehold properties	Plant machinery and other	2008 Total Rm	2007 Total Rm
Net book value at beginning of year	337.6	278.9	1 189.8	1 806.3	1 675.7
Additions	2.3	16.6	973.0	991.9	215.1
Disposals	(1.5)	–	–	(1.5)	(11.3)
Exchange differences	2.5	53.6	267.0	323.1	67.2
	340.9	349.1	2 429.8	3 119.8	1 946.7
Depreciation	(6.4)	(8.4)	(136.9)	(151.7)	(140.4)
Net book value at end of year	334.5	340.7	2 292.9	2 968.1	1 806.3

NOTES TO THE FINANCIAL STATEMENTS

continued

11 PROPERTY, PLANT AND EQUIPMENT continued

Company

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

	Freehold land and buildings Rm	Plant machinery and other Rm	2008 Total Rm	2007 Total Rm
Net book value at beginning of year	214.6	454.1	668.7	669.0
Additions	0.9	44.3	45.2	56.9
Disposals	(0.4)	(0.8)	(1.2)	(2.5)
	215.1	497.6	712.7	723.4
Depreciation	(4.6)	(51.5)	(56.1)	(54.7)
Net book value at end of year	210.5	446.1	656.6	668.7

12 CANE ROOTS

The carrying value of cane roots comprises:

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Carrying value at beginning of year	661.6	589.1	77.8	80.8
Change in fair value	72.6	59.5	7.1	5.5
Disposal of farms	-	(8.5)	-	(8.5)
Acquisition of farms	7.5	-	-	-
Exchange rate translation	80.0	21.5	-	-
Carrying value at end of year	821.7	661.6	84.9	77.8
Area under cane at 31 March (hectares) –				
South Africa	9 615	9 575	9 615	9 575
Malawi	19 139	18 900	-	-
Zambia	11 053	11 050	-	-
Swaziland	7 950	7 950	-	-
Tanzania	8 415	8 224	-	-
Mozambique	5 260	3 671	-	-
	61 432	59 370	-	-

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.

	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Balance at the beginning of the year	34.7	29.2	34.7	29.1
Current year movements – expenditure	11.7	5.5	11.7	5.6
Balance at the end of the year	46.4	34.7	46.4	34.7

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

14 INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Illovo Sugar Limited are as follows –

2008

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
Illovo Distributors (Pty) Limited	-	100	0.4	-	(14.8)
Ilprop (Pty) Limited	1.3	100	0.2	-	-
Reynolds Brothers Limited	-	100	-	3.9	-
Eureka Trading Limited	-	100	-	-	(0.6)
Illovo Project Services Limited	-	100	-	6.9	-
CGS Investments (Pty) Limited	-	100	0.9	-	(1.5)
Glendale Sugar Limited	5.6	100	20.9	-	(19.7)
East African Supply (Pty) Limited	-	100	-	28.4	-
Ubombo Sugar Limited	49.5	60	-	2.6	(59.9)
Illovo Sugar (Malawi) Limited	48.8	76	-	2.8	-
Zambia Sugar Plc	6.0	90	-	2.5	-
Maragra Açúcar SARL	300.4	73	-	2.0	-
Kilombero Sugar Company Limited	0.1	55	-	1.9	-
Illovo Group Holdings Limited - ordinary	-	100	-	13.3	-
Illovo Group Holdings Limited - preference	1 361.1	100	1 125.2	-	-
Palaa Consultores Marketing E Servicos Lda	-	100	-	0.1	-
Monitor Holdings Limited	250.0	100	17.5	-	(0.5)
Sucoma Holdings Limited	511.8	100	-	-	(0.8)
Illovo Tanzania Limited	-	100	-	-	-
Illovo Sugar Ireland	-	100	-	-	-
Illovo Sugar España, S.L.	-	100	-	1.6	-
Illovo Sugar Coöperatief U.A.	-	100	-	-	-
			1 165.1	66.0	(97.8)

2007

Illovo Distributors (Pty) Limited	-	100	0.4	-	(12.2)
Ilprop (Pty) Limited	1.3	100	0.2	0.1	-
Reynolds Brothers Limited	-	100	-	3.8	-
Eureka Trading Limited	-	100	-	1.6	(0.6)
Illovo Project Services Limited	-	100	-	-	(0.1)
CGS Investments (Pty) Limited	-	100	0.9	-	(1.5)
Glendale Sugar Limited	5.6	100	20.9	-	(20.2)
East African Supply (Pty) Limited	-	100	-	21.1	-
Illovo Sugar (Africa) Limited	95.8	100	41.9	-	(72.5)
Ubombo Sugar Limited	49.5	60	-	5.9	(62.4)
Illovo Sugar (Malawi) Limited	45.4	76	-	1.3	(0.5)
Zambia Sugar Plc	4.6	90	-	1.5	-
Maragra Açúcar SARL	267.5	74	-	0.6	-
Kilombero Sugar Company Limited	0.1	55	-	1.0	-
Illovo Group Holdings Limited - ordinary	-	100	-	1.1	-
Illovo Group Holdings Limited - preference	1 212.0	100	815.6	-	-
Palaa Consultores Marketing E Servicos Lda	-	100	-	-	-
Monitor Holdings Limited	250.0	100	17.5	0.4	-
Sucoma Holdings Limited	455.7	100	-	-	-
Illovo Tanzania Limited	-	100	-	-	-
Illovo Sugar Ireland	-	100	-	0.4	-
Illovo Sugar España, S.L.	-	100	-	-	-
			897.4	38.8	(170.0)

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

NOTES TO THE FINANCIAL STATEMENTS

continued

15 INVESTMENT IN ASSOCIATES

Principal associates of the group	Year end	Nature of business	Group	
			2008 % holding	2007 % holding
Southern Cross Sugar Exports (Pty) Limited	31 March	Sugar export agents	33.3%	33.3%
Kilombero Sugar Distributors Limited	31 October	Distribution agents	20.0%	20.0%

Investment in associate companies	Rm	Rm
Cost of investment in associate	-	-
Share of post acquisition profit net of dividend received	-	-
	-	-

Directors' valuation of –

Shares and loans in unlisted associate companies	Rm	Rm
	-	-

16 INVESTMENT IN JOINT VENTURES

Principal joint ventures of the group	Year end	Nature of business	Group	
			2008 % holding	2007 % holding
Glendale Distilling Company	31 March	Alcohol distillers	50.0%	50.0%
Lacsa (Pty) Limited	31 March	Lactulose producer	50.0%	50.0%
Relax Limited	31 March	Lactulose agents	50.0%	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 36:

- contracted
- approved but not contracted

	Rm	Rm
	-	-
	2.0	1.5
	2.0	1.5

17 INVESTMENTS

Investments	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
	10.1	7.7	1.2	2.0
	10.1	7.7	1.2	2.0

18 LOANS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Long term promissory note receivable	20.5	20.5	-	-
Other loans	59.7	46.0	5.1	3.4
	80.2	66.5	5.1	3.4

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

	2008	2007	2008	2007
Finished goods	102.2	120.8	34.8	48.5
Consumables and components	305.0	221.0	84.8	64.5
	407.2	341.8	119.6	113.0

20 GROWING CANE

The carrying value of growing cane comprises:

	2008	2007	2008	2007
Carrying value at the beginning of the year	743.1	657.9	51.5	62.0
Change in fair value	91.2	80.2	24.0	(5.2)
Disposal of farms	-	(5.3)	-	(5.3)
Acquisition of farms	10.2	-	-	-
Exchange rate translation	104.0	10.3	-	-
Carrying value at the end of the year	948.5	743.1	75.5	51.5

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2008:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
2008						
Expected area to harvest (hectares)	5 491	18 704.0	10 659.0	7 582.0	8 427.0	5 147.0
Estimated yield (tons cane/hectare)	76.0	109.7	120.8	104.9	83.6	91.0
Average maturity of cane at 31 March	63.00%	66.67%	66.67%	66.67%	50.00%	66.67%
2007						
Expected area to harvest (hectares)	5 377	18 510.0	10 897.0	7 574.0	8 062.0	3 587.0
Estimated yield (tons cane/hectare)	70.0	109.6	116.0	98.2	80.7	99.0
Average maturity of cane at 31 March	57.00%	66.67%	66.67%	66.67%	50.00%	66.67%

NOTES TO THE FINANCIAL STATEMENTS

continued

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Trade debtors	422.5	351.5	244.9	242.5
Prepayments	35.7	25.5	19.3	12.6
Other accounts receivable	324.5	261.2	190.2	198.2
	782.7	638.2	454.4	453.3

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 R8.4 million (2007: R33.4 million).

22 FACTORY OVERHAUL COSTS

Balance at the beginning of year	168.3	145.2	72.7	61.4
Capitalised during the year	184.0	169.3	80.3	72.7
Amortised during the year	(168.3)	(148.3)	(72.7)	(61.4)
Exchange rate translation	13.9	2.1		
Balance at the end of year	197.9	168.3	80.3	72.7

23 DERIVATIVE FINANCIAL INSTRUMENTS

Forward exchange contracts - imports (refer note 40)	2.6	0.2	2.6	0.2
Forward exchange contracts - exports (refer note 40)	(11.0)	3.3	(11.0)	3.7
Sugar commodities futures contracts	(0.2)	2.5	(0.2)	2.5
Cross currency interest rate swap (refer note 40)	18.2	(96.6)	18.2	(96.6)
	9.6	(90.6)	9.6	(90.2)
Comprising:				
Assets	18.2	6.4	18.2	6.4
Liabilities	(8.6)	(97.0)	(8.6)	(96.6)
	9.6	(90.6)	9.6	(90.2)

24 SHARE CAPITAL AND PREMIUM

Authorised:
900 000 000 (2007: 900 000 000) ordinary shares of 4 cents each

Issued and fully paid:
349 858 800 (2007: 348 867 800) ordinary shares of 4 cents each
Share premium account

The movement on the share capital and share premium accounts for the year was as follows:

- Balance at beginning of year
- Share options exercised
- Balance at end of year

Group and Company	
2008 Rm	2007 Rm
36.0	36.0
14.0	14.0
347.0	340.5
361.0	354.5
354.5	298.4
6.5	56.1
361.0	354.5

25 SHARE-BASED PAYMENTS RESERVE

Balance at beginning of year

Share-based payments expense

Balance at end of year

10.9	8.1
1.7	2.8
12.6	10.9

NOTES TO THE FINANCIAL STATEMENTS

continued

26 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Comprises:				
Realised surpluses on sales of land and investments	67.7	67.7	282.4	282.4
Capital redemption reserve fund	37.1	37.1	35.6	35.6
Hedging reserve	(1.7)	1.7	(1.7)	2.1
Foreign currency translation reserve	309.3	39.8		
Total non-distributable reserves	412.4	146.3	316.3	320.1
Movement for the year:				
Balance at beginning of year	146.3	122.1	320.1	308.4
Transfer to retained earnings - realised surpluses on sale of land (note 28)	-	3.7	-	4.0
Adjustments for cashflow hedges	(3.4)	7.3	(3.8)	7.7
Currency translation differences	269.5	13.2		
Balance at end of year	412.4	146.3	316.3	320.1

27 DIVIDEND RESERVE

	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Balance at beginning of year	157.0	144.6	157.0	144.6
Transfer from retained earnings (note 28)	299.2	262.1	299.2	262.1
Less dividends paid	(272.5)	(249.7)	(272.5)	(249.7)
Balance at end of year	183.7	157.0	183.7	157.0

28 RETAINED EARNINGS

	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Balance at beginning of year	1 103.0	852.3	218.1	149.7
Profit for the year attributable to shareholders of Illovo Sugar Limited	599.8	516.5	635.6	334.5
Transfer to non-distributable reserves - realised surpluses on sale of land (note 26)	-	(3.7)	-	(4.0)
Transfer to dividend reserve (note 27)	(299.2)	(262.1)	(299.2)	(262.1)
Balance at end of year	1 403.6	1 103.0	554.5	218.1

29 LONG TERM BORROWINGS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
South African borrowings	-	0.7	-	-
Foreign currency borrowings	1 266.2	244.3	-	-
Total borrowings	1 266.2	245.0	-	-
Less: Current portion redeemable and repayable within one year (refer note 30)	74.7	21.8	-	-
1 191.5	223.2	-	-	
The above borrowings are due for repayment in the following years ending 31 March				
2008		21.8	-	-
2009	74.7	21.2	-	-
2010	273.4	64.8	-	-
2011	599.8	63.1	-	-
2012 and thereafter	318.3	74.1	-	-
1 266.2	245.0	-	-	

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group	
				2008 Rm	2007 Rm
South African borrowings					
Liabilities under capitalised finance leases (refer note 11)			12.0	-	0.7
Total South African borrowings				-	0.7
Foreign borrowings					
Unsecured loans					
- Euro	10.0	2008 - 2015	3.0 - 7.1	73.6	72.1
Secured loans					
- US Dollar *	23.8	2008 - 2012	6.58 - 7.83	183.2	172.1
- Zambian Kwacha**	604.8	2009 - 2014	13.2 - 17.39	1 009.4	0.1
Total foreign borrowings				1 266.2	244.3
Total borrowings				1 266.2	245.0

* These loans are secured by guarantee from Illovo Sugar Limited

** These loans are secured by property, plant and equipment of Zambia Sugar Plc.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 SHORT TERM BORROWINGS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Amounts due to bankers	-	36.3	-	0.1
Loan from holding company	977.3	870.0	977.3	870.0
Current portion of long term borrowings (note 29)	74.7	21.8	-	-
	1 052.0	928.1	977.3	870.1

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	574.3	481.5	126.9	115.2
Provision on financial instrument taken to equity	(1.4)	3.2	(1.4)	3.2
Changes during the year –				
– Exchange rate translation difference	51.2	14.2		
– Other	(17.2)	6.2	(4.0)	-
Charged to income –				
– Temporary differences	32.1	69.2	7.6	8.5
Balance at end of year	639.0	574.3	129.1	126.9
Analysis of provision				
– Property, plant and equipment	301.8	276.3	89.4	95.8
– Growing cane and cane roots	439.6	339.7	44.9	37.5
– Tax losses	(111.5)	(12.7)	-	-
– Other	9.1	(29.0)	(5.2)	(6.4)
Balance at end of year	639.0	574.3	129.1	126.9
– Asset	(5.4)	(1.0)	-	-
– Liability	644.4	575.3	129.1	126.9

32 TRADE AND OTHER PAYABLES

Trade creditors and accruals	476.7	333.6	206.4	162.2
Other accounts payable	717.4	637.2	255.3	307.9
	1 194.1	970.8	461.7	470.1

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.

33 PROVISIONS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Leave pay				
Balance at beginning of year	43.4	38.2	24.0	21.6
Raised during the year	2.5	4.8	2.3	2.4
Foreign currency translation movement	2.0	0.4	-	-
Balance at end of year	47.9	43.4	26.3	24.0
Post retirement benefits				
Balance at beginning of year	138.3	121.8	94.6	104.9
Utilised during the year	(5.0)	-	-	(10.3)
Raised during the year	0.3	15.8	3.7	-
Foreign currency translation movement	2.7	0.7	-	-
Balance at end of year	136.3	138.3	98.3	94.6
Other				
Balance at beginning of year	35.0	26.7	9.5	2.6
Raised during the year	20.6	8.3	14.1	6.9
Balance at end of year	55.6	35.0	23.6	9.5
Total provisions				
Balance at beginning of year	216.7	186.7	128.1	129.1
Utilised during the year	(5.0)	-	-	(10.3)
Raised during the year	23.4	28.9	20.1	9.3
Foreign currency translation movement	4.7	1.1	-	-
Balance at end of year	239.8	216.7	148.2	128.1

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 R51.8 million (2007: R43.8 million) was expensed in respect of defined contribution plans and R3.7 million (2007: R3.7 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 154 employees (2007: 179).

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 2008. 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 9.75% (2007: 9.0%), an expected rate of salary increase of 7.25% (2007: 5.5%), an expected rate of pension increase of

NOTES TO THE FINANCIAL STATEMENTS

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34 RETIREMENT BENEFITS continued

4.25% (2007: 2.38%) and an expected rate of inflation of 6.25% (2007: 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 R907.4 million (2007: R874.8 million) whilst the actuarial present value of promised retirement benefits totalled R511.2 million (2007: R491.2 million).

The revised actuarial surpluses per the statutory valuations as at 31 December 2002 amounting to R65.5 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 revised proposed schemes of apportionment are in the process of being submitted to the FSB for approval.

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 cost for the period to 31 March 2008 was nil (2007: R0.04 million) in respect of the defined benefit scheme as the fund was closed in the current financial year.

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 R8.3 million (2007: R7.2 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 as at 31 March 2008 indicated that the provision in respect of these benefits and the statutory benefits was fairly stated at R26.9 million (2007: R25.6 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of return of 8.75% (2007: 7.75%), and expected rate of salary increase of 5.75% (2007: 6%) and an expected rate of inflation of 5.5% (2007: 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, and in the current year R6.0 million (2007: R4.2 million) was expensed in respect of these arrangements.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis, determined actuarially. At 31 March 2008, the total provision amounted to R98.2 million (2007: R94.6 million). During the current year, R3.7 million was expensed (2007: R10.3 million released) 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% and an expected retirement age of 58.

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:

	2008		2007
	Number of share options	Weighted average option price Rand	Number of share options
Outstanding at beginning of year	4 649 600		13 541 900
Forfeited	(8 100)	6.80	(152 300)
Exercised	(991 000)	6.57	(8 740 000)
Outstanding at end of year	3 650 500		4 649 600
Exercisable at end of year	2 433 900		2 189 300

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 R1.7 million (2007: R2.8 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 2008, the group has recorded liabilities of R23.7 million (2007: R9.5 million) and has expensed an amount of R14.2 million (2007: R6.9 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	26.48	3.22	9.23
13/07/2005	13/07/2009	3	25.22	3.22	8.89
13/07/2005	13/07/2010	4	25.2	3.22	8.73
30/10/2006	30/10/2009	3	25.22	3.22	8.89
30/10/2006	30/10/2010	4	25.5	3.22	8.73
30/10/2006	30/10/2011	5	25.72	3.22	8.63
24/07/2007	24/07/2010	4	25.5	3.22	8.73
24/07/2007	24/07/2011	5	25.72	3.22	8.63
24/07/2007	24/07/2012	6	26.08	3.22	8.55

NOTES TO THE FINANCIAL STATEMENTS

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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 and the cash settled equity instrument 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 1 000 shares in a continuous 12 month period.

36 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
South Africa				
- contracted	11.4	8.1	11.4	8.1
- approved but not contracted	103.4	78.3	103.4	78.3
Malawi				
- contracted	20.5	1.5		
- approved but not contracted	150.5	92.6		
Zambia				
- contracted	728.9	8.9		
- approved but not contracted	218.4	1 447.3		
Swaziland				
- contracted	15.6	3.1		
- approved but not contracted	56.5	42.0		
Tanzania				
- contracted	16.6	3.2		
- approved but not contracted	29.8	56.6		
Mozambique				
- contracted	0.8	0.8		
- approved but not contracted	268.5	16.7		
Mali				
- contracted	4.4	-		
- approved but not contracted	1 484.4	-		
Corporate				
- contracted	-	3.6	-	3.6
- approved but not contracted	30.7	36.3	30.7	36.3
Contracted	798.2	29.2	11.4	11.7
Approved but not contracted	2 342.2	1 769.8	134.1	114.6
	3 140.4	1 799.0	145.5	126.3

With the exception of Mali, the capital expenditure will be financed from cash resources and facilities negotiated and not yet utilised. In respect of Mali, negotiations for financing facilities are at an advanced stage.

37 CONTINGENT LIABILITIES

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Guarantees in respect of liabilities of third parties and claims against the group	5.0	5.2	-	-
Guarantees in respect of liabilities of subsidiary companies			305.3	280.9
	5.0	5.2	305.3	280.9

38 OPERATING LEASE COMMITMENTS

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

	2009	2010	2011	2012	2013 onwards	2008	2007
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Property	37.5	28.4	6.4	6.9	21.6	100.8	74.8
Plant and equipment	22.9	21.6	20.9	15.4	15.1	95.9	62.3
Total lease commitments	60.4	50.0	27.3	22.3	36.7	196.7	137.1

39 RELATED PARTY TRANSACTIONS

39.1 Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2008 was as follows:

Name	Salary R'000	Bonus R'000	Retirement and medical contributions R'000	Other benefits R'000	Option gains R'000	2008 Total R'000
Executive directors:						
G J Clark	1 887	1 764	364	123	-	4 138
D G MacLeod	3 383	3 214	626	183	-	7 406
J T Russell	1 687	1 518	323	156	-	3 684
B M Stuart	1 716	1 531	328	179	-	3 754
K Zarnack	1 460	1 307	274	176	-	3 217
Total	10 133	9 334	1 915	817	-	22 199

NOTES TO THE FINANCIAL STATEMENTS

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39 RELATED PARTY TRANSACTIONS continued

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
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
Total	9 069	11 319	1 866	1 045	37 971	61 270

* Resigned 5 September 2006

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

	2008 Fees R'000	2007 Fees R'000
B P Connellan	135	125
D Konar	242	225
P M Madi	199	185
I N Mkhize	189	154
** A R Mpungwe	–	76
R A Norton	286	265
M J Shaw	334	310
R A Williams	1 505	1 400
*** M I Carr	–	–
*** D R Langlands	–	–
*** P A Lister	–	–
Total	2 890	2 740

** 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 R36 133 for the year (2007: R32 963).

39 RELATED PARTY TRANSACTIONS continued

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 96.

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.

40 FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash deposits with banks, accounts receivable and payable, derivatives, and loans to and from associates and others. Financial instruments, are carried at fair value or amounts that approximate fair value.

Categories of financial instruments	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Financial assets				
Loans and receivables	2 020.8	1 678.4	935.9	958.9
Investments	10.1	7.7	1.2	2.0
Derivative financial instruments	18.2	6.4	18.2	6.4
Financial liabilities				
Derivative financial instruments	8.6	97.0	8.6	96.6
Financial liabilities measured at amortised cost	3 806.3	2 489.0	1 622.7	1 497.8
Reconciliation to balance sheet				
Loans	80.2	66.5	5.1	3.4
Trade and other receivables	782.7	638.2	454.4	453.3
Cash and cash equivalents	1 157.9	973.7	476.4	502.2
Loans and receivables	2 020.8	1 678.4	935.9	958.9
Trade and other payables	1 194.1	970.8	461.7	470.1
Taxation payable	102.3	115.8	–	–
Long-term borrowings	1 191.5	223.2	–	–
Short-term borrowings	1 134.7	1 022.2	977.3	870.7
Shareholders for dividends	183.7	157.0	183.7	157.0
Financial liabilities measured at amortised cost	3 806.3	2 489.0	1 622.7	1 497.8

NOTES TO THE FINANCIAL STATEMENTS

continued

40 FINANCIAL RISK MANAGEMENT continued

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 2008 is as follows:

	Floating rate	1-6 months	Greater than 6 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	82.7	733.1	244.2	1 191.5	74.7	2 326.2
% total borrowings	4%	32%	10%	51%	3%	100%

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 interest rate for a floating Rand rate and a fixed Rand interest rate. (refer note 23)

The interest rate swap contract which exchanges floating rate interest amounts for fixed interest amounts is designated as a cash flow hedge in order to reduce the group's cash flow exposure resulting from the variable interest rate borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit and loss over the period that the floating rate interest payments on debt impact profit or loss.

Interest rate sensitivity

The group is exposed to interest rate cash flow risk in respect of its variable rate loans and short-term cash investments, which can impact on the cash flows of these instruments. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year.

If interest rates had been 50 basis points higher/lower and all other variables held constant, the group's profit before tax for the year would increase/decrease by:

	2008 Rm	2007 Rm
	6.7	3.1

40 FINANCIAL RISK MANAGEMENT continued

40.3 Currency risk management

In the normal course of business, the group enters into transaction denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts in respect of receivables and liabilities.

The carrying amount of the group's unhedged and uncovered foreign currency denominated monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
US Dollars	174.4	162.0	354.0	174.7
Euros	86.4	2.6	47.1	43.9
Other	0.7	0.0	36.0	33.6

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

	Group 2008		Group 2007	
	Foreign currency million	Amount in Rm	Foreign currency million	Amount in Rm
Assets				
US Dollars	11.9	97.3	8.2	59.2
Euros	6.7	86.4	3.0	29.4
Other		0.7		0.2
		184.4		88.8
Liabilities				
US Dollars	0.7	5.4	0.2	1.3
Euros	3.6	47.1	4.5	43.9
Other		36.0		4.4
		88.5		49.6

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and the Euro. The following table details the group's sensitivity to a 10% increase and decrease in the Rand against the Dollar and Euro for the net foreign assets and liabilities of the group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax and other equity where the Rand strengthens by 10% against the relevant currency. For a 10% weakening of the Rand against the relevant currency, there would be an equal and opposite impact on profit before tax and other equity, and the balances below would be negative.

	US Dollars		Euro	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
10% foreign currency sensitivity	4.4	4.0	3.9	1.5

In order to minimise risk on the 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 interest rate for a floating Rand rate and a fixed Rand interest rate (refer note 23).

NOTES TO THE FINANCIAL STATEMENTS

continued

40 FINANCIAL RISK MANAGEMENT continued

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 2009 financial year.

	Group			Group		
	Foreign currency million	2008 Average rate	Amount in Rm	Foreign currency million	2007 Average rate	Amount in Rm
Foreign currency sold						
US Dollars	8.2	7.77	64.0	6.4	7.42	47.5
Euros	2.8	12.90	36.1	1.0	9.90	9.9

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 2008, the group does not consider there to be any material credit risk that has not been insured or adequately provided against.

The group grants various credit terms to its customers. The analysis of trade receivables which are past due at reporting date is as follows:

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Not past due	379.9	317.3	237.5	232.9
Past due by 30 days	28.8	30.9	11.0	10.6
Past due by 60 days	7.8	3.9	1.6	1.4
Past due by 90 days	1.6	1.6	0.5	1.4
Past due by 120 days and over	12.8	5.7	-	1.5
	430.9	359.4	250.6	247.8
Less: allowance for doubtful debts	(8.4)	(7.9)	(5.7)	(5.3)
Total trade receivables	422.5	351.5	244.9	242.5

No specific trade receivables have been placed under liquidation in either the current or the prior years.

Provision for doubtful debts

Set out below is a summary of the movement in the provision for doubtful debts for the year:

	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Balance at beginning of the year	7.9	11.0	5.3	7.8
Amounts written off during the year	(0.7)	(0.7)	-	-
Increase/(decrease) in allowance	0.6	(2.4)	0.4	(2.5)
Exchange rate translation difference	0.6	-	-	-
Balance at end of the year	8.4	7.9	5.7	5.3

40 FINANCIAL RISK MANAGEMENT continued

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 2008:

	Rm
Local, fixed and flexible term, general banking facilities	3 661.0
Foreign, fixed and flexible term, general banking facilities	1 629.0
	5 290.0

40.6 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents and equity.

41 SEGMENTAL ANALYSIS

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
Business segments					
Year to 31 March 2008					
Sugar production	4 859.9	602.4	3 301.1	687.9	109.0
Cane growing	1 358.2	317.0	2 669.8	300.5	32.3
Downstream	576.0	145.1	291.9	3.5	10.4
	6 794.1	1 064.5	6 262.8	991.9	151.7
Year to 31 March 2007					
Sugar production	4 410.7	605.6	2 253.1	150.1	99.9
Cane growing	1 344.8	341.0	1 930.9	61.7	29.8
Downstream	508.1	87.7	284.2	3.3	10.7
	6 263.6	1 034.3	4 468.2	215.1	140.4
Geographical segments					
Year to 31 March 2008					
South Africa	3 104.1	263.4	1 643.2	47.6	
Malawi	1 162.7	434.0	1 298.3	84.0	
Zambia	1 076.1	125.1	1 815.7	781.6	
Swaziland	693.0	98.2	462.0	24.5	
Tanzania	482.8	94.2	530.3	32.9	
Mozambique	275.4	49.6	513.3	21.3	
	6 794.1	1 064.5	6 262.8	991.9	
Year to 31 March 2007					
South Africa	2 824.1	213.1	1 564.5	58.6	
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	
	6 263.6	1 034.3	4 468.2	215.1	