

# 2009

## Features

	Year ended 31 March		
	2009	2008	% change
<b>Results (Rm)</b>			
Revenue	<b>8 601.7</b>	6 794.1	27
Operating profit	<b>1 386.2</b>	1 064.5	30
Net financing costs	<b>183.7</b>	170.4	8
Headline earnings	<b>741.8</b>	599.6	24
<b>Share performance (cents per share)</b>			
Headline earnings	<b>211.6</b>	171.6	23
Dividend (interim - paid; final - declared)	<b>106.0</b>	85.5	24
Year-end market price	<b>2 849</b>	2 964	
<b>Balance sheet and cash flow (Rm)</b>			
Total assets	<b>8 264.4</b>	6 262.8	
Ordinary shareholders' funds	<b>2 773.8</b>	2 373.3	
Net borrowings	<b>2 411.1</b>	1 168.3	
Cash generated from operations	<b>1 569.7</b>	1 101.2	
<b>Financial ratios</b>			
Operating margin (%)	<b>16.1</b>	15.7	
Effective tax rate (%)	<b>19.9</b>	15.7	
Debt : equity ratio	<b>70.0</b>	39.9	
Interest cover (times)	<b>7.5</b>	6.2	
Return on net assets (%)	<b>22.0</b>	24.1	
Net asset value per share (cents)	<b>981.7</b>	837.2	
Dividend cover (times)	<b>2.0</b>	2.0	
Price : headline earnings ratio	<b>13.5</b>	17.3	

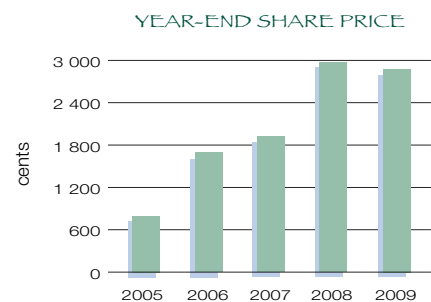
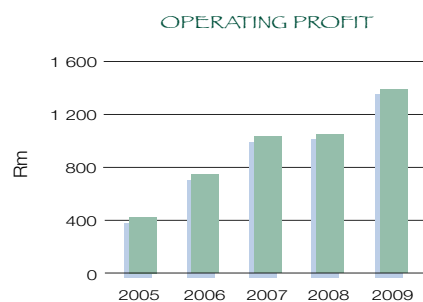
Operating profit increased by 30%

Headline earnings per share increased by 23%

Dividend increased by 24%

Strong operational cash generation

Ongoing major capacity expansion / funding arrangements



# Group profile

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

Excellent climatic and soil conditions in the group's countries of operation, accompanied by irrigation from secure water sources, are ideal for the cultivation of high-yielding and excellent quality sugar cane. The group manages agricultural estates in each of the countries in which it operates and in the past season, these estates produced an aggregate of 5.1 million tons of cane. In addition, independent growers supplied an aggregate of 10.3 million tons of cane to Illovo's sugar factories, mainly to those in South Africa. Sugar production in 2008/09 amounted to 1.8 million tons, comprising 920 000 tons produced in South Africa, Malawi 304 000 tons, Zambia 193 000 tons, Swaziland 210 000 tons, Tanzania 118 000 tons and Mozambique 76 000 tons.

The group is a major supplier of sugar to African consumer and industrial markets, particularly in its own countries of operation. In Malawi, Illovo is that country's sole sugar producer and in Zambia, manufactures 87% of all local production. The group's share of industry production in South Africa is 41%, Swaziland 33%, Tanzania 42% and Mozambique 31%. Illovo has significant and increasing access to preferential markets in the European Union (EU)

and the United States of America (US), whilst the operations outside South Africa also have access to the South African Customs Union (SACU) market in terms of the Southern African Development Community (SADC) Sugar Protocol on Trade. Pre-packed and bagged sugar is supplied into other regional markets within Africa. The group, through the South African sugar industry exports sugar into the world free market. Syrup and speciality sugars are produced in South Africa and Zambia mainly for domestic consumption, whilst speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi also in the US.

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

In recognition of the group's interdependence with the communities in which it operates, Illovo co-ordinates a wide range of social investment-related programmes focusing on basic needs such as the provision of water and sanitation, access to health care, education delivery and involvement in community outreach programmes. Illovo also provides considerable training and other support to local indigenous growers in order to promote sustainable agriculture and economic development activities. Total cane supplies from these growers, including community-based co-operative schemes, amount to 2.3 million tons annually, generating revenue of approximately R675 million. Particular attention is given to preferential procurement with the aim of promoting and supporting the development of small and medium-sized businesses which supply goods and services to both cane growers and neighbouring communities, and to the group.

## Group history

1891 Reynolds Brothers Limited is listed as a public company and Charles George Smith appointed as its agent in Durban;  
1893 CG Smith, entrepreneur and sugar agent, becomes a shareholder in Reynolds Brothers;  
1904 CG Smith and associates buy the Umzimkulu mill and estates;  
1915 Reynolds Brothers opens the Sezela mill; and The Natal Cane By-Products Limited (now Illovo Merebank) is listed as a public company;  
1952 Reynolds Brothers moves the Esperanza mill to Pongola;  
1975 The sugar-related assets of CG Smith & Company, together with the Gledhow Sugar Company, are amalgamated with Reynolds Brothers into a single new entity under the name of CG Smith Sugar Limited;



C G Smith

1977 CG Smith Sugar acquires the Illovo and Noodsberg sugar mills and estates from Tate & Lyle;  
1991 The company celebrates its Centenary year;  
1992 CG Smith Sugar is listed on The Johannesburg Stock Exchange, and the company acquires the Umfolozi sugar mill;  
1994 The company name is changed to Illovo Sugar Limited to identify with the Illovo brand of sugars and syrups;  
1995 As a purely South African sugar company with five agricultural estates and seven factories, Illovo cultivates around one million tons of sugar cane and produces an equal amount of sugar. Turnover amounts to R1.6 billion and the share price trades at R6.70 (year-end);

# Goals and objectives

## PRIMARY OBJECTIVE

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

## GROWTH

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

## PROFITABILITY

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

## ASSET MANAGEMENT

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

## PRODUCT DEVELOPMENT

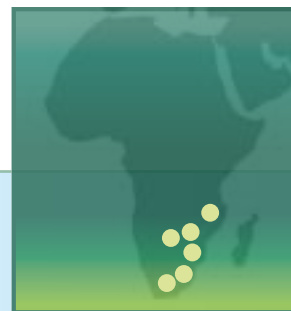
- ◇◇ To be proactive in identifying the needs of our customers.
- ◇◇ To consistently deliver quality products and services to our customers.
- ◇◇ To undertake research and development to improve returns, and develop new products and applications, from its core commodity products using every stick of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

## HUMAN RESOURCES

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

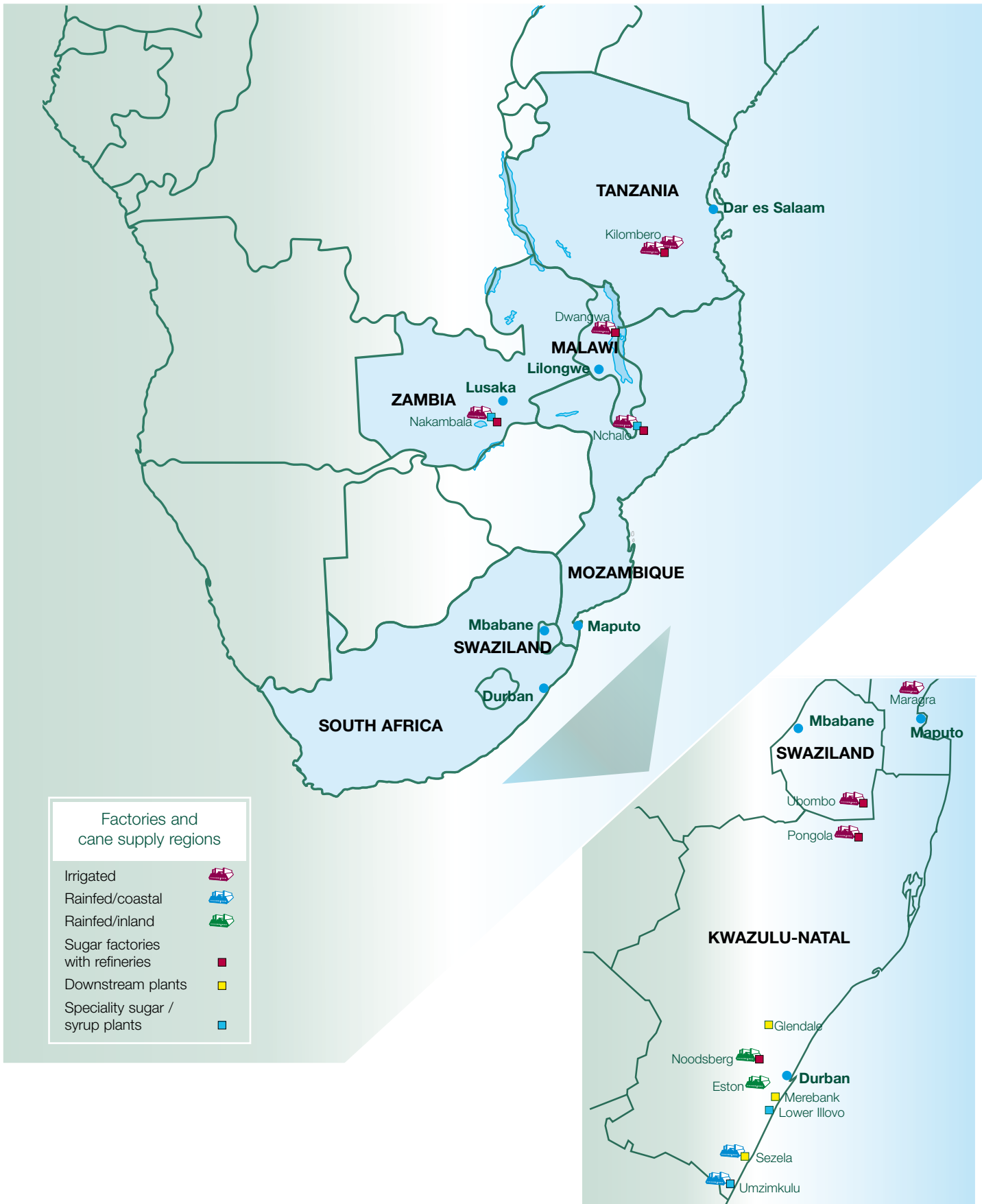
## CORPORATE GOVERNANCE

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

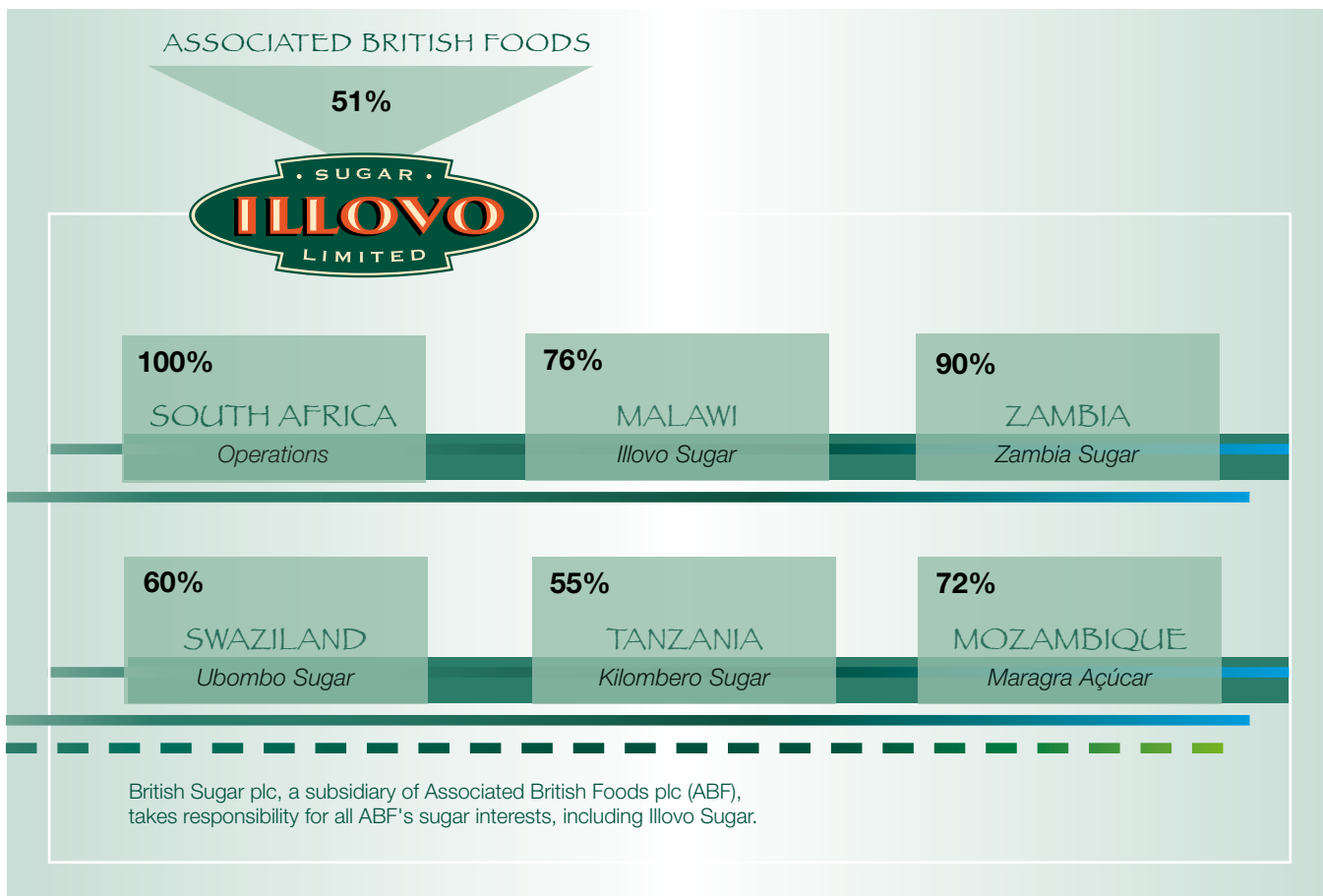


1996	Illovo acquires a 50% stake in Maragra Acucar SARL in Mozambique;	2006	Associated British Foods plc, a company listed on the London Stock Exchange, acquires a 51% controlling stake in Illovo;
1997	Illovo acquires Lonrho Sugar Corporation Limited, with sugar assets in Malawi, Swaziland, Mauritius and South Africa;	2007	A major expansion of the Zambia Sugar operation is announced, to increase cane production by 50% and annual sugar production to 450 000 tons of sugar. The expansion project is completed 1 April 2009;
1998	Illovo acquires a 55% stake in Kilombero Sugar Company in Tanzania;	2009	Illovo sells the Umfolozi sugar mill and concludes an agreement to sell the Pongola sugar mill;
1999	The company acquires Monitor Sugar Company in the United States;		Today, Illovo has extensive agricultural and manufacturing assets in six Southern African countries, with capacity to produce six million tons of cane and two million tons of sugar per annum. Revenue amounts to R8.6 billion and the share price trades at R28.49 (year-end).
2001	Illovo sells its Mauritian interests and acquires a controlling interest in Zambia Sugar Plc;		
2004	The Gledhow sugar mill and estates are sold to a Black economic empowerment company, and the company sells its interests in Monitor Sugar Company;		

# Group locations



# Group structure



## Operations

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

# Directorate

## NON-EXECUTIVE INDEPENDENT CHAIRMAN

**R A Williams** (68) \* #  
BA, LLB  
Chairman of  
Nomination Committee  
**Director of companies**  
Appointed to the Board 1985



## NON-EXECUTIVE DEPUTY CHAIRMAN

**D G MacLeod** (62) # ^  
BCom, AMP  
**Previous Managing Director  
of Illovo Sugar Limited**  
Joined the sugar industry 1971  
Appointed to the Board 1983



## EXECUTIVE DIRECTORS

### MANAGING DIRECTOR



**G J Clark** (Australian) (53) ^ + ∅  
BAct(Hons), FCA(Aust)  
Joined the sugar industry 1980  
Appointed to the Board 1997

**D L Haworth** (60) + ∅  
BSc(Hons).  
**Business Development Director**  
Joined the sugar industry 1999  
Appointed to the Board 2009



**L W Riddle** (49) + ∅  
BCom, CA(SA)  
**Commercial Director**  
Joined the sugar industry 1986  
Appointed to the Board 2009



**B M Stuart** (61) ^ + ∅  
BCom, DipSugarTech, SEP  
**Operations Director**  
Joined the sugar industry 1968  
Appointed to the Board 1994



**K Zarnack** (36) ^ + ∅  
CA(SA)  
**Financial Director**  
Joined the sugar industry 2005  
Appointed to the Board 2005

- \* Member of Audit Committee
- # Member of Remuneration / Nomination Committee
- ^ Member of Risk Management Committee
- + Member of Group Executive Committee
- ∅ Member of Corporate Executive Committee

## NON-EXECUTIVE INDEPENDENT DIRECTORS

**M J Hankinson** (60) \* # ^  
*BCom, CA(SA)*  
**Director of companies**  
 Appointed to the Board 2008



Mike Hankinson

**B P Connellan** (68)  
*CA(SA)*  
**Director of companies**  
 Appointed to the Board 1993



Brian Connellan

**D Konar (Dr)** (55) \*  
*CA(SA), MAS, DCom*  
*Chairman of Audit Committee*  
**Director of companies**  
 Appointed to the Board 1995



Len Konar



Phinda Madi

**P M Madi** (45) #  
*BProc, EDP*  
**Director of companies**  
 Appointed to the Board 2002

**C W N Molope** (44) \*  
*BSc, BCompt(Hons), CA(SA)*  
**Director of companies**  
 Appointed to the Board 2008



Nosipho Molope

**R A Norton** (70) \* #  
*MA*  
*Chairman of Remuneration Committee*  
**Director of companies**  
 Appointed to the Board 1997



Tony Norton

**M J Shaw** (70) \* # ^  
*CA(SA), SEP*  
*Chairman of Risk Management Committee*  
**Director of companies**  
 Appointed to the Board 2001



Martin Shaw

## NON-EXECUTIVE DIRECTORS

**M I Carr (Dr)** (46) # +  
*BSc, PhD, MBA, CEng, MIMechE*  
**Chief Executive Officer - British Sugar**  
 Appointed to the Board 2006



Mark Carr

**D R Langlands** (43) ^  
*BScMaths, ACA*  
**Financial Director - British Sugar**  
 Appointed to the Board 2006



David Langlands

**P A Lister** (45)  
*LLB*  
**Director of Legal Services and Company Secretary - Associated British Foods**  
 Appointed to the Board 2006



Paul Lister

# Senior management

Name	Qualifications	Joined the group	Operational responsibility
<b>GROUP</b>			
R Botha (Mrs) (40) ^	CA(SA)	2003	Internal audit
G R Brown (44) ∅	BScAgric	2008	Procurement
P H Canter (Dr) (62) ^	MBChB, DTM&H	1990	Medical services
D G Coates (58) + ∅	HNDipMechEng, GCOC	1983	Operations
S J M Collet-Serret (54)	HNDipElecEng	1978	Project management
M S Edwards (57) ∅	GCOC, ABP	2007	Export sugar marketing
N M Hawley (52) + ∅	BCom(Hons)	1978	Human resources
W L Jackson (Ms) (35) ∅	CA(SA)	2005	Corporate finance
G D Knox (60) ^ + ∅	BCom	1984	Administration
X Magojo (46)	BJourn, MBL	2008	Corporate services
N T Moor (Ms) (37) ∅	BCompt(Hons), BCom(Hons)	1998	Financial management
N C Morris (48)	BAMaths&CompSc, DipCorpFin	2009	Project evaluation
J M Moulst (60) ^ ∅	BScEng, NatDipTech	1995	Technical services
D A Schaller (45)	BCom, ACMA	1999	Information technology
G S Trott (41) ∅	BScAgricEng	2007	Agriculture
G Van Schoor (41)	NDipElec, GCOC	1997	Technical services (Projects)
D W H Cousens (60) +	MScEng, MBL	1988	General manager - Mali
J A Blumberg (49)	BCompt, MBL	1996	Finance - Mali
<b>SOUTH AFRICA OPERATIONS</b>			
D E Howells (45) +	CA(SA)	1995	General manager
H R Hackmann (50)	BCom	2000	Marketing
S Hlela (50)	BA	1995	Human resources
J J R Lyle (34)	CA(SA)	2006	Finance
G F Mann (55)	DipSugarTech	1979	Refined sugar production/Pongola
S Rau (57)	BScAgric	1981	Raw sugar production
L Bachan (55)	BSc, MBL, DipSugarTech	1978	Sezela
B R Cornish (55)	BCom, HNDipMechEng	1983	Merebank/Glendale
J P M de Robillard (63)	DipSugarTech	1974	Gledhow (Managed operation)
B V Holmes (54)	GCOC, MDP	1999	Umzimkulu
E W Lucht (43)	GCOCMechEng, MBA	1985	Noodsberg
V Pillay (54)	BSc, BCom, DipSugarTech	1978	Eston
<b>MALAWI OPERATIONS</b>			
I G Parrott (42) +	BCom, CIA	1997	Managing director
W A Cowden (30)	CA(SA)	2006	Finance
D P R Davies (54)	DipMktMgt(IMM)	2003	Marketing
C H Kyle (59)	BCom, HDPM	1998	Human resources
G M Mkandawire (62)	BScEcon, MComMkt	2003	Commercial
K M J Tembo (46)	DipIndustrialEng	1992	Dwangwa
E I Williams (62)	CertEng, SMSAIEE	1984	Nchalo

Name	Qualifications	Joined the group	Operational responsibility
<b>ZAMBIA OPERATIONS</b>			
S D Langton (48) <sup>+</sup>	PrEng, BScEng	1996	Managing director
D Kabunda (Mrs) (46)	BAPubAdmin, MBA	1986	Human resources
R M L Katowa (Mrs) (48)	BA, MBA, MCIM	1997	Marketing
J M Mukukwa (44)	MScChemEng	1990	Factory
S S Munsamy (54)	BTechMgt, MDP	1982	Operations director
L M Sievu (46)	BAcc, ACMA, ACIS	2004	Corporate affairs
H Veenstra (52)	MAgricMgt	1990	Agriculture
D S Watson (47)	BScElecEng, DipBusMgt	2006	Expansion project
M D Wellington (53)	BAcc, CA(Zim)	2008	Finance
<b>SWAZILAND OPERATIONS</b>			
S J M Cleasby (50) <sup>+</sup>	BScEng(Chem), MBA	2009	Managing director
C R Crebo (55)	BCom, DipSugarTech	1984	Factory
A H Domleo (49)	BCom	1983	Agriculture
J P Hulley (49)	DipMechEng, MDP	1978	Operations
J Mashwama (46)	MScSoilSc, DipIR	1993	Human resources
G H Williams (41)	CA(SA)	1996	Finance
<b>TANZANIA OPERATIONS</b>			
D H Carter-Brown (59) <sup>+</sup>	BScAgricEng	1978	Managing director
C M Bennie (59)	CA(SA)	2006	Commercial
L A Elkington (59)	BCompt	1984	Finance
Z E Mshechu (57)	MSc Agric	1998	Agriculture
C J van Den Berg (59)	BA(Law)	1974	Human resources
P J van Greunen (44)	HNDipMechEng, GCOC	1983	Factory
<b>MOZAMBIQUE OPERATIONS</b>			
W M A Buchanan (59) <sup>+</sup>	BTechMkt, SEP	1981	General manager
M Cotter (53)	RCE, GCOC	1989	Factory
R Giblot-Ducray (53)	CertLabour, CertSugarCaneAgric	2002	Agriculture
P Streng (59)	BA(Law), FIPM	2001	Human resources
M A Walsh (61)	BCom, CA(SA)	1988	Finance

<sup>^</sup> Member of the Risk Management Committee

<sup>+</sup> Member of Group Executive Committee

<sup>o</sup> Member of Corporate Executive Committee