

Sustainability report

Illovo Sugar subscribes to the principles of sustainable development as incorporated in the King II Report, and the process for reporting on non-financial matters within the group is the subject of ongoing development. The focus is on the care and development of both employees and the communities in the areas in which the group's operations are based.

Illovo qualified for inclusion in the JSE's 2008 Socially Responsible Investment (SRI) Index, and was rated as one of the 21 best performers amongst the qualifying companies.

ECONOMIC IMPACT

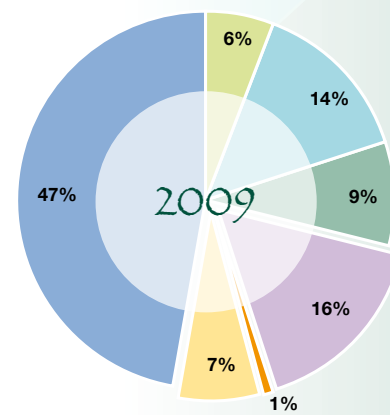
Value added statement

Rm	March 2009	March 2008
Wealth created		
Revenue	8 602	6 794
Dividend income	2	1
Paid to growers for cane purchases	(2 735)	(2 394)
Manufacturing costs	(2 737)	(2 029)
	3 132	2 372
Wealth distributed		
To employees as salaries, wages and other benefits	1 481	1 111
To lenders of capital as interest	185	172
To shareholders as dividends	449	387
To governments as taxation	277	168
	2 392	1 838
Wealth reinvested		
Retained profits in holding and subsidiary companies	515	367
Depreciation	215	152
Deferred taxation	10	15
	3 132	2 372
Analysis of taxes paid to and collected on behalf of government		
Central and local governments		
Current taxation (including secondary tax on companies)	229	126
Rates and taxes paid to local authorities	6	4
Customs duties, import surcharges and excise taxes	42	38
	277	168
The above amount contributed excludes the following -		
- Employees' taxation deducted from remuneration paid	215	177
- Net Vat amount collected on behalf of government	126	90
- Non-residents' shareholders' tax	23	17
	364	284

The value added statement shows the wealth the company has been able to create through manufacturing, trading and investment and its subsequent distribution and reinvestment in the business.

During the current financial period, R3 132 million was created, which is 32% more than in 2008. Of this amount, R2 392 million was distributed to employees, providers of capital and to the government. Of the wealth created, 47% was paid to employees.

The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the development of operations.



WEALTH DISTRIBUTED

Employee costs	47%
Finance costs	6%
Dividends	14%
Government	9%

WEALTH REINVESTED

Retained profits	16%
Deferred taxation	1%
Depreciation	7%

The group invested approximately R32 million in training and employee development in 2008/09.



SOCIAL IMPACT

Human Resources

Human resource management and operational strategies are determined by the business needs of the group's operating entities with direction from the corporate office. These strategies appropriately embrace the macro-environment prevailing in each country of operation, and alignment is achieved through the group's strategic intent. Underpinning this, and to ensure that the operational strategies are met, is a work ethic of continuous improvement which encourages focused, skilled employees to realise their full potential and to 'make a difference' in their areas of operation.

As a multi-national company with diverse and widespread senior management teams in several operating countries, regular communication forums and executive-led site visits are undertaken. This is reinforced through the group's Business Understanding Programme which all employees attend on an annual basis, promoting an understanding of the prevailing business climate at both operational and group levels.

Key areas of human resource focus include best practice benchmarking; targeted manpower succession planning; talent and performance management; the maintenance of collaborative industrial relations; human resource development and business understanding; BEE-linked employment equity and localisation programmes; and the health and welfare of employees and their dependants. To this end specific attention is given to –

- ◇◇ the staffing of all operations within effective organisational structures, with competent personnel both from an operational and managerial perspective, in order to ensure that goals and objectives are achieved. Manpower benchmarking exercises are undertaken to ensure that structures are efficient;
- ◇◇ continuing to place high focus on talent management and manpower succession planning, to both develop and retain managerial and technical skills, especially within the group's identified key disciplines and positions;
- ◇◇ being the employer of choice. To this end, remuneration packages which are merit-based and market-competitive in all countries of operation are constantly reviewed. Similarly, incentives such as performance-related bonuses, share purchase and phantom share schemes are utilised and are continually up-dated to cater for specifically targeted outcomes;
- ◇◇ complying with internationally recognised labour practices as legislated in the various countries of operation and ensuring that sound employee relations prevail. Trade union involvement is a normal part of this process and some 80% of permanent employees are unionised. Collective bargaining forums, which determine the levels of wage rates and other substantive employment conditions via negotiated collective agreements, are established and supported by existing legislation in all countries of operation;
- ◇◇ training and employee development, which remains an important pillar for harnessing the group's human resource talent and potential. Activities are aimed at satisfying both the current and future business needs in terms of skills supply, whilst also supporting employment equity and localisation initiatives. The group invested approximately R32 million in this area over the period under review, representing 2.8% of payroll, of which some 12% was used for business alignment workshops, 40% for technical-type training, 32% for management, supervisory and leadership development, 10% for safety and health awareness and training, and the balance on education issues, including adult basic education type programmes. Employee development initiatives include -
- ◇◇◇ the implementation of internationally accepted safe working practices and health care programmes;
- ◇◇◇ the building of employees' understanding of the prevailing business context within Illovo. Approximately 19 000 employees attended the group-facilitated Business Understanding Programme;

Sustainability report continued

- ◇◇◇ the continued development, refinement and implementation of performance management systems, along with ongoing technical competency training, which are linked to ISO standards, along with individual career-pathing and operational excellence;
- ◇◇◇ the delivery of group-based management development programmes, aimed at both first-line and upper management. Some 350 managers completed these programmes during the reporting period;
- ◇◇◇ group co-ordinated engineer-in-training and management trainee programmes, presently involving some 70 graduates. The large majority of these employees are graduate engineers who provide a pool of critical skills;
- ◇◇◇ 18 students, mainly from the engineering discipline, furthering their tertiary education supported by Illovo bursaries following which they will be bridged into the Management Trainee Programme upon successful completion of their studies;
- ◇◇◇ structured formal technical apprenticeships, with 71 employees presently enrolled across the group;
- ◇◇◇ in South Africa, the Training Outside Public Practice programme, allowing graduate accountants to continue their studies towards qualifying as Chartered Accountants, whilst in full-time employment by the company;
- ◇◇◇ the leveraging of operational best practice across the group.

Employment equity

The company promotes equal opportunity and fair treatment in employment through the elimination of unfair discrimination. It encourages inclusiveness with regard to human resource practices, irrespective of race, gender, nationality and religious affiliation.

In South Africa, the annual Employment Equity and Income Differential reports, covering progress made with the company's Employment Equity Plan, a key pillar of its Black economic empowerment programme, have been submitted to the Department of Labour and the Employment Equity Commissioner respectively. Progress continues to be monitored through a group Central Co-ordinating Forum which includes representation from local consultative forums which are in place at the various operations.

Relevant statistics in respect of designated employees, as defined in legislation, are shown in the table below. They generally reflect a good performance.

Representative areas	% designated	
	2009	2008
Management level	59	58
Skilled level	97	87
Promotions (management/skilled)	80	91
External recruitments (management/skilled)	78	80
Promotions (all levels)	92	97
External recruitments (all levels)	92	91
Combined recruitments & promotions (all levels)	92	93
Combined recruitments & promotions (management/skilled)	79	84
Skills development initiatives (permanent employees)	89	90
Management trainees	95	91

Overall focus continues to be given to designated appointments in the more senior levels of management.



During the year, a cross-section of senior managers from throughout the group, attended the company's university-accredited Group Leadership Development Programme.

Complement

The group's overall permanent manpower complement as at 31 March 2009 stood at 12 457. The focus remains one of right-sizing operations to ensure that the correct organisational structures are in place, staffed by competent people with appropriate skills to meet the group's operational objectives. Employment was in the following categories –

◇◇ Sugar manufacture	6 657
◇◇ Agriculture	5 454
◇◇ Downstream	346

In addition to the permanent complement, approximately 29 000 seasonal employees were engaged in agricultural operations at the peak periods during the year.

Managed health care

Access to health care is provided to all employees and their dependants, either through the network of group-run primary health care clinics and hospitals or through the provision of medical insurance schemes. Where no other public medical facilities exist, these services are extended to members of surrounding countries. The group operates 28 primary health care clinics and four hospitals. These facilities are staffed by 18 doctors, 150 nurses and other qualified medical staff, and 135 auxiliary personnel, and provide a service to approximately 39 000 employees and 70 000 dependants. In South Africa, the health facilities are clinic-based, and focus on occupational health, primary health care and HIV/AIDS, whilst in the operations in the rest of Africa, the facilities are hospital-based, and focus on primary and secondary health care, occupational health, HIV/AIDS and malaria and other tropical diseases. During the past year, there were

approximately 575 000 patient visits to the group's healthcare facilities.

In support of the overall medical activities, the group attempts to ensure the health of employees and their dependants by addressing public health services not provided by governments, such as the provision of potable water, sanitation and refuse removal, where deficient.

Occupational health is an important facet of the medical services delivered at every site. Qualified nursing practitioners perform duties that include regular job-related medical examinations, along with medical surveillance, such as hearing and lung-function testing and biological monitoring of employees, in line with the health and safety regulations of the respective countries of operation.

The group continues to take a pro-active stance against life-threatening epidemics such as HIV/AIDS, malaria and tuberculosis. These diseases are being managed, largely on a preventative basis, to negate their impact on the business and the employees themselves.

Strategies towards controlling the spread of HIV/AIDS include preventative awareness programmes along with an established in-house Wellness Programme for those afflicted. These programmes continue to be developed in accordance with appropriate 'best practice' aligned to international standards. They involve ongoing high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted infections, use of peer counsellors in the process of preventative activities and education, voluntary counselling and testing (VCT), use of prophylactic antibiotics, effective screening for tuberculosis, and the promotion of a healthy lifestyle.



Occupational health is an important facet of the medical services delivered at every site. In addition to providing health care to employees and their dependants, the group also provides these services to surrounding communities where no such facilities exist.

Determining the impact of any HIV/AIDS intervention is difficult, largely due to the confidentiality restrictions with respect to the testing and recording of the disease. However, the group recognises the importance of VCT as it enables individuals to become aware of their HIV status, empowering people to act safely and responsibly, and is therefore key to controlling the spread of the disease. To this end, the group continues to campaign for employees and their dependants to 'get to know their status' and in this regard, has set a target to test 50% of all employees annually. A further target has been set to ensure that at least 50% of HIV positive employees join the Wellness Programme. During the year 5 175 employees, representing 58% of the permanent complement, excluding those employees who have previously been identified as HIV positive, underwent VCT, whilst 60% of those who tested HIV positive joined the group's Wellness Programme.

Government interventions relative to the provision of anti-retroviral treatment (ART) are being closely monitored in all countries of operation. Where the group is being asked to assist in the process, it is particularly important to ascertain the long-term sustainability of intended programmes and the role that the government medical facilities are expected to play –

- ◇◇ in South Africa, formal facilitation partnerships have been developed with those local government hospitals designated as HIV-ART centres, to allow employees and dependants on the Wellness Programme to be bridged into the government ART programme as and when their status for this treatment is medically necessitated;
- ◇◇ in Malawi, Zambia and Swaziland, the group assists in implementing the government-funded ART programmes at its mill-based medical facilities. Affected employees and dependants in Tanzania and Mozambique are presently being referred to government facilities.

In respect of malaria, the group subscribes to the African continent's recognised 'Roll Back' malaria programme, with mosquito control spray programmes and the distribution of insecticide treated bed nets, being undertaken in the areas most affected. This, together with established laboratory testing facilities, enables early detection and prompt commencement of effective treatment. Close liaison is maintained with national malaria control units and in some cases the group's health centres are recognised sentinel sites for the collation of malaria statistics and research.

In the case of tuberculosis (TB), the group works closely with national programmes in this regard, and assists with the diagnosis, treatment and follow-up of TB cases where appropriate.

Employee benefits and welfare

The group offers a diverse range of benefits to its employees, including –

- ◇◇ employee share purchase schemes in countries where the operating company is listed, enabling employees to acquire a stake in the business;
- ◇◇ retirement funding schemes, where elected employee trustees representing the interests of members assist with the prudent management of various funds;
- ◇◇ educational assistance which is extended to the children of employees in various forms, ranging from the provision of schools to the allocation of bursaries, grants and loan funding;
- ◇◇ upliftment of life skills of employees through the provision of Adult Basic Education and Training (ABET), retirement planning, HIV/AIDS education and counselling.

In respect of malaria, the group undertakes mosquito control spray programmes and the distribution of insecticide treated bed nets, in the areas most affected.



Black Economic Empowerment

The group is conscious of its responsibility to progress Black Economic Empowerment (BEE) in South Africa and local economic empowerment in the host countries of Illovo's sugar operations outside South Africa. In this regard, the group has adopted an integrated approach which encompasses meaningful and sustainable participation of Black people at all operations of the company and promotes participation of communities in the value chain of the sugar industry.

In South Africa, relative to the Codes of Good Practice on Black Economic Empowerment (the Codes), which were issued in February 2007 in terms of the Broad-Based Black Economic Empowerment (BBBEE) Act, 2003, for the year ended 31 March 2008, the company was audited by an external verification agency and was rated as a Level 5 Contributor, having attained an aggregate score of 59.20%; comprising the component scores as reflected in the table below -

Element	Score (%)
Ownership Equity	6.88
Management Control	2.54
Employment Equity	5.12
Skills Development	8.63
Preferential Procurement	16.03
Enterprise Development	15.00
Socio-Economic Development	5.00

In the 2009 Financial Mail / Empowerdex Top Empowerment Companies report, the company was ranked 47th overall and 3rd in the food and beverages sector. In terms of the various BBBEE elements, Illovo was ranked 1st on enterprise development. Against the background that rural development constitutes one of the major national priorities and given that the bulk of the company's enterprise development initiatives were geared towards support for emergent Black growers, this is a significant achievement.

Particular attention is given to preferential procurement from and outsourcing to Black enterprises and service providers, including the development and support of outgrower schemes. During the 2008/09 season, revenue paid to small, medium and large-scale Black farmers for their cane supplies in South Africa amounted to R194 million.

Since the initiation of the programme for the sale of the company's farms to Black people in 1996/97, Illovo has sold 58% of its cane lands to BEE companies and commercial farmers. Another farm sale is expected to take place in the current year.

To-date, in terms of the Restitution of Land Rights Act, 1994, land claims covering approximately 55% of the total areas under cane which supply cane to the company's mills in South Africa, have been gazetted. Most of these claims have

been made on behalf of local communities which reside in the relevant areas. The process has been particularly protracted and many of the affected growers remain uncertain of their futures. Many of the claims are being contested by the growers. However, where such claims are successful or where growers willingly agree with the Department of Land Affairs and / or the Commission on Restitution of Land Rights to make their farms available to the local communities, the company is actively involved in seeking to ensure that the properties concerned can continue to be farmed on a long-term sustainable basis.

Society

The group operates in diverse environments many of which are predominantly rural, with limited infrastructure and significant development needs. These challenges are most evident in the countries of operation outside South Africa, four of which are classified by the United Nations as Least Developed Countries.

In line with the group's strategic intent as a long-term investor and a major player in these communities, an active social investment programme is in place at each of the operations and is structured to address the specific needs of the respective communities. During the year under review, the group contributed over R134 million towards the provision of housing, including water, electricity, road maintenance and sanitation; hospitals and clinics; and education and community outreach programmes, for the benefit of both employees and local communities.

This amount was directed as follows –

	Rm
Housing and related infrastructure	62
Hospitals and clinics	38
Education	16
Community programmes	13
Environmental initiatives	5
	<hr/> 134 <hr/>

Community projects are considered on the basis that they are motivated by members of the local communities and designated company representatives. To gain company support, projects must be shown to be meaningful and sustainable, with significant community reach and participation. Given the immense challenges faced by communities in the areas of health care, education, access to clean water and meaningful development, the majority of the projects undertaken are focused on addressing these needs.



The group continues to actively promote the development and support of small and medium-scale growers, with dedicated offices established across all six countries of operation.

Stakeholder engagement

Illovo is cognisant that its long term sustainability rests in engaging its stakeholders to address matters of mutual interest. The nature of the interaction and the type of stakeholders which the company interacts with are effected by the operating environment and consequently vary from country-to-country, but typically the company interacts with government departments, communities, traditional and civic leaders, civil society organisations, customers, public and institutional shareholders, financial analysts and providers of capital, sugar industry representative structures, suppliers, service providers and employees, and trade unions, amongst many others.

The forms of interaction are diverse, but specific to each stakeholder. For example, the group's annual investor relations programme incorporates -

- ◇◇ Annual results presentations to the investment community;
- ◇◇ Market and media dissemination of results, trading updates and other announcements, over and above that which is required by the Listings Requirements of the JSE Limited;
- ◇◇ Placement of investor information on the company's website, including results presentations and other pertinent financial and operational information;
- ◇◇ Ongoing contact with major investors, institutions and analysts, including one-on-one meetings with the company's managing and financial directors;
- ◇◇ Ongoing site visits to the group's various countries of operation, for example, to Zambia Sugar where the operation has recently been the subject of a major

expansion programme to increase its cane and sugar productive capacity.

Other forms of interaction include focus groups, labour bargaining forums, visiting or hosting government representatives and issue specific structures such as land reform forums in South Africa.

As an example, in South Africa, in addition to the land redistribution programmes which the company initiated in the mid-1990s, a high proportion of the land, including the company's own land, from which the company receives the cane supplies for its mills, is subject to land claim. To ensure the sustainability of cane supply from land that faces being transferred to historically disadvantaged first-generation sugar cane growers, the company participates in multiple stakeholder land reform forums. These forums are made up of representatives from the relevant government departments and agencies (i.e. the Commission on Restitution of Land Rights, Department of Land Affairs, Department of Agriculture and Environmental Affairs and local governments associated with the various mill cane supply areas) as well as industry stakeholder organisations, such as the South African Cane Growers' Association and the Inkezo Land Company.

In Swaziland, in the case of the Lower Usuthu Smallholder Irrigation Scheme, which will supply additional cane supplies to the Ubombo sugar mill, the relevant agricultural development necessitated the relocation of some communities. However, before this was done, extensive consultation though the government was undertaken with local community members. This ensured that the relocation was carried out with due sensitivity to the communities' material, social and cultural considerations and with the

communities' approval. This is in line with the company's commitment to ensuring that its operations are considered to have a positive impact by the affected communities.

The company participates in public policy development through sugar industry structures, tripartite business, labour and government public policy development structures and other business associations. Its involvement in the facilitation of broader national strategic objectives continues through participation in organisations such as the National Business Initiative and the Business Trust (in South Africa).

In its employment practices, the company remains committed to human rights and fair treatment of its employees in line with International Labour Organisation Conventions on employment, which in some countries of operation are also enshrined in the employment-related legislation. The company's employment policies are explicit in their commitment to equity and the practices ensure that forced and child labour do not take place in any of its operations. Where there could have been a threat that these might be undermined by some of its partner enterprises in the value chain, the enterprises concerned have been formally sensitised to the fact that the relationship with them is contingent on them complying with these standards and norms.

As a consequence of this commitment to human rights and fair employment practices, the group has not had to pay any fines for not complying with legislation in any of the countries in which it operates.

Community and enterprise development

In Malawi, Zambia, Swaziland, Tanzania and Mozambique, the group participates in the upgrading of schools and assists in their administration and management in an effort to improve education delivery. There are 27 schools in five countries currently benefiting from this type of support. In South Africa, the company undertakes local community projects to improve facilities at schools in the communities in which Illovo has agricultural and manufacturing operations. It also supports education-related initiatives, such as Rally to Read, a literacy-based development programme co-ordinated by the National READ Educational Trust. Through the South African sugar industry, the company supports the Sugar Industry Trust Fund for Education which sponsors education projects across both the KwaZulu-Natal and Mpumalanga provinces, and also provides ongoing financial support for tertiary educational institutions.

In addition to providing financial and other support for community-based welfare and fund-raising organisations, Illovo also contributes to the South African sugar industry's community development programme which operates in the northern region of the Eastern Cape, KwaZulu-Natal and Mpumalanga, and continues to contribute to the Business Trust and the National Business Initiative (NBI).

The group annually undertakes a wide-range of community-based projects. For example; in national feeding schemes in Malawi, and the construction at Big Bend in Swaziland of new police offices which were handed over to the Swaziland police services during the past year.

Job creation and poverty alleviation initiatives in the communities in which the group operates are actively pursued. This is achieved through the outsourcing of support



During the year, R16 million was spent on education-related activities across the group.



The group annually undertakes a wide-range of community-based projects including for example, its involvement in national feeding schemes in Malawi.

services and other requirements which can be procured from local entrepreneurs.

The group continues to actively promote the development and support of growers, mainly first-generation Black growers. Dedicated offices have been established across all six countries of operation to provide agronomic expertise and advice on optimal ratoon management practice, together with ongoing training to build technical, financial and administrative competence in order that these growers are able to take charge of their own agricultural businesses. Illovo also assists in facilitating access to grant and other types of funding for both new and existing cane agriculture developments.

The Kaleya Smallholders Company (KASCOL) in Zambia is a good example. Fundamental to a long-standing partnership between local cane growers represented by the Mazabuka Sugar Cane Growers Trust (MSCGT) and Zambia Sugar, is the development of indigenous cane growers in Zambia. Following Illovo's donation of its shareholding in KASCOL to the MSCGT in 2005, and pursuant to the recent major expansion of Zambia Sugar's productive capacity, KASCOL, through the MSCGT, stands to bring material benefits to its members in general, but particularly the nearby Magobbo community.

As a significant community project, around 400 hectares of land is being developed to irrigated cane which will provide annual production of about 50 000 tons of cane by this community, thereby bringing about permanent employment and a sustainable income for approximately 80 households. The MSCGT has played a major role by financing various start-up costs of the project, by assisting in its management and implementation, and using its offices to secure €3 million in funding from the EU under the EU

Accompanying Measures scheme. Central to the development, was Zambia Sugar's extension of the existing canal system, bringing water from the Kafue River about 30 kilometres away, to irrigate the new development. The Magobbo growers have subsequently formed their own trust and stand ready to become a viable entity in the local sugar industry.

General staff support and development

In addition to the community and enterprise development initiatives, and to the employee development activities covered elsewhere in this report, there is a range of other types of support that the group makes available to its staff.

Illovo provides assistance to employees who wish to further their studies, where such further study is beneficial to both the employee and the group. The group also assists employees to undertake studies which might enable them to establish outsourced small and medium-sized enterprises. Permanent employees of the group are assisted with the costs associated with secondary and tertiary education for their dependants.

On the basis of academic ability and suitability as future employees, children of employees may also benefit from bursary schemes which the group offers to enable students to study at universities or equivalent institutions.

Enhancement of the employees' life skills is carried out through the provision of adult basic education and training, retirement planning, and HIV/AIDS education and counselling and wellness programmes.

In South Africa and Swaziland, the facilitation of employee home ownership is on-going, thereby allowing employees to have a stake in the community in which they live and work.

This involves the sale of company-owned houses as well as other initiatives to assist home ownership, including the provision of home loan subsidies.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The group continues to benefit from well-established in-house resources which provide technical expertise in both agricultural production and sugar and downstream product manufacture to all operations, in order to optimise the return from existing installed capacity. A centralised core of expertise exists to ensure technical standards are maintained for both existing equipment and new agricultural and factory installations, and to keep abreast with technical innovations. This in-house function is also involved in investigating opportunities to expand the group's operations, and in the planning and implementation of approved projects. In addition, collaboration between the group's technical team and British Sugar plc, the subsidiary of Associated British Foods plc with responsibility for Illovo, is now an ongoing function, with research and development projects expected to benefit the group in the longer-term.

The group benefits on an ongoing basis from research and development undertaken by the South African Sugar Milling Research Institute and the South African Sugarcane Research Institute. These organisations are funded by the member sugar industries which are represented on the respective boards of the institutes.

Illovo also has a dedicated team which pursues opportunities for the development and commercialisation of downstream products and new applications. In addition to its own resources, there is ongoing collaboration with both local and international research organisations, and contract work is outsourced when appropriate.

RISK MANAGEMENT

Risk management is an integral part of Illovo's business. The safety, security and preservation of our people and property are essential for the group's sustainable growth.

The focus of risk management in Illovo is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management. The risks to the business encompass such areas as the weather, world product/ prices, exchange rates, political and economic factors, legislation and national regulations, interest rates, people skills, and general operational and financial risks.

The major risks and their relevant mitigating and management strategies are the subject of the ongoing attention of the board and are given particular consideration in the annual strategic plan which is approved by the board.

Business continuity plans for all sites have been developed through a procedure of considering and assessing all possible major risks which may impact the business.

The management of financial risk is covered under note 40 to the financial statements on pages 99 to 102.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self assessments and audits by independent consultants. In addition, the group promotes on-going commitment to risk management and control by participating in externally organised risk management and safety systems.

The NOSA Integrated Five Star System covering safety, health and environmental management is implemented at all the cane growing and factory operations. During the year under review, the cane growing and sugar factory operations in South Africa (excluding Umfolozi), Zambia and Swaziland were graded on the NOSA platinum star system, whilst the operations in Malawi, Tanzania and the sugar factory in Mozambique were graded on the NOSA green star system. Those operations on the NOSA green star system are in the process of migrating to the NOSA platinum system.

The Disabling Injury Frequency Rate (DIFR) measurement of safety performance is used at all the group's operations, and is included as one of the 'line-of-sight' targets for the performance related bonus scheme. The target for the year under review was a DIFR of 1.5; equivalent to a NOSA 4-star grading. This was achieved by all operations.

Regretably, two employees were fatally injured in work-related incidents during the past year. Both unfortunate incidents were the subject of thorough investigation and appropriate remedial action was taken so as to prevent a recurrence. In addition, a security guard was murdered on the estate in Mozambique whilst on duty.

All of the South African factory operations have been certificated under the ISO 9001:2000 quality management system. The cane growing and factory operations in Malawi, Zambia, Swaziland and Tanzania, and the factory operation in Mozambique are also ISO 9001:2000 certificated. Implementation at the cane growing operation in Mozambique is due to be completed during 2009. In addition, the Swaziland factory operation as well as the Merebank distillery have attained the environmental management ISO 14001:1996 accreditation, whilst Merebank and the Glendale distillery have achieved OHSAS 18001 certification for health and safety.

In South Africa, the factories at Pongola and Umzimkulu and the syrup plant at Lower Illovo have been certified under the Hazard Analysis and Critical Control Point (HACCP) food safety system. Certain of the other factory operations

in South Africa, Malawi, Zambia and Tanzania are making progress towards this accreditation.

During the year under review, there were no health and safety, or environmental penalties imposed on any of the group's operations, other than one minor environmental penalty incurred in Zambia.

Insurance cover on assets is based upon current replacement values. Consistent with the high standard of risk management, a substantial portion of risk is self-insured, at costs well below market premiums. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss.

ENVIRONMENT

The underlying philosophy of the group's environmental policy is the adoption of protective strategies to manage and control the impact of Illovo's agricultural and manufacturing operations upon the environment, at the same time as safeguarding its extensive assets and human resources.

Agriculture

In respect of its agricultural operations, the group has adopted farming practices based on field conservation guidelines as advocated by the South African Sugarcane Research Institute, so as to ensure agricultural production on a sustainable basis with minimum impact on the environment. This includes the implementation of land use plans when developing new and re-establishing existing cane fields; the optimal placement of fields and access roads; the most suitable method of field establishment so as to conserve soil and water; the protection of existing environmental features such as rivers, wetlands, catchment areas and indigenous forests; and the removal of alien vegetation.

In addition, sugar cane, upon harvesting, immediately recommences another growing cycle from its existing roots. This process is called ratooning, and recurs until the sucrose content of the cane plant reduces below a predetermined level, whereafter replanting is undertaken. This generally takes place every eight to twelve years. The environmental benefit of this ratooning and replanting process is the significant reduction in the frequency of soil disturbance and the exposure to soil erosion.

Agricultural operations in South Africa are mostly rain-fed, thereby minimising the impact on subterranean water supplies, whilst in the group's other countries of operation, water for irrigation is supplied from secure water resources such as major rivers, lakes and dams.

The conventional practice of cane burning immediately prior to harvesting is conducted strictly in terms of industry guidelines. The adoption of "green cane harvesting" practices, without burning, takes place where feasible. This has the benefit of the leaves and the tops of the cane plant being left behind in the harvesting process, providing for moisture retention and nutrients for the soil, and offering potential as a renewable energy source as a feedstock for the sugar factory boilers. The use of the cane leaves and tops as biomass feedstock for the boilers, as a supplement for bagasse, has been successfully integrated into the sugar factory operations in Swaziland and Malawi.

Sugar manufacture

The process used for manufacturing sugar from sugar cane provides a unique sustainable advantage with minimal environmental impact. The fibrous residue remaining after the extraction of sucrose from sugar cane, called bagasse, may be used as a bio-renewable energy source in sugar factory boilers to generate electricity. This electricity is capable of not only meeting the power requirements of the sugar factory, but may also be used for operating the irrigation systems used for cane growing, and for supplying administrative and domestic users and national grids.

Bagasse is used as a boiler fuel at all Illovo's sugar factories, and under normal operating conditions, the factories are self-sufficient in terms of electrical requirements, save that the downstream plant at Sezela relies on power from the national grid. Whilst the factories outside South Africa also supply power for cane irrigation, supplementary electricity supplies are required from external sources, particularly during the factory offcrop maintenance periods. Fortunately, these periods coincide with the rainy seasons, when there is a limited need for irrigation.

The unique process of utilising bagasse and biomass as an energy source also results in the group having minimal reliance on fossil fuels, such as coal, for its energy requirements. Coal usage within the Illovo group comprises approximately 8% of total energy usage.

Emissions from all Illovo's sugar factories are monitored to ensure compliance with the prevailing legal limits in each country of operation.

Water comprises approximately 70% of the content of sugar cane. This water is released in the extraction process and recycled for use within the factory operations, thereby minimising the dependence of the factories on external water resources.

Downstream

As the major by-product of the sugar manufacturing process, molasses is used in several add value downstream applications. In South Africa generally, the majority of molasses is used as a constituent of animal feeds and by the fermentation industry for the manufacture of ethyl alcohol. Illovo utilises a significant portion of its molasses output in the production of ethyl alcohol at its Merebank plant in Durban and its Glendale distillery near Stanger.

At the Sezela complex on the KwaZulu-Natal south coast, various compounds in the bagasse are reacted to produce the added value downstream products, furfural, furfuryl alcohol and diacetyl. The residual bagasse from this process

is then routed back to the sugar factory boilers. The final waste water stream from the downstream plant takes the form of dilute acetic acid. A process for treating this waste water stream has been developed and a plant is presently in operation which has the capacity to treat approximately 40% of this final stream. The balance is currently discharged with permission from the Department of Water Affairs through an off-shore pipeline. It is intended to eventually up scale the treatment facility so as to recover all the water for reuse within the plant.



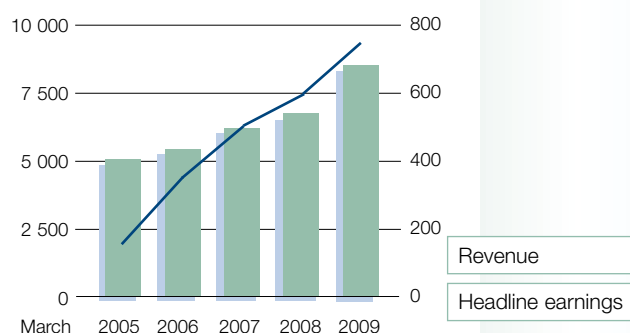
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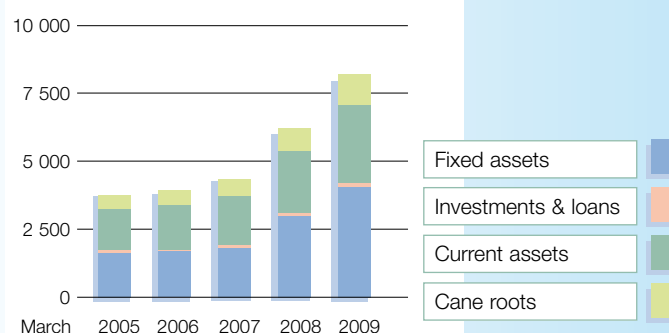
Five year review

Rm	2009	2008	2007	2006	2005
Consolidated income statement					
Revenue	8 601.7	6 794.1	6 263.6	5 468.8	5 102.7
Operating profit	1 386.2	1 064.5	1 034.3	751.5	423.7
Net financing costs	185.4	171.7	97.8	101.9	156.5
Profit before taxation and material items	1 202.5	894.1	937.9	650.6	269.8
Net profit attributable to ordinary shareholders	739.1	599.8	516.5	357.7	51.7
Headline earnings	741.8	599.6	515.3	352.4	153.8
Reconciliation of headline earnings					
Net profit attributable to ordinary shareholders	739.1	599.8	516.5	357.7	51.7
Adjusted for:					
Loss/(profit) on disposal of property, plant and equipment	2.7	(0.2)	(1.2)	(5.3)	5.1
Loss on disposal of business	-	-	-	-	97.0
Headline earnings	741.8	599.6	515.3	352.4	153.8
Consolidated balance sheet					
Property, plant and equipment	4 087.7	3 014.5	1 841.0	1 704.9	1 661.6
Cane roots	1 132.3	821.7	661.6	589.1	543.7
Investments and loans	150.2	90.3	74.2	68.6	86.9
Current assets	2 894.2	2 336.3	1 891.4	1 633.5	1 519.7
Total assets	8 264.4	6 262.8	4 468.2	3 996.1	3 811.9
Equity attributable to shareholders of Illovo Sugar	2 773.8	2 373.3	1 771.7	1 425.5	1 135.0
Minority interest	671.2	555.6	456.6	388.0	330.9
Total equity	3 445.0	2 928.9	2 228.3	1 813.5	1 465.9
Deferred taxation	701.1	639.0	574.3	481.5	430.5
Net borrowings	2 411.1	1 168.3	271.7	441.0	801.6
Interest-free liabilities	1 707.2	1 526.6	1 393.9	1 260.1	1 113.9
Total equity and liabilities	8 264.4	6 262.8	4 468.2	3 996.1	3 811.9

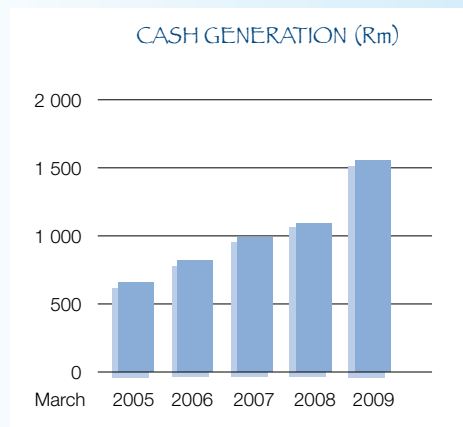
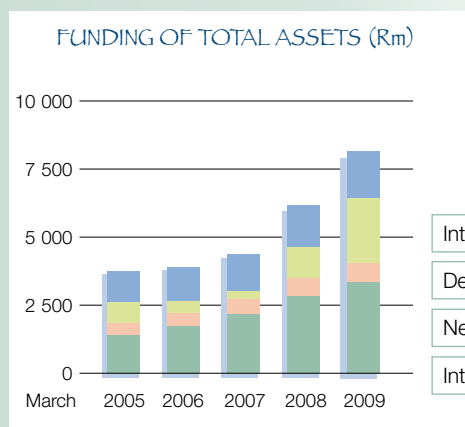
REVENUE AND HEADLINE EARNINGS (Rm)



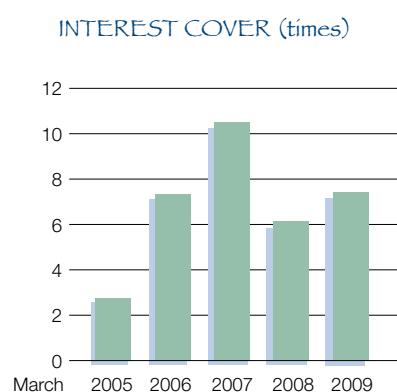
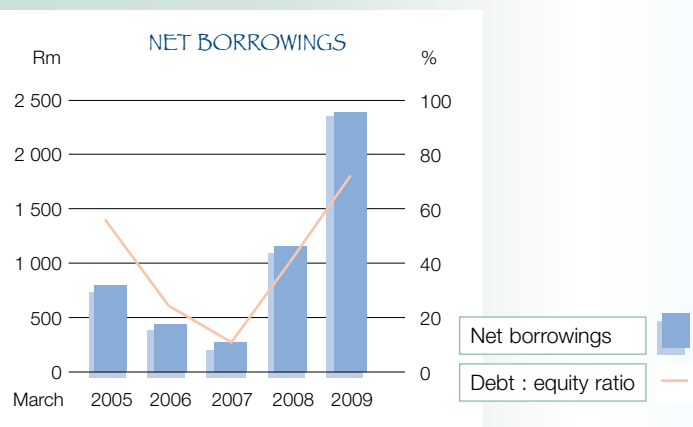
ASSETS EMPLOYED (Rm)



Rm	Notes	2009	2008	2007	2006	2005
Consolidated cash flow						
Operating profit before working capital movements		1 206.9	1 055.0	1 058.7	710.5	533.0
Working capital movements		362.8	46.2	(61.0)	117.2	134.7
Cash generated from operations		1 569.7	1 101.2	997.7	827.7	667.7
Net financing costs		(185.4)	(171.7)	(85.2)	(101.9)	(156.5)
Taxation paid		(230.3)	(151.6)	(190.4)	(89.5)	(60.1)
Dividend income		1.7	1.3	1.4	1.0	2.6
Dividends paid		(449.2)	(386.9)	(334.2)	(150.9)	(174.3)
Net cash inflow from operating activities		706.5	392.3	389.3	486.4	279.4
Investment in future operations		(1 745.8)	(869.5)	(113.2)	(98.7)	(43.2)
Replacement of property, plant and equipment		(169.5)	(154.9)	(124.7)	(120.8)	(306.3)
Proceeds on disposal of businesses		120.0	–	–	–	429.9
Other movements		(38.4)	(13.1)	30.4	43.9	26.6
Net cash (outflow)/inflow from investing activities		(1 833.7)	(1 037.5)	(207.5)	(175.6)	107.0
Net cash (outflow)/inflow before financing activities		(1 127.2)	(645.2)	181.8	310.8	386.4
Long term borrowings raised/(repaid)		170.6	796.4	(16.4)	(15.2)	(133.1)
Short term borrowings raised/(repaid)		482.0	(64.5)	130.2	(42.9)	(169.1)
Capitalised finance leases repaid		–	(0.6)	(0.8)	(0.2)	(0.5)
Proceeds from issue of share capital		6.5	6.5	56.1	15.9	18.2
Net cash inflow/(outflow) from financing activities		659.1	737.8	169.1	(42.4)	(284.5)
Net (decrease)/increase in cash and cash equivalents		(468.1)	92.6	350.9	268.4	101.9
Earnings and dividends per share						
Earnings	1 cents	210.9	171.7	149.5	105.8	15.4
Headline earnings	2 cents	211.6	171.6	149.1	104.2	45.9
Dividends (interim - paid; final - declared)	cents	106.0	85.5	75.0	62.5	25.5
Dividend cover on headline earnings	3 times	2.0	2.0	2.0	1.7	1.8



	Notes	2009	2008	2007	2006	2005
Profitability and asset management						
Operating margin	%	16.1	15.7	16.5	13.7	8.3
Return on average shareholders' equity	4 %	28.6	29.9	32.0	27.2	3.3
Return on net assets	5 %	22.0	24.1	28.5	25.2	11.1
Return on total assets	6 %	17.1	18.6	21.3	17.1	8.3
Working capital per rand of revenue	7 cents	11.7	11.8	9.4	8.5	9.8
Liquidity and borrowings						
Debt : equity ratio	8	70.0	39.9	12.2	24.3	54.7
Total liabilities to total equity	9 %	160.5	154.2	144.6	155.6	185.8
Current ratio	10 times	1.0	1.3	1.2	1.0	0.9
Interest cover	11 times	7.5	6.2	10.7	7.4	2.8
Employee statistics						
Total number of employees at year-end	12	12 457	12 266	12 617	12 886	14 598
Average number of employees		12 362	12 441	12 752	13 742	15 588
Revenue per average number of industrial employees	R000	1 249.6	991.9	894.9	756.4	634.4
Net assets per average number of employees	R000	278.7	235.4	174.7	132.0	94.0
Headline earnings per average number of employees	R000	60.0	48.2	40.4	25.6	9.9
Note: Agricultural employees are excluded from the calculation of revenue per average number of employees						
JSE Limited statistics						
Ordinary shares in issue	000	350 924	349 859	348 868	340 128	337 195
Weighted average number of shares	000	350 514	349 424	345 545	338 220	335 019
Net asset value per share	13 cents	981.7	837.2	638.7	533.2	434.7
Total volume of shares traded	000	79 492	80 160	379 040	190 879	165 848
Total value of shares traded	Rm	2 126.9	1 970.2	7 503.5	2 170.2	1 302.1
Ratio of shares traded to issued shares	times	22.7	22.9	108.6	56.1	49.2
Headline earnings yield at year-end	14 %	7.4	5.8	7.9	6.3	5.7
Dividend yield at year-end	15 %	3.7	2.9	4.0	3.8	3.1
Price : headline earnings ratio at year-end	16 times	13.5	17.3	12.7	15.9	17.6
Market price per share						
– year-end	cents	2 849	2 964	1 900	1 660	810
– highest	cents	3 500	3 115	2 100	1 700	930
– lowest	cents	1 710	1 850	1 531	725	650



Notes –

1. Earnings per share

Net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

2. Headline earnings per share

Headline earnings divided by the weighted average number of ordinary shares in issue.

3. Dividend cover on headline earnings

Headline earnings per share divided by dividends per share (interim - paid; final - declared).

4. Return on average shareholders' equity

Net profit attributable to ordinary shareholders expressed as a percentage of average shareholders' equity.

5. Return on net assets

Profit before net financing costs and taxation expressed as a percentage of average net operating assets.

6. Return on total assets

Operating profit including income from investments, expressed as a percentage of total average assets.

7. Working capital per rand of revenue

Average of inventories and accounts receivable less accounts payable, divided by revenue.

8. Debt : equity ratio

Interest-bearing liabilities including preference shares (net of cash) divided by total equity.

9. Total liabilities to total equity

Interest-bearing liabilities and other liabilities expressed as a percentage of total equity.

10. Current ratio

Current assets divided by current liabilities.

11. Interest cover

Operating profit divided by net financing costs.

12. Total number of employees at year-end

The number of employees excludes those employed by associate companies.

13. Net asset value per share

Total assets less total liabilities divided by the number of shares in issue.

14. Headline earnings yield at year-end

Headline earnings per share as a percentage of year-end market price.

15. Dividend yield at year-end

Dividend per share (interim - paid, final - declared) as a percentage of year-end market price.

16. Price : headline earnings ratio at year-end

Year-end market price divided by headline earnings per share.

17. Change in accounting policy

Where a change of accounting policy is implemented with retrospective application, the previous year is restated but all other years are not restated in the five year review.