

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required

If you are in any doubt as to what action to take, you should consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all your Illovo shares, please forward this document to the purchaser of such shares or the broker, banker or other agent through whom such disposal was effected.

Full details of the actions required by Illovo shareholders regarding the general meeting and the scheme meeting are set out from page 4 of this document.

The definitions and interpretations commencing on page 14 of this document apply throughout this document, with the exception of the sections containing the scheme of arrangement, the notice of general meeting, the notice of scheme meeting, the Order of Court and Annexure 1, which have their own definitions and interpretations.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)
("Illovo")

ABF Overseas Limited

(Incorporated in England)
(Registration number 03313345)
("ABF")

Circular to Illovo shareholders relating to

- a scheme of arrangement in terms of section 311 of the Companies Act proposed by ABF, between Illovo and its shareholders, upon the implementation of which ABF will acquire 51.00614% of the ordinary shares held by Illovo shareholders, equivalent to 51.00614 shares for every 100 shares held (subject to rounding), in exchange for the scheme consideration of R21.00 per Illovo share;
- the proposed waiver by Illovo shareholders of ABF's obligation to make a mandatory offer; and
- details of the amendments of the Memorandum and Articles to allow for the enforcement of certain minority shareholder protections; and including
- an explanatory statement in terms of section 312(1)(a)(i) of the Companies Act, which explains the provisions and effect of the scheme;
- the scheme of arrangement in terms of section 311 of the Companies Act;
- a valuation statement in terms of section 312(1)(a)(ii) of the Companies Act, which explains the financial effects of the scheme;
- a statement of directors' interests in Illovo in terms of section 312(1)(a)(iii) of the Companies Act;
- information on the substitute offer;
- additional information required in terms of the Code;
- the Order of Court;
- the notice of scheme meeting;
- the notice of general meeting;
- a form of surrender (*pink*) (for use by shareholders holding certificated shares only);
- a form of proxy in respect of the general meeting (*green*) (for use only by holders of certificated Illovo shares, nominee companies of CSDPs, brokers' nominee companies and by holders of dematerialised Illovo shares with "own-name" registration); and
- a form of proxy in respect of the scheme meeting (*blue*) (for use only by holders of certificated Illovo shares, nominee companies of CSDPs, brokers' nominee companies and by holders of dematerialised Illovo shares with "own-name" registration).

Investment bank
to Illovo



Attorneys to Illovo



Sponsor to Illovo



Attorneys to ABF



GARLICHE & BOUSFIELD

Investment bank to ABF



This document is available in English only. Copies may be obtained from the registered office of Illovo, the sponsor and the transfer secretaries whose addresses are set out in the "Corporate information and advisers" section of this document.

Date of issue: Thursday, 15 June 2006

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Date of incorporation of Illovo

11 July 1906

Place of incorporation of Illovo

Pretoria, South Africa

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ACTIONS REQUIRED IN RESPECT OF THE GENERAL MEETING

A general meeting of Illovo shareholders will be held at 13:00 on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe to consider and, if deemed fit, to approve the waiver and certain amendments to the Memorandum and Articles. A notice convening the general meeting is attached to and forms part of this document.

Please take careful note of the following information regarding the general meeting.

If you are in any doubt as to what action to take, please consult your CSDP, broker, banker, attorney, accountant, or other professional adviser immediately.

1. IF YOU HOLD DEMATERIALISED ILLOVO SHARES AND YOU DO NOT HAVE “OWN-NAME” REGISTRATION

1.1 Attendance at the general meeting

If you wish to attend the general meeting in person or be represented thereat by proxy, you must arrange with your CSDP or broker to give you the necessary authority to do so. You must not complete the attached form of proxy for the general meeting (*green*).

1.2 Voting at the general meeting

1.2.1 Your CSDP or broker should contact you to ascertain how you wish to cast your vote at the general meeting and thereafter cast your vote in accordance with your instructions.

1.2.2 If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

1.2.3 If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.

1.2.4 You must **not** complete the attached form of proxy for the general meeting (*green*).

2. IF YOU ARE A NOMINEE HOLDER OF DEMATERIALISED ILLOVO SHARES OR YOU ARE A BENEFICIAL HOLDER OF DEMATERIALISED ILLOVO SHARES AND YOU HAVE “OWN-NAME” REGISTRATION

You may attend the general meeting in person and may vote at the general meeting. Alternatively, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy for the general meeting (*green*) in accordance with the instructions contained therein and returning it to the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)) to be received by no later than 13:00 on Monday, 10 July 2006 or 48 hours immediately preceding any adjournment or postponement of the general meeting.

3. IF YOU HOLD CERTIFICATED ILLOVO SHARES

You may attend the general meeting in person and may vote at the general meeting. Alternatively, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy for the general meeting (*green*) in accordance with the instructions contained therein and returning it to the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)), to be received by no later than 13:00 on Monday, 10 July 2006 or 48 hours immediately preceding any adjournment or postponement of the general meeting.

ACTIONS REQUIRED IN RESPECT OF THE SCHEME

A meeting of scheme members will be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe to consider and, if deemed fit, to agree to the scheme. A notice convening the scheme meeting is attached to and forms part of this document.

Please take careful note of the following information regarding the scheme.

If you are in any doubt as to what action to take, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

1. IF YOU HOLD DEMATERIALISED ILLOVO SHARES AND YOU DO NOT HAVE “OWN-NAME” REGISTRATION

1.1 Voting at the scheme meeting

1.1.1 Your CSDP or broker should contact you to ascertain how you wish to cast your vote at the scheme meeting and thereafter cast your vote in accordance with your instructions.

1.1.2 If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

1.1.3 If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.

1.1.4 You must not complete the attached form of proxy for the scheme meeting (*blue*).

1.2 Attendance and representation at the scheme meeting and Court hearing

In accordance with the mandate between you and your CSDP or broker, you must advise your CSDP or broker if you wish to attend the scheme meeting and/or to appear or to be represented by Counsel at the Court hearing to sanction the scheme or send a proxy to represent you at the scheme meeting. Your CSDP or broker will issue the necessary letter of authority to you to attend the scheme meeting and/or to appear or to be represented by Counsel at the Court hearing to sanction the scheme. You must **not** complete the attached form of proxy for the scheme meeting (*blue*).

1.3 Surrender of documents of title

Should the scheme be implemented, safe custody accounts will automatically be updated by your CSDP or broker in accordance with your safe custody agreement. You must therefore not complete the attached form of surrender (*pink*).

1.4 Scheme consideration

The scheme consideration will be credited to your account held at your CSDP or broker on the operative date.

2. IF YOU ARE A NOMINEE HOLDER OF DEMATERIALISED ILLOVO SHARES OR YOU ARE A BENEFICIAL HOLDER OF DEMATERIALISED ILLOVO SHARES AND YOU HAVE “OWN-NAME” REGISTRATION

2.1 Voting and attendance at the scheme meeting

You may attend the scheme meeting in person and may vote at the scheme meeting. Alternatively, you may appoint a proxy to represent you at the scheme meeting by completing the attached form of proxy for the scheme meeting (*blue*) in accordance with the instructions contained

therein and returning it to the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)) to be received by no later than 13:30 on Monday, 10 July 2006 (or 48 hours immediately preceding any adjourned or postponed scheme meeting). Forms of proxy may also be handed to the chairman of the scheme meeting by no later than ten minutes before the scheduled time for the commencement of the scheme meeting, or any adjournment or postponement thereof.

2.2 Attendance at the Court hearing to sanction the scheme

You are entitled to appear or be represented by Counsel at the Court hearing to sanction the scheme. The Court hearing is expected to take place at 09:30 or as soon thereafter as Counsel may be heard, on a date not more than three weeks after the last of the regulatory approvals required for the implementation of the scheme has been obtained, or such other date as may be agreed in writing between Illovo and ABF, provided that at least one week's notice of such date has been given, which date will be released on SENS and published in the press. The proceedings will be held in the High Court of South Africa (Durban and Coast Local Division), which is located at the High Court, Masonic Grove, Durban.

2.3 Surrender of documents of title

Should the scheme be implemented, safe custody accounts will automatically be updated by your CSDP or broker in accordance with your safe custody agreement. You must therefore not complete the attached form of surrender (*pink*).

2.4 Scheme consideration

The scheme consideration will be credited to your account held at your CSDP or broker on the operative date.

3. IF YOU HOLD CERTIFICATED ILLOVO SHARES

3.1 Voting and attendance at the scheme meeting

You may attend the scheme meeting in person and may vote at the scheme meeting. Alternatively, you may appoint a proxy to represent you at the scheme meeting by completing the attached form of proxy for the scheme meeting (*blue*) in accordance with the instructions contained therein and returning it to the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)), to be received by no later than 13:30 on Monday, 10 July 2006 (or 48 hours immediately preceding any adjourned or postponed scheme meeting). Forms of proxy may also be handed to the chairman of the scheme meeting by no later than ten minutes before the scheduled time for the commencement of the scheme meeting, or any adjournment or postponement thereof.

3.2 Attendance at the Court hearing to sanction the scheme

You are entitled to appear or be represented by Counsel at the Court hearing to sanction the scheme. The Court hearing is expected to take place at 09:30 or as soon thereafter as Counsel may be heard, on a date not more than three weeks after the last of the regulatory approvals required for the implementation of the scheme has been obtained, or such other date as may be agreed in writing between Illovo and ABF, provided that at least one week's notice of such date has been given, which date will be released on SENS and published in the press. The proceedings will be held in the High Court of South Africa (Durban and Coast Local Division), which is located at the High Court, Masonic Grove, Durban.

3.3 Surrender of documents of title

Your attention is drawn to the fact that, in the event that the scheme becomes operative, your documents of title will no longer be good for delivery for any purpose other than surrender under the scheme and must therefore be surrendered in the manner described in paragraph 10 of the explanatory statement commencing on page 18 in order for you to receive the scheme consideration and a replacement share certificate reflecting the remaining balance of your Illovo shares.

3.4 **Scheme consideration and replacement share certificates**

3.4.1 If the scheme becomes operative and you have surrendered your documents of title representing all of your certificated Illovo shares before 12:00 on the record date for the scheme, then the replacement share certificate will be posted, at your risk, to the address provided in the form of surrender (*pink*) or, if this is not provided, to the address in the register, and the scheme consideration will be electronically transferred directly into your bank account, if details thereof are available to the transfer secretaries and the appropriate mandate with the transfer secretaries is in place. Such transfer will be effected within five business days of the operative date, provided that you have surrendered your documents of title in respect of **all** your certificated Illovo shares before 12:00 on the record date for the scheme. If the scheme consideration is to be paid by cheque, it will be posted at your risk.

3.4.2 If the scheme becomes operative and you surrender your documents of title representing **all** of your certificated Illovo shares after 12:00 on the record date for the scheme, then the scheme consideration will be paid and replacement share certificate despatched within five business days after receipt by the transfer secretaries of your documents of title representing **all** of your certificated Illovo shares in the manner described in paragraph 3.4.1 above.

4. Illovo shareholders are advised to consult their professional advisers about their personal tax positions regarding the scheme.
5. If you have disposed of all your Illovo shares, please forward this document to the purchaser of such shares or the banker, broker or other agent through whom the disposal was effected.

SALIENT FEATURES

This general overview contains important aspects of the information detailed in this document, which should be read in its entirety for a full appreciation thereof.

1. INTRODUCTION

In an announcement dated Friday, 19 May 2006, released on SENS and published in the press on Monday, 22 May 2006, Illovo shareholders were advised that ABF plc had submitted a notice to the Illovo board of its firm intention to make an offer to acquire (directly or through its wholly-owned subsidiary) 51% of the fully diluted ordinary share capital of Illovo in exchange for a cash consideration of R21.00 per Illovo share, to be effected by way of a scheme of arrangement in terms of section 311 of the Companies Act. Furthermore, the notice of firm intention referred to above made reference to ABF plc or its wholly-owned subsidiary's entitlement to extend a substitute offer to Illovo shareholders to acquire 51% of the fully diluted ordinary share capital of Illovo at a price not less than the scheme consideration, in the event that the scheme did not become operative for any reason other than failure to obtain the necessary regulatory approvals.

The conditions relating to the proposal of the scheme have been fulfilled and the purpose of this document is to provide Illovo shareholders with full details of the scheme as well as details of the substitute offer.

2. THE SCHEME

The objective of the scheme is to procure that, upon the scheme becoming operative, ABF (a wholly-owned subsidiary of ABF plc) acquires from each scheme participant 51.00614 Illovo shares per 100 Illovo shares held by the scheme participant on the record date for the scheme, adjusted by the application of the rounding principle, for a consideration of R21.00 per scheme share.

Should the scheme become operative, and taking into account the acceptances under the option offer, ABF will become the holder of 51.88% of the ordinary shares of Illovo in issue and 51% of the fully diluted ordinary share capital of Illovo. Illovo will remain listed on the JSE.

3. RATIONALE

The Illovo board and the ABF plc board are of the view that Illovo's status as Africa's leading international sugar group will be enhanced through a partnering with ABF plc. ABF plc, through its subsidiary British Sugar, is a leader in the European Union sugar industry and will provide Illovo with an European Union partner with market knowledge and access to the European Union supply chain and marketing, branding and logistics expertise to enhance Illovo's access to the European Union. Further, it is considered that the partnership will be operationally beneficial to ABF plc and Illovo through technology and knowledge transfer.

The scheme also represents an opportunity for Illovo shareholders to dispose of a portion of their holdings in Illovo at a significant premium to historical trading levels and, as ABF will not acquire all of the Illovo shares, shareholders will also be able to participate in the benefits outlined above going forward.

ABF plc is a diversified international food, ingredients and retail group with annual global sales of £5.6 billion and over 42 000 employees. It is listed on The London Stock Exchange plc with a market capitalisation of £6 billion. It operates in 41 countries with significant businesses outside Europe in Australia, China and the United States and has had a history of successful international partnerships with minority shareholders. ABF plc operates in four business categories: primary food & agriculture, grocery, ingredients and retail. British Sugar is a wholly-owned, substantial and core business within ABF plc. It has sugar operations in the United Kingdom, Poland and China, which process around two million tons of sugar annually.

4. **THE WAIVER AND MINORITY PROTECTIONS**

Subject to an ordinary resolution to such effect being passed by a simple majority of Illovo shareholders in general meeting, the SRP has indicated to ABF that it will waive the requirement arising pursuant to Rule 8 of the Code for ABF to extend an offer to Illovo shareholders to acquire all of their Illovo shares following the implementation of the scheme.

Additionally, should the scheme be implemented and with the approval by way of special resolutions of Illovo shareholders in general meeting, certain amendments to the Memorandum and Articles will be made to ensure the enforceability by Illovo and by Illovo shareholders holding, in aggregate, 5% or more of the issued ordinary share capital of Illovo, of various minority protections agreed with ABF relating to:

- certain territorial expansion by the ABF group;
- disposals by ABF plc;
- commercial arrangements with the ABF group; and
- an ownership cap on the ABF group's shareholding in Illovo.

5. **CONDITIONS PRECEDENT TO THE SCHEME**

The scheme will be subject to the fulfilment or waiver, as allowed, of the following conditions precedent by no later than the long stop date:

- 5.1 all necessary regulatory approvals to implement the scheme having been granted or deemed to have been granted, including, without being limited to:
 - 5.1.1 the approvals from the SARB in terms of the SARB Exchange Control Regulations required for the implementation of the scheme having been duly and unconditionally given; and
 - 5.1.2 all and any approvals required from the competition authorities in terms of the Competition Act for the implementation of the scheme having been duly and unconditionally given, provided that if any approval is qualified or conditional, the condition in this paragraph shall only be deemed to be fulfilled if both Illovo and ABF agree to the qualification or condition and undertake in writing to each other to abide by such qualification or condition;
- 5.2 the passing by Illovo shareholders at the general meeting of the waiver and the actual waiver by the SRP of the mandatory offer;
- 5.3 the scheme being agreed to at the scheme meeting by a majority representing not less than three-fourths (75%) of the votes exercisable by scheme members present and voting, either in person or by proxy;
- 5.4 prior to the date on which the scheme is sanctioned, Illovo not having undertaken or allowed to occur any frustrating action (as described in Rule 19 of the Code) or having made any unusual or unplanned distributions, without the consent of ABF plc to such action, which consent shall not unreasonably be withheld or delayed;
- 5.5 there being no change or proposed change in any law, regulation or policy of South Africa on or before five business days prior to the scheduled Court hearing date to sanction the scheme, which is effective on, or would be effective after such date, which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a proposed change means a change proposed by a relevant authority, government official or senior public servant;
- 5.6 the sanctioning of the scheme by the Court in terms of the Companies Act; and
- 5.7 the lodging of a certified copy of the Order of Court sanctioning the scheme with, and registration by, the Registrar in terms of the Companies Act.

ABF shall be entitled (but not obliged) to waive (in whole or in part) either or both of the conditions precedent set out in paragraphs 5.4 and 5.5. The remaining conditions precedent shall only be capable of being waived by written agreement between Illovo and ABF.

6. **CONDITIONS PRECEDENT TO THE SUBSTITUTE OFFER**

The substitute offer, if made, will be subject to the fulfilment or waiver, as allowed, of the following conditions precedent by no later than the long stop date:

- 6.1 ABF receiving acceptances in respect of 51% of the fully diluted ordinary share capital of Illovo and not part thereof;
- 6.2 all necessary regulatory approvals to effect the substitute offer having been granted or deemed to have been granted, including, without being limited to:
 - 6.2.1 the approvals from the SARB in terms of the SARB Exchange Control Regulations required for the implementation of the substitute offer having been duly and unconditionally given;
 - 6.2.2 all and any approvals required from the South African competition authorities in terms of the Competition Act, for the implementation of the substitute offer having been duly and unconditionally given, provided that if any approval is qualified or conditional, this condition shall only be deemed to be fulfilled if both Illovo and ABF agree to the qualification or condition and undertake in writing to each other to abide by such qualification or condition;
- 6.3 the passing by Illovo shareholders at the general meeting of the waiver and the actual waiver by the SRP of the mandatory offer;
- 6.4 prior to the date on which the substitute offer becomes unconditional as to the acceptances, Illovo not having undertaken or allowed to occur any frustrating action (as described in Rule 19 of the Code) or having made any unusual or unplanned distributions, without the consent of ABF plc to such action, which consent shall not unreasonably be withheld or delayed; and
- 6.5 there being no change or proposed change in any law, regulation or policy of South Africa on or before five business days prior to the date on which the substitute offer becomes unconditional as to the acceptances which is effective on, or would be effective after such date, which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a proposed change means a change proposed by a relevant authority, government official or senior public servant.

ABF shall be entitled (but not obliged) to waive (in whole or in part) either or both of the conditions precedent set out in paragraphs 6.4 and 6.5. The remaining conditions precedent shall only be capable of being waived by written agreement between Illovo and ABF.

7. **DIVIDENDS**

Each Illovo shareholder in the register as at the record date for the final dividend for the year ended 31 March 2006, will be entitled to receive the Illovo final dividend for that year, being 42.5 cents per Illovo share.

Furthermore, if the scheme becomes operative or the substitute offer becomes unconditional on any date subsequent to 30 September 2006, Illovo will declare and pay an advance dividend to the shareholders registered as such on the record date of the scheme (or the date on which the substitute offer becomes unconditional, as the case may be). This advanced dividend, calculated in accordance with Illovo's dividend policies, principles, practices and methods consistent with the last three years, will be equal to the *pro rata* dividend entitlement of Illovo shareholders for the period from the then most recent past dividend record date to the operative date of the scheme or the seventh day after the substitute offer becomes unconditional, as the case may be.

8. **BOARD AND OTHER APPOINTMENTS**

On implementation of the scheme or once the substitute offer becomes unconditional, Illovo and ABF will use their reasonable endeavours to procure the appointment of three directors nominated by ABF as non-executive directors to the Illovo board and the resignation, as directors, of three existing directors (two of whom will be executive directors), as well as the appointment of one of the non-executive directors nominated by ABF to Illovo's Executive and Group Executive Committees. Immediately following these appointments and resignations, the Illovo board will comprise five executive directors, three non-executive directors who are ABF nominees and seven independent non-executive directors.

Mr Robbie Williams will be asked to remain non-executive independent Chairman of Illovo and Mr Don MacLeod will be asked to join the Executive Committee of British Sugar, a wholly-owned subsidiary of ABF plc.

Details of the proposed directors nominated by ABF are contained in Annexure 7 to this document.

9. **CONTENTS OF THIS DOCUMENT**

This document contains all the information, notices and forms prescribed in terms of the Companies Act and the Memorandum and Articles required for the implementation of the scheme and the amendments to the Memorandum and Articles.

Disclosures made in terms of the Code provide additional information to assist Illovo shareholders in deciding on the appropriate action to take.

In addition, information on the substitute offer is provided.

10. **THE GENERAL MEETING**

A notice convening the general meeting is included on page 102 of this document. The general meeting will be held at 13:00 on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe at which shareholders will be asked to consider and, if deemed fit, pass the waiver and the resolutions approving the amendments to the Memorandum and Articles.

11. **THE SCHEME MEETING**

A notice of the scheme meeting is included on page 109 of this document. The scheme meeting will be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe at which scheme members will be asked to consider and, if deemed fit, agree to the scheme.

12. **SANCTIONING OF THE SCHEME BY THE COURT**

If the scheme is agreed to at the scheme meeting by the required majority and the conditions precedent referred to in paragraphs 5.1, 5.2, 5.4 and 5.5 are fulfilled or waived as permitted, an application will be made to the Court for the sanctioning of the scheme. Illovo may, however, apply to the Court for the sanctioning of the scheme before the fulfilment of the condition referred to in paragraph 5.1 if Illovo and ABF agree that it is appropriate that that be done. It is expected that the application to the Court for the sanctioning of the scheme will be made at 09:30 or soon thereafter as Counsel may be heard, on a date not more than three weeks after the last of the regulatory approvals has been obtained, or such other date as may be agreed in writing between Illovo and ABF, provided that at least one week's notice of such date has been given, which date will be released on SENS and published in the press. The Court is located at the High Court, Masonic Grove, Durban.

If the Court sanctions the scheme, then a certified copy of the Order of Court must be lodged with the Registrar and upon registration thereof, the scheme becomes binding on Illovo and the scheme participants.

IMPORTANT DATES AND TIMES

2006

Last day to trade in Illovo shares in order to be recorded in the register to vote at the scheme meeting	Friday, 30 June
Record date to vote at the scheme meeting	Friday, 7 July
Last day for receipt of forms of proxy for the general meeting by 13:00 on	Monday, 10 July
Last day for receipt of forms of proxy for the scheme meeting by 13:30 on	Monday, 10 July
General meeting to be held at 13:00 on	Wednesday, 12 July
Scheme meeting to be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on	Wednesday, 12 July
Annual General Meeting to be held at 14:00 or after the conclusion or adjournment of the scheme meeting, which ever is the later, on	Wednesday, 12 July
Results of the general meeting and the scheme meeting announced on SENS	Wednesday, 12 July
Results of the general meeting and the scheme meeting published in the press	Thursday, 13 July
Announcement of the date and time of the Court hearing to sanction the scheme to be released on SENS and published in the press	at least seven days prior to the Court hearing to sanction the scheme

Notes:

1. The abovementioned dates and times are South African times and are subject to change. Any such change will be released on SENS and published in the press.
2. Illovo shareholders are advised that, as trading in shares on the JSE is settled within the STRATE environment five business days following the trade, shareholders acquiring dematerialised Illovo shares after Friday, 30 June 2006 will not be eligible to vote at the scheme meeting.
3. If a form of proxy for the scheme meeting is not received by the date and time shown above, it may be handed to the chairman of the scheme meeting by not later than ten minutes before the scheme meeting is due to commence.
4. If the general meeting or scheme meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjourned or postponed general meeting or scheme meeting, or in the case of the scheme meeting, not later than ten minutes before the scheme meeting is due to commence if handed to the chairman of the scheme meeting. For the purpose of calculating the latest time by which forms of proxy must be received, Saturdays, Sundays and South African public holidays will be excluded.
5. **SHOULD THE SCHEME BE SANCTIONED AND BECOME OPERATIVE, ALL OTHER REMAINING IMPORTANT DATES AND TIMES, INCLUDING THE LAST DAY TO TRADE IN ILLOVO SHARES IN ORDER TO PARTICIPATE IN THE SCHEME, THE RECORD DATE FOR THE SCHEME, THE OPERATIVE DATE AND THE DATE OF PAYMENT OF THE SCHEME CONSIDERATION, WILL BE RELEASED ON SENS AND PUBLISHED IN THE PRESS ONCE THEY BECOME KNOWN.**

DEFINITIONS AND INTERPRETATIONS

In this document (other than the scheme, the notice of general meeting, the notice of scheme meeting, the Order of Court and Annexure 1, which contain their own definitions and interpretations) and the annexures hereto, unless the context indicates otherwise:

- words in the singular shall include the plural and *vice versa*;
- words denoting one gender include the others;
- words and expressions denoting natural persons include juristic persons and associations of persons; and
- the words and expressions in the first column have the meanings stated opposite them in the second column, as follows

“ABF”	ABF Overseas Limited (Registration number 03313345), a company incorporated in England, and a wholly-owned subsidiary of ABF plc;
“the ABF group”	collectively, ABF plc and its subsidiary companies;
“ABF plc”	Associated British Foods plc (Registration number 00293262), a public company incorporated in England and listed on The London Stock Exchange plc;
“the ABF plc board”	the board of directors of ABF plc;
“British Sugar”	British Sugar plc (Registration number 00315158), a public company incorporated in England and a wholly-owned subsidiary of ABF plc;
“broker”	any person registered as a “broking member (equities)” in terms of the rules of the JSE, made in accordance with the provisions of the Securities Services Act;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“cents”	South African cents in the official currency of South Africa;
“certificated Illovo shares”	Illovo shares that have not been dematerialised in terms of the STRATE system, title to which is represented by documents of title;
“the Code”	the Securities Regulation Code on Take-overs and Mergers and the rules of the SRP;
“the common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“the Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“the Competition Act”	the Competition Act, 1998 (Act 89 of 1998), as amended;
“the competition authorities”	the South African Competition Commission or Competition Tribunal, as the case may be, operating in terms of the Competition Act;
“the conditions precedent”	the conditions precedent to which the scheme is subject, as set out in paragraph 6 of the explanatory statement;
“the Court”	the High Court of South Africa (Durban and Coast Local Division), which is located at the High Court, Masonic Grove, Durban;

“CSDP”	a Central Securities Depository Participant appointed by an Illovo shareholder for purposes of, and in regard to, dematerialisation in terms of the Securities Services Act;
“dematerialisation”	the process by which certificated shares are converted to or held in an electronic form as uncertificated securities and recorded in the sub-register of security holders maintained by a CSDP or broker;
“dematerialised Illovo shares”	Illovo shares that have been dematerialised;
“this document” or “this circular”	this bound document, dated 15 June 2006;
“documents of title”	valid share certificates, certified transfer deeds, balance receipts or any other documents of title acceptable to ABF and Illovo in respect of Illovo shares;
“emigrant”	any emigrant from the common monetary area whose address is outside the common monetary area;
“the explanatory statement”	the explanatory statement, in terms of section 312(1)(a)(i) of the Companies Act, commencing on page 18 of this document;
“the first cautionary announcement”	the cautionary announcement released on SENS by Illovo on Tuesday, 14 February 2006;
“the fully diluted ordinary share capital of Illovo”	the entire issued ordinary share capital of Illovo assuming that all outstanding options, both vested and unvested, for Illovo shares have been exercised;
“the general meeting”	the meeting of Illovo shareholders convened for the purpose of considering and, if deemed fit, passing the waiver and the resolutions approving the amendments to the Memorandum and Articles, to be held at 13:00 on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe or any adjournment thereof (the time and date of any such adjournment will be released on SENS and published in the press);
“Illovo”	Illovo Sugar Limited (Registration number 1906/000622/06), a public company incorporated in South Africa, the ordinary shares of which are listed on the JSE;
“the Illovo board”	the board of directors of Illovo as at the last practicable date, the members of which are listed on page 41 of this document;
“Illovo shareholders” or “shareholders”	holders of Illovo shares;
“Illovo shares”	ordinary shares in the issued ordinary share capital of Illovo with a par value of 4 cents each;
“the JSE”	the JSE Limited, a company duly registered and incorporated with limited liability under the laws of South Africa under registration number 2005/022939/06, licensed as an exchange under the Securities Services Act, 2004;
“the last practicable date”	the last practicable date prior to the finalisation of this document, being Tuesday, 6 June 2006;
“the long stop date”	in relation to the scheme, 30 November 2006, provided that if by that date: <ul style="list-style-type: none"> – the conditions referred to in paragraphs 6.2 and 6.3 of the explanatory statement have been fulfilled; and

- ABF does not have any reasonable grounds for believing that the conditions referred to in paragraphs 6.4 and 6.5 of the explanatory statement will not be fulfilled (or those conditions have been waived by ABF),

the long stop date shall be automatically extended to 31 March 2007 (or such later date as Illovo and ABF may agree in writing) in order to enable the condition referred to in paragraph 6.1 of the explanatory statement to be fulfilled;

in relation to the substitute offer, 30 November 2006, provided that if by that date:

- the conditions referred to in paragraphs 2.1 and 2.3 of the section entitled “The substitute offer” (page 45 of this document) have been fulfilled; and
- ABF does not have any reasonable grounds for believing that the conditions referred to in paragraphs 2.4 and 2.5 of the section entitled “The substitute offer” will not be fulfilled (or those conditions have been waived by ABF),

the long stop date shall be automatically extended to 31 March 2007 (or such later date as Illovo and ABF may agree in writing) in order to enable the condition referred to in paragraph 2.2 of the section entitled “The substitute offer” to be fulfilled;

“the mandatory offer”	the requirement arising pursuant to Rule 8 of the Code for ABF to extend an offer to Illovo shareholders to acquire all of their Illovo shares if it acquires 35% or more of Illovo’s voting share capital as a result of the scheme becoming operative or the substitute offer becoming unconditional;
“the Memorandum and Articles”	the Memorandum and Articles of Association of Illovo;
“the operative date”	the business day immediately following the record date for the scheme;
“the option holders”	participants in the Illovo Sugar 1992 Share Option Scheme;
“the option offer”	the offer by ABF to option holders referred to in paragraph 4 of the section of this document entitled “Additional information required in terms of the Code and details of amendments to the Memorandum and Articles”;
“the Order of Court”	the Order of Court as set out on page 106 of this document;
“the ownership cap”	60% of the fully diluted ordinary share capital of Illovo;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“the record date for the scheme”	date on which Illovo shareholders must be recorded in the register to receive the scheme consideration, being the close of business on a Friday (or if that Friday is not a business day, the immediately preceding business day), which date will be determined in accordance with the provisions of paragraph 17 of the explanatory statement;
“the record date for voting”	the date on which an Illovo shareholder must be recorded in the register to be entitled to vote at the scheme meeting, being the close of business five business days following the last day to trade in Illovo shares in order to be recorded in the register as an Illovo shareholder on the record date for voting, which record date for voting is expected to be at 17:00 on Friday, 7 July 2006, which is the business day before the last day for receipt of the forms of proxy for the scheme meeting (<i>blue</i>);

“the register”	the register of Illovo shareholders, including the relevant sub-registers;
“the Registrar”	the Registrar of Companies in South Africa;
“replacement share certificate”	the share certificate representing the remaining balance of a shareholder’s Illovo shares after such shareholder’s scheme shares have been acquired in terms of the scheme;
“the rounding principle”	the rounding up or down to the nearest whole number of a fraction, if any, of an Illovo share if the aggregate number of scheme shares to be acquired from each scheme participant in terms of the scheme is not a whole number, on the basis that such fraction will be: <ul style="list-style-type: none"> (a) rounded up to the nearest whole number if the fraction is equal to or greater than 0.5 of an Illovo share; or (b) rounded down to the nearest whole number if the fraction is less than 0.5 of an Illovo share;
“the SARB”	the South African Reserve Bank;
“the SARB Exchange Control Regulations”	the South African Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“the scheme” or “the scheme of arrangement”	the scheme of arrangement in terms of section 311 of the Companies Act, proposed by ABF between Illovo and the Illovo shareholders, details of which are contained in this document, in terms of which ABF will, if the scheme becomes operative, acquire the scheme shares in exchange for the scheme consideration, subject to any modification or amendment to which ABF and Illovo may agree in writing and which is approved, if required, by the Court;
“the scheme consideration”	the consideration that will be received by each scheme participant, being R21.00 per scheme share registered in the name of the scheme participant on the record date for the scheme;
“the scheme meeting”	the meeting of scheme members convened pursuant to the Order of Court to be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe or any adjournment thereof (the time and date of any such adjournment will be released on SENS and published in the press), at which scheme members will consider and vote on the scheme;
“scheme members”	Illovo shareholders recorded in the register on the record date for voting, who will be entitled to attend, speak and vote at the scheme meeting, in person or by proxy;
“scheme participants”	Illovo shareholders recorded in the register on the record date for the scheme;
“the scheme shares”	the Illovo shares to be acquired by ABF in terms of the scheme, being 51.00614 Illovo shares per 100 shares held by each scheme participant on the record date for the scheme, adjusted by the application of the rounding principle;
“the Securities Services Act”	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;

“Standard Bank”	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a public company incorporated in South Africa;
“the SRP”	the Securities Regulation Panel, established in terms of section 440B of the Companies Act;
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and which is the registered central securities depository responsible for the electronic custody and settlement system used by the JSE;
“sub-register”	the record of uncertificated securities administered and maintained by a CSDP, which forms part of the register;
“the substitute offer”	the offer by ABF to acquire 51% of the fully diluted ordinary share capital of Illovo, which offer may be extended to Illovo shareholders at the election of ABF should the scheme not become operative for any reason other than the failure to obtain all necessary regulatory approvals;
“the substitute offer consideration”	the consideration that will be received by each Illovo shareholder accepting the substitute offer, being R21.00 per Illovo share acquired by ABF from the Illovo shareholders pursuant to the substitute offer;
“Ultra Registrars” or “the transfer secretaries”	Ultra Registrars (Proprietary) Limited (Registration number 2000/007239/07), a private company incorporated in South Africa, the transfer secretaries of Illovo;
“the valuation statement”	the valuation statement made in terms of section 312(1)(a)(ii) of the Companies Act and set out on page 37 of this document; and
“the waiver”	the ordinary resolution approving the waiver of the mandatory offer.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)

ABF Overseas Limited

(Incorporated in England)
(Registration number 03313345)

EXPLANATORY STATEMENT APPLICABLE TO THE SCHEME IN TERMS OF SECTION 312(1)(a)(i) OF THE COMPANIES ACT

This explanatory statement sets out the reasons for, and the effects and procedures of, the scheme and does not constitute the scheme itself. The attention of shareholders is drawn to the fact that the scheme commences on page 25 of this document.

1. INTRODUCTION

In an announcement dated Friday, 19 May 2006, released on SENS and published in the press on Monday, 22 May 2006, Illovo shareholders were advised that ABF plc had submitted a notice to the Illovo board, of its firm intention to make an offer to acquire (directly or through its wholly-owned subsidiary) 51% of the fully diluted ordinary share capital of Illovo in exchange for a cash consideration of R21.00 per Illovo share, to be effected by way of a scheme of arrangement in terms of section 311 of the Companies Act.

The objective of the scheme is to procure that, upon the scheme becoming operative, ABF acquires all of the scheme shares, being 51.00614% of the Illovo shares held by scheme participants, subject to the rounding principle.

Should the scheme become operative and taking into account the acceptances under the option offer, ABF will become the holder of 51.88% of the Illovo shares in issue and 51% of the fully diluted ordinary share capital of Illovo. Illovo will remain listed on the JSE.

2. RATIONALE

The Illovo board and the ABF plc board are of the view that Illovo's status as Africa's leading international sugar group will be enhanced through a partnering with ABF plc. ABF plc, through its subsidiary British Sugar, is a leader in the European Union sugar industry and will provide Illovo with an European Union partner with market knowledge and access to the European Union supply chain and marketing, branding and logistics expertise to enhance Illovo's access to the European Union. Further, it is considered that the partnership will be operationally beneficial to ABF and Illovo through technology and knowledge transfer.

The scheme also represents an opportunity for Illovo shareholders to dispose of a portion of their holdings in Illovo at a significant premium to historical trading levels and, as ABF will not acquire all of the Illovo shares, shareholders will also be able to participate in the benefits outlined above going forward.

ABF plc is a diversified international food, ingredients and retail group with annual global sales of £5.6 billion and over 42 000 employees. It is listed on The London Stock Exchange plc with a market capitalisation of £6 billion. It operates in 41 countries with significant businesses outside Europe in Australia, China and the United States and has had a history of successful international partnerships with minority shareholders. ABF plc operates in four business categories: primary food & agriculture, grocery, ingredients and retail. British Sugar is a wholly-owned, substantial and core business within ABF plc. It has sugar operations in the United Kingdom, Poland and China, which process around two million tons of sugar annually.

3. THE PURPOSE OF THE EXPLANATORY STATEMENT

The purpose of this explanatory statement is to explain, *inter alia*, the effect that the scheme will have on scheme members in the event of the scheme being implemented.

This section also explains:

- the conditions precedent to which the scheme is subject;
- how scheme members will be informed of the fulfilment of the conditions precedent;
- what must be done to enable scheme members to vote at the scheme meeting referred to below; and
- what scheme members are required to do in order to obtain and enforce the rights created by the scheme and how those rights may be lost through inaction.

This explanatory statement should be read in conjunction with the scheme and the rest of the document.

4. THE NATURE OF A SCHEME UNDER SECTION 311 OF THE COMPANIES ACT

Section 311 of the Companies Act permits a company to apply to the Court for leave to convene a meeting of its shareholders for the purpose of considering and, if deemed fit, agreeing to a scheme of arrangement between the company and its shareholders. The meeting of those shareholders is referred to as a “scheme meeting”.

Scheme members are entitled to be present or be represented, and to vote, at the scheme meeting. If the scheme is agreed to at the scheme meeting by the required majority and the relevant conditions precedent have been fulfilled or waived, as permitted, an application is made to the Court for the sanctioning of the scheme. If the Court sanctions the scheme, then a certified copy of the Order of Court must be lodged with the Registrar and upon registration thereof (if all the other conditions precedent have been fulfilled or waived), the scheme becomes binding on that company and its shareholders recorded in the register on the record date for the scheme and their rights then become regulated by the terms of the scheme.

Should the scheme be agreed to the scheme members, the conditions precedent contained in the scheme be fulfilled, including the grant of the Order of Court and the registration of that Order of Court by the Registrar, the scheme will become operative and the scheme participants will be bound by the scheme and required to take the steps outlined in the scheme explained in paragraph 5 below.

5. THE SUBSTANCE OF THE SCHEME

5.1 Upon the scheme becoming operative:

- 5.1.1 scheme participants shall be deemed to have disposed of (and shall be deemed to have undertaken to transfer) the scheme shares to ABF, which shall acquire ownership of such shares and have such shares registered in the name of ABF;
- 5.1.2 in consideration of the disposal of each scheme share, each scheme participant will become entitled to receive the scheme consideration in accordance with paragraph 11 below; and
- 5.1.3 the rights of scheme participants to receive the scheme consideration in respect of their scheme shares will be rights enforceable by scheme participants against Illovo only. Scheme participants will, if necessary, be entitled to require Illovo to enforce its rights in terms of the scheme against ABF.

5.2 Upon the scheme becoming operative, scheme participants shall be deemed to have, *inter alia*:

- 5.2.1 irrevocably authorised and instructed Illovo to instruct and authorise every CSDP or broker concerned to transfer to ABF the scheme shares of scheme participants holding dematerialised shares in the manner described in section 91A(4)(a) of the Companies Act;
- 5.2.2 irrevocably authorised and instructed Illovo to dispose of the scheme shares to ABF, which will be deemed to have acquired ownership of the scheme shares in exchange for the payment by ABF of the scheme consideration to Illovo as contemplated in the scheme;

5.2.3 irrevocably authorised and instructed Illovo as their agent to procure the transfer of the scheme shares into the name of ABF; and

5.2.4 irrevocably authorised and instructed Illovo as principal, but with the power to appoint agents, to collect from ABF the scheme consideration for delivery to the scheme participants.

6. **CONDITIONS PRECEDENT TO THE SCHEME**

The scheme will be subject to the fulfilment or waiver, as allowed, of the following conditions precedent, by no later than the long stop date:

6.1 all necessary regulatory approvals to implement the scheme having been granted or deemed to have been granted, including, without being limited to:

6.1.1 the approvals from the SARB in terms of the SARB Exchange Control Regulations required for the implementation of the scheme, having been duly and unconditionally given;

6.1.2 all and any approvals required from the competition authorities in terms of the Competition Act for the implementation of the scheme having been duly and unconditionally given, provided that if any approval is qualified or conditional, the condition in this paragraph shall only be deemed to be fulfilled if both Illovo and ABF agree to the qualification or condition and undertake in writing to each other to abide by such qualification or condition;

6.2 the passing by Illovo shareholders at the general meeting of the waiver and the actual waiver by the SRP of the mandatory offer;

6.3 the scheme being agreed to at the scheme meeting by a majority of Illovo ordinary shareholders representing not less than three-fourths (75%) of the votes exercisable by scheme members, present and voting either in person or by proxy;

6.4 prior to the date on which the scheme is sanctioned, Illovo not having undertaken or allowed to occur any frustrating action (as described in Rule 19 of the Code) or having made any unusual or unplanned distributions, without the consent of ABF plc to such action, which consent shall not unreasonably be withheld or delayed;

6.5 there having been no change or proposed change in any law, regulation or policy of South Africa on or before five business days prior to the scheduled Court hearing date to sanction the scheme, which is effective on, or would be effective after such date, which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a proposed change means a change proposed by a relevant authority, government official or senior public servant;

6.6 the sanctioning of the scheme by the Court in terms of the Companies Act; and

6.7 the lodging of a certified copy of the Order of Court sanctioning the scheme with, and registration by, the Registrar in terms of the Companies Act.

ABF shall be entitled (but not obliged) to waive (in whole or in part) either or both of the conditions precedent set out in paragraphs 6.4 and 6.5. The remaining conditions precedent shall only be capable of being waived by written agreement between Illovo and ABF.

7. **NOTICE OF SCHEME MEETING**

The notice convening the scheme meeting is included on page 109 of this document. The scheme meeting will be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe at which scheme members will be asked to consider and, if deemed fit, agree to the scheme.

8. ATTENDANCE AND VOTING AT THE SCHEME MEETING

Illovo shareholders reflected in the register at the record date for voting will be entitled to attend or be represented and to vote at the scheme meeting.

Scheme members holding certificated Illovo shares and scheme members who have dematerialised their Illovo shares and are either nominees or beneficial holders of Illovo shares who have “own-name” registration and who are unable to attend the scheme meeting and wish to be represented thereat, must complete and return the attached form of proxy for the scheme meeting (*blue*) to the transfer secretaries, Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000), to be received by 13:30 on Monday, 10 July 2006 (or 48 hours immediately preceding any adjourned or postponed scheme meeting) or must hand such form to the chairman of the scheme meeting not later than ten minutes before the scheduled time for the commencement of the scheme meeting, or any adjournment or postponement thereof.

Illovo shareholders holding dematerialised Illovo shares, who do not have “own-name” registration who wish to attend the scheme meeting, must instruct their CSDP or broker to issue them with the necessary letter of authority to attend or, if they do not wish to attend the scheme meeting but wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

9. SANCTIONING OF THE SCHEME BY THE COURT

If the scheme is agreed to at the scheme meeting by the required majority and the conditions precedent referred to in paragraphs 6.1, 6.2, 6.4 and 6.5 are fulfilled or waived as permitted, an application will be made to the Court for the sanctioning of the scheme. Illovo may, however, apply to the Court for the sanctioning of the scheme before the fulfilment of the condition referred to in paragraph 6.1 if Illovo and ABF agree that it is appropriate that that be done. It is expected that the application to the Court for the sanctioning of the scheme will be made at 09:30 or soon thereafter as Counsel may be heard, on a date not more than three weeks after the last of the regulatory approvals has been obtained, or such other date as may be agreed in writing between Illovo and ABF, provided that at least one week’s notice of such date has been given, which date will be released on SENS and published in the press. Shareholders are entitled to attend the Court hearing to sanction the scheme in person or to be represented by Counsel and to be heard concerning any objections they may have in respect of such application. The Court is located at the High Court, Masonic Grove, Durban.

If the Court sanctions the scheme, then a certified copy of the Order of Court must be lodged with the Registrar and upon registration thereof, the scheme becomes binding on Illovo and the scheme participants.

10. SURRENDER OF DOCUMENTS OF TITLE

The provisions of this paragraph do not apply to scheme participants holding dematerialised Illovo shares.

10.1 Scheme participants holding certificated Illovo shares shall, notwithstanding that the ownership of their scheme shares has been transferred to ABF, only be entitled to receive the scheme consideration once they have surrendered their documents of title in respect of **all** of their Illovo shares.

10.2 If the scheme becomes operative and a shareholder holding certificated Illovo shares has surrendered all documents of title in respect of **all** of his Illovo shares, such shareholder will receive in return the scheme consideration and a replacement share certificate for the remaining balance of his Illovo shares.

10.3 A scheme participant holding certificated Illovo shares who wishes to expedite receipt of the scheme consideration and surrender his documents of title in anticipation of the scheme becoming operative, may complete the attached form of surrender (*pink*) and return it, at his own risk, together with the documents of title relating to **all** his Illovo shares, to be received by the transfer secretaries, Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000) before 12:00 on the record date for the scheme.

- 10.4 Alternatively, scheme participants holding certificated Illovo shares may wait until the scheme becomes operative and surrender their documents of title under cover of the completed form of surrender (*pink*) at that time. In this regard, once the scheme becomes operative, a further form of surrender will be sent to all scheme participants holding certificated Illovo shares for use by those who may not yet have surrendered their documents of title.
- 10.5 No receipts will be issued for documents of title surrendered unless specifically requested. Any person requiring a receipt must prepare a specimen receipt and forward it together with his documents of title surrendered.
- 10.6 Documents of title surrendered by Illovo shareholders prior to 12:00 on the record date for the scheme in anticipation of the scheme becoming operative will be held in trust on behalf of such Illovo shareholders by the transfer secretaries. If the scheme does not become operative for any reason whatsoever, the transfer secretaries will, within five business days after the date upon which it becomes known that the scheme will not become operative, return the documents of title to the shareholder concerned, by registered post, at the risk of such shareholder, to the return address specified on the form of surrender (*pink*), or if no return address is specified on the form of surrender (*pink*), to the address recorded in the register.
- 10.7 If documents of title relating to any scheme shares to be surrendered are lost or destroyed, scheme participants holding certificated Illovo shares should nevertheless return the form of surrender (*pink*) duly signed and completed, together with a duly signed indemnity form, which is obtainable from the transfer secretaries.
- 10.8 ABF and Illovo may dispense with the requirement for the surrender of such documents of title upon production of evidence satisfactory to ABF and Illovo that the documents of title to the scheme shares in question have been lost or destroyed and upon provision of a suitable duly signed indemnity on terms satisfactory to them. Indemnity forms are obtainable from the transfer secretaries.
- 10.9 The attention of Illovo shareholders holding certificated Illovo shares is drawn to the fact that if they surrender their documents of title in advance, they will be unable to dematerialise and/or trade in their Illovo shares on the JSE from the date of surrender. However, their right to attend and vote at the scheme meeting will remain unaffected.

11. REPLACEMENT SHARE CERTIFICATES AND SETTLEMENT OF THE SCHEME CONSIDERATION

- 11.1 In the case of scheme participants holding certificated Illovo shares, unless the election referred to in paragraph 11.2 below is made, the scheme consideration and replacement share certificates will, where the documents of title have been surrendered prior to 12:00 on the record date for the scheme, be posted by registered post by the transfer secretaries to such scheme participants at their addresses recorded in the form of surrender (*pink*) or the register (if such details are not provided in the form of surrender) at the risk of the scheme participant concerned, on or about the operative date, or be posted within five business days of receipt of the form of surrender (*pink*) together with the documents of title if received after 12:00 on the record date for the scheme.
- 11.2 Scheme participants holding certificated Illovo shares may, if they have entered into a mandate with the transfer secretaries, receive the scheme consideration, should they so elect, by electronic transfer directly into their relevant bank accounts, by providing details of their bank accounts on the attached form of surrender (*pink*).
- 11.3 In respect of scheme participants holding dematerialised Illovo shares, Illovo will procure that the aggregate scheme consideration is collected by the transfer secretaries and thereafter that the relevant accounts of such scheme participants at their CSDPs or brokers are credited with the scheme consideration due to them.

11.4 Where, on or subsequent to the operative date, a person who was not a registered holder of the scheme shares on the record date for the scheme, tenders to the transfer secretaries documents of title together with a form of surrender (*pink*) purporting to have been executed by or on behalf of the registered holder of such scheme shares and provided that the scheme consideration shall not already have been posted or delivered to the registered holder or deposited directly into the registered holder's bank account, such transfer shall be accepted by Illovo and ABF as if it were a valid transfer to such person of the scheme shares concerned. The scheme consideration will be posted or transferred electronically to such person in accordance with the provisions of this paragraph within five business days of such tender, subject to proof satisfactory to Illovo and ABF as to the payment of any stamp duty or uncertificated securities tax payable and provided that Illovo and ABF are given an indemnity on terms acceptable to them in respect of such scheme consideration.

11.5 If:

11.5.1 the scheme consideration is not sent to scheme participants entitled thereto or transferred directly into such scheme participants' bank accounts because the relevant documents of title have not been surrendered; or

11.5.2 the scheme consideration is returned undelivered to the transfer secretaries, the scheme consideration will be held in trust by the transfer secretaries for the benefit of the scheme participants concerned until claimed by such relevant scheme participants. No interest will accrue or be paid on any amount payable to the scheme participants arising from the scheme consideration being so held.

11.6 The scheme consideration will be paid in full in accordance with the terms of the scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Illovo or ABF may otherwise be entitled.

11.7 Delivery by ABF to Illovo, as principal, of the scheme consideration shall be the sole and exclusive manner of discharge by ABF of its payment obligations in respect of the scheme consideration.

11.8 Settlement of the scheme consideration due to scheme participants will be effected exclusively by Illovo as principal.

11.9 The rights of the scheme participants to receive the scheme consideration will be rights enforceable by scheme participants against Illovo only. Scheme participants will, in turn, be entitled to require Illovo to enforce its rights in terms of the scheme against ABF.

11.10 Illovo undertakes in favour of the scheme participants to enforce all its rights in terms of the scheme against ABF.

12. EFFECTS OF THE SCHEME ON THE SCHEME PARTICIPANTS

If the scheme is implemented, each scheme participant (whether such scheme participant voted in favour of the scheme or not) will be deemed to have disposed of his scheme shares to ABF and to have become entitled to receive the scheme consideration for each of his shares.

13. EXCHANGE CONTROL REGULATIONS

Details of the SARB Exchange Control Regulations in respect of the scheme consideration and the replacement share certificates are set out in Annexure 3 to this document.

14. CONDITIONAL UNDERTAKINGS

ABF has received conditional undertakings to support the scheme from shareholders representing 63.8% of Illovo's issued ordinary shares.

15. TAXATION CONSIDERATIONS

The tax treatment of the scheme consideration is dependent on the individual circumstances of each of the scheme participants and on the tax jurisdiction applicable to such scheme participants. It is recommended that scheme participants seek appropriate advice in this regard.

16. SPECIAL ARRANGEMENTS

Save as disclosed in paragraph 10 of the scheme, paragraph 4 of the valuation statement, paragraph 4 of the section entitled "Statement of Illovo directors' interests in terms of section 312(1)(a)(iii) of the Companies Act" and paragraphs 4 and 5 of the section entitled "Additional information required in terms of the Code and details of the amendments to the Memorandum and Articles",

16.1 there are no arrangements, undertakings by or agreements between Illovo and ABF in relation to Illovo shares; and

16.2 no agreements, arrangements or understandings (including any compensation arrangements) which have any connection with or dependence on the scheme, exist between ABF and any director of Illovo or any person who was a director of Illovo within the period commencing twelve months prior to the last practicable date, or any Illovo shareholder or a person who was an Illovo shareholder within the period commencing twelve months prior to the last practicable date.

17. GENERAL

The record date for the scheme (as defined) will be determined in accordance with the Code, unless otherwise instructed by the JSE, and will occur as soon as possible after the conditions precedent have been fulfilled or waived.

18. AUTHORSHIP

Standard Bank has compiled this explanatory statement on behalf of the boards of Illovo and ABF, who have furnished the information and facts contained therein.

This explanatory statement sets out the reasons for, and the effects and procedures of, the scheme and does not constitute the scheme itself. The attention of shareholders is drawn to the fact that the scheme commences on page 25 of this document.

For and on behalf of

ILLOVO SUGAR LIMITED

D G MacLeod

Director

Mount Edgecombe

15 June 2006

For and on behalf of

ABF OVERSEAS LIMITED

P A Lister

London

15 June 2006



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)
("Illovo")

ABF Overseas Limited

(Incorporated in England)
(Registration number 03313345)
("ABF")

THE SCHEME OF ARRANGEMENT IN TERMS OF SECTION 311 OF THE COMPANIES ACT 1973 (ACT 61 OF 1973), AS AMENDED, PROPOSED BY ABF OVERSEAS LIMITED BETWEEN ILLOVO SUGAR LIMITED AND ITS ORDINARY SHAREHOLDERS

1. DEFINITIONS AND INTERPRETATIONS

In this scheme, unless otherwise stated or the context otherwise indicates, the words and expressions in the first column shall have the meanings stated opposite them in the second column and words and expressions in the singular shall include the plural and *vice versa*. Words importing natural persons include juristic persons and associations of persons and words and expressions denoting any gender shall include the other genders.

"ABF"	ABF Overseas Limited (Registration number 03313345), a company incorporated in England, and a wholly-owned subsidiary of ABF plc;
"ABF plc"	Associated British Foods plc (Registration number 00293262), a public company incorporated in England and listed on The London Stock Exchange plc;
"the ABF plc board"	the board of directors of ABF plc;
"broker"	any person registered as a "broking member (equities)" in terms of the rules of the JSE, made in accordance with the provisions of the Securities Services Act;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"cents"	South African cents in the official currency of South Africa;
"certificated Illovo shares"	Illovo shares that have not been dematerialised in terms of the STRATE system, title to which is represented by documents of title;
"the Code"	the Securities Regulation Code on Take-overs and Mergers and the rules of the SRP;
"the common monetary area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"the Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"the Competition Act"	the Competition Act, 1998 (Act 89 of 1998), as amended;
"the competition authorities"	the South African Competition Commission or Competition Tribunal, as the case may be, operating in terms of the Competition Act;

“the conditions precedent”	the conditions precedent to which the scheme is subject, as set out in paragraph 8 of the scheme;
“the Court”	the High Court of South Africa (Durban and Coast Local Division), which is located at the High Court, Masonic Grove, Durban;
“CSDP”	a Central Securities Depository Participant appointed by an Illovo shareholder for purposes of, and in regard to, dematerialisation in terms of the Securities Services Act;
“dematerialisation”	the process by which certificated shares are converted to or held in an electronic form as uncertificated securities and recorded in the sub-register of security holders maintained by a CSDP or broker;
“dematerialised Illovo shares”	Illovo shares that have been dematerialised;
“this document” or “this circular”	the bound document, dated 15 June 2006, of which this scheme forms part;
“documents of title”	valid share certificates, certified transfer deeds, balance receipts or any other documents of title acceptable to ABF and Illovo in respect of Illovo shares;
“emigrant”	any emigrant from the common monetary area whose address is outside the common monetary area;
“the explanatory statement”	the explanatory statement, in terms of section 312(1)(a)(i) of the Companies Act, commencing on page 18 of this document;
“the first cautionary announcement”	the cautionary announcement released on SENS by Illovo on Tuesday, 14 February 2006;
“the fully diluted ordinary share capital of Illovo”	the entire issued ordinary share capital of Illovo assuming that all outstanding options, both vested and unvested, for Illovo shares have been exercised;
“the general meeting”	the meeting of Illovo shareholders convened for the purpose of considering and, if deemed fit, passing the waiver and the resolutions approving the amendments to the Memorandum and Articles, to be held at 13:00 on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe or any adjournment thereof (the time and date of any such adjournment will be released on SENS and published in the press);
“Illovo”	Illovo Sugar Limited (Registration number 1906/000622/06), a public company incorporated in South Africa, the ordinary shares of which are listed on the JSE;
“the Illovo board”	the board of directors of Illovo as at the last practicable date, the members of which are listed on page 41 of this document;
“Illovo shareholders” or “shareholders”	holders of Illovo shares;
“Illovo shares”	ordinary shares in the issued ordinary share capital of Illovo with a par value of 4 cents each;
“the JSE”	the JSE Limited, a company duly registered and incorporated with limited liability under the laws of South Africa under registration number 2005/022939/06, licensed as an exchange under the Securities Services Act, 2004;

“the last practicable date”	the last practicable date prior to the finalisation of this document, being Tuesday, 6 June 2006;
“the long stop date”	<p>in relation to the scheme, 30 November 2006, provided that if by that date:</p> <ul style="list-style-type: none"> – the conditions referred to in paragraphs 8.2 and 8.3 of the scheme have been fulfilled; and – ABF does not have any reasonable grounds for believing that the conditions referred to on paragraphs 8.4 and 8.5 of the scheme will not be fulfilled (or those conditions have been waived by ABF), <p>the long stop date shall be automatically extended to 31 March 2007 (or such later date as Illovo and ABF may agree in writing) in order to enable the condition referred to in paragraph 8.1 of the scheme to be fulfilled;</p>
“the mandatory offer”	the requirement arising pursuant to Rule 8 of the Code for ABF to extend an offer to Illovo shareholders to acquire all of their Illovo shares if it acquires 35% or more of Illovo’s voting share capital as a result of the scheme becoming operative or the substitute offer becoming unconditional;
“the Memorandum and Articles”	the Memorandum and Articles of Association of Illovo;
“the operative date”	the business day immediately following the record date for the scheme;
“the option holders”	participants in the Illovo Sugar 1992 Share Option Scheme;
“the option offer”	the offer by ABF to option holders referred to in paragraph 4 of the section of this document entitled “Additional information required in terms of the Code and details of the amendments to the Memorandum and Articles”;
“the Order of Court”	the Order of Court as set out on page 106 of this document;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“the record date for the scheme”	date on which Illovo shareholders must be recorded in the register to receive the scheme consideration, being the close of business on a Friday (or if that Friday is not a business day, the immediately preceding business day), which date will be determined in accordance with the provisions of paragraph 12.7 of the scheme;
“the record date for voting”	the date on which an Illovo shareholder must be recorded in the register to be entitled to vote at the scheme meeting, being the close of business five business days following the last day to trade in Illovo shares in order to be recorded in the register as an Illovo shareholder on the record date for voting, which date for voting is expected to be at 17:00 on Friday, 7 July 2006, which is one business day before the last day for receipt of the forms of proxy for the scheme meeting (<i>blue</i>);
“the register”	the register of Illovo shareholders, including the relevant sub-registers;
“the Registrar”	the Registrar of Companies in South Africa;
“replacement share certificate”	the share certificate representing the remaining balance of a shareholder’s Illovo shares after such shareholder’s scheme shares have been acquired in terms of the scheme;

“the rounding principle”	the rounding up or down to the nearest whole number of a fraction, if any, of an Illovo share if the aggregate number of scheme shares to be acquired from each scheme participant in terms of the scheme is not a whole number, on the basis that such fraction will be: (a) rounded up to the nearest whole number if the fraction is equal to or greater than 0.5 of an Illovo share; or (b) rounded down to the nearest whole number if the fraction is less than 0.5 of an Illovo share;
“the SARB”	the South African Reserve Bank;
“the SARB Exchange Control Regulations”	the South African Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“the scheme” or “the scheme of arrangement”	the scheme of arrangement in terms of section 311 of the Companies Act, proposed by ABF between Illovo and the Illovo shareholders in terms of which ABF will, if the scheme becomes operative, acquire the scheme shares in exchange for the scheme consideration, subject to any modification or amendment to which ABF and Illovo may agree in writing and which is approved, if required, by the Court;
“the scheme consideration”	the consideration that will be received by each scheme participant, being R21.00 per scheme share registered in the name of the scheme participant on the record date for the scheme;
“the scheme meeting”	the meeting of scheme members convened pursuant to the Order of Court to be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe or any adjournment thereof (the time and date of any such adjournment will be released on SENS and published in the press), at which scheme members will consider and vote on the scheme;
“scheme members”	Illovo shareholders recorded in the register on the record date for voting, who will be entitled to attend, speak and vote at the scheme meeting, in person or by proxy;
“scheme participants”	Illovo shareholders recorded in the register on the record date for the scheme;
“the scheme shares”	the Illovo shares to be acquired by ABF in terms of the scheme, being 51.00614 Illovo shares per 100 shares held by each scheme participant on the record date for the scheme, adjusted by the application of the rounding principle;
“the Securities Services Act”	the Securities Services Act, 2004 (Act 36 of 2004);
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Standard Bank”	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a public company incorporated in South Africa;
“the SRP”	the Securities Regulation Panel, established in terms of section 440B of the Companies Act;

“STRATE”	STRATE Limited (Registration number 1998/022242/06), a public company incorporated in South Africa, and which is a registered central securities depository responsible for the electronic custody and settlement system used by the JSE;
“sub-register”	the record of uncertificated securities administered and maintained by a CSDP, which forms part of the register;
“Ultra Registrars” or “the transfer secretaries”	Ultra Registrars (Proprietary) Limited (Registration number 2000/007239/07), a private company incorporated in South Africa, transfer secretaries of Illovo;
“the valuation statement”	the valuation statement made in terms of section 312(1)(a)(ii) of the Companies Act and set out on page 37 of this document; and
“the waiver”	the ordinary resolution approving the waiver of the mandatory offer.

2. SHARE CAPITAL OF ILLOVO

- 2.1 The authorised share capital of Illovo is R36 000 000, divided into 900 000 000 ordinary shares of 4 cents each.
- 2.2 The issued share capital of Illovo as at the last practicable date is R13 652 908 divided into 341 322 700 ordinary shares of 4 cents each.
- 2.3 All of the issued Illovo shares are of one class and rank *pari passu* in all respects.
- 2.4 All of the issued Illovo shares are listed in the “Food Producers and Processors – Processors” sector of the JSE.

3. OBJECTIVE OF THE SCHEME

The objective of the scheme is to procure that, upon the scheme becoming operative, ABF acquires all of the scheme shares from the scheme participants in exchange for the scheme consideration.

Should the scheme become operative and taking into account the acceptances under the option offer, ABF will become the holder of 51.88% of the Illovo shares in issue and 51% of the fully diluted ordinary share capital of Illovo. Illovo will remain listed on the JSE.

4. THE SCHEME

4.1 Characteristics of the scheme

- 4.1.1 The scheme will be put to a vote at the scheme meeting to be held at 13:30 (or 10 minutes after the conclusion or adjournment of the general meeting, whichever is the later) on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe or on any other date to which it may be adjourned.
- 4.1.2 Each scheme member holding certificated Illovo shares or “own-name” dematerialised Illovo shares, who is registered on the record date for voting, can attend and speak at the scheme meeting in person or be represented thereat by proxy. To be represented thereat by proxy, forms of proxy (*blue*) must be received by the transfer secretaries by no later than 13:30 on Monday, 10 July 2006. Forms of proxy (*blue*) may also be handed to the chairman of the scheme meeting up to ten minutes before the scheme meeting is due to commence or recommence.
- 4.1.3 Persons holding dematerialised Illovo shares but not having “own-name” registration must give their instructions to their CSDP or broker by the time and in the manner prescribed in the custody agreement concluded between the relevant persons holding dematerialised Illovo shares and their CSDP or broker. If a person holding dematerialised Illovo shares but

not having “own-name” registration wishes to attend the scheme meeting in person or be represented thereat by proxy, he must arrange with his CSDP or broker, to give him the necessary authority to do so. Holders of dematerialised Illovo shares not having “own-name” registration must **not** complete the form of proxy for the scheme meeting (*blue*).

4.1.4 Scheme members who wish to address the scheme meeting regarding the scheme will be given an opportunity to do so.

4.1.5 Scheme members who wish to oppose the scheme may:

4.1.5.1 vote against the scheme, either in person or by proxy;

4.1.5.2 attend the scheme meeting in person and voice their opinions at the scheme meeting; or

4.1.5.3 (if the scheme is agreed to at the scheme meeting), attend the Court hearing in person and make representations to the Court at the time of the Court hearing referred to in 4.1.6 below, as to why the scheme should not be sanctioned.

4.1.6 If the scheme is agreed to at the scheme meeting by the required majority and the conditions precedent referred to in paragraphs 8.1, 8.2, 8.4 and 8.5 of the scheme are fulfilled or waived as permitted, an application will be made to the Court for the sanctioning of the scheme. Illovo may however, apply to the Court for the sanctioning of the scheme before fulfilment of the condition referred to in paragraph 8.1 of the scheme if Illovo and ABF agree that it is appropriate that that be done. It is expected that the application to the Court for the sanctioning of the scheme will be made at 09:30 or as soon thereafter as Counsel may be heard, on a date not more than three weeks after the last of the regulatory approvals required for the scheme has been obtained (or such other date as Illovo and ABF may agree).

The date on which the application will be made for the sanctioning of the scheme will be released on SENS and published in the press.

4.1.7 If the scheme is sanctioned by the Court, the Order of Court sanctioning the scheme will be lodged with the Registrar for registration in terms of the Companies Act. When the Order of Court sanctioning the scheme is registered, provided all other conditions precedent have been fulfilled or waived, as the case may be, the scheme will become binding on all scheme participants.

4.2 **Effects of the scheme**

4.2.1 Subject to the scheme becoming unconditional, with effect from the operative date, scheme participants (whether or not they voted in favour of the scheme) shall be deemed to have:

4.2.1.1 irrevocably authorised and instructed Illovo to instruct and authorise every CSDP or broker concerned to transfer the shares of the scheme participant holding dematerialised shares to ABF in the manner described in section 91A(4)(a) of the Companies Act;

4.2.1.2 irrevocably authorised and instructed Illovo to dispose of the scheme shares to ABF, which will be deemed to have acquired ownership of the scheme shares in exchange for the payment by ABF of the scheme consideration in accordance with the provisions of paragraph 4.2.5 below;

4.2.1.3 irrevocably authorised and instructed Illovo as their agent to procure the transfer of the scheme shares into the name of ABF; and

4.2.1.4 irrevocably authorised and instructed Illovo as principal, but with the power to appoint agents, to collect from ABF the scheme consideration for delivery to the scheme participants.

4.2.2 Should the scheme become operative, scheme participants shall be entitled to receive the scheme consideration from Illovo (as principal) and a replacement share certificate only in accordance with the terms of paragraphs 6 and 7 below.

4.2.3 The disposal and transfer by each scheme participant of the scheme shares held by the scheme participant to ABF, and the acquisition of ownership of those shares by ABF, pursuant to the provisions of paragraph 4.2.1 above, shall be effected in accordance with the following provisions:

4.2.3.1 in the case of certificated Illovo shares, each scheme participant shall be deemed to have ceded to ABF on the operative date all of the scheme shares held by the scheme participant without any further act or action being required; and

4.2.3.2 in the case of dematerialised shares, the transfer of ownership shall be effected on the operative date in accordance with the requirements of section 91A(4) of the Companies Act and the Rules of STRATE, by the debiting of the scheme shares from the account of the scheme participant or its nominee in Illovo's sub-register maintained by the scheme participant's CSDP and the crediting of the scheme shares to the account of ABF in Illovo's sub-register maintained by the CSDP.

4.2.4 Each scheme participant holding dematerialised shares irrevocably and in *rem suam* authorises Illovo, with power of substitution, to instruct his CSDP or broker to cause the scheme shares disposed of by the scheme participant to ABF in terms of the scheme to be transferred in terms of section 91A(4) of the Companies Act to ABF in accordance with the requirements of the scheme and to do all such things and take all such steps as Illovo in its discretion considers necessary in order to effect that transfer.

4.2.5 ABF shall deliver to Illovo as principal, or the transfer secretaries as agent for and behalf of Illovo, the total consideration payable to the scheme participants, and Illovo, or the transfer secretaries as agent for and on behalf of Illovo, shall pay the scheme consideration to the scheme participants in accordance with paragraph 7 below.

4.3 **The scheme consideration**

Subject to the scheme becoming operative, the scheme consideration for each scheme share held by a scheme participant will be R21.00, payable in cash as provided herein. Should ABF be entitled to acquire a fraction of an Illovo share from a scheme participant, the rounding principle will apply.

5. **STATUTORY REQUIREMENTS OF THE SCHEME**

5.1 In terms of section 311(2)(b) of the Companies Act, a majority representing no less than three-fourths of the votes exercisable by scheme members, present and voting either in person or by proxy at the scheme meeting, is required for the approval of the scheme. Each scheme member so present or represented by proxy will be entitled to speak and to vote or abstain from voting at the scheme meeting. Persons holding dematerialised Illovo shares, other than "own-name" dematerialised Illovo shares, will require the necessary authority from their CSDP or broker to enable them to speak and vote or abstain from voting at the scheme meeting.

5.2 Subject to the scheme being approved by the requisite majority at the scheme meeting, application will be made to the Court to sanction the scheme. Illovo shareholders will be entitled to attend the Court on the day on which the application will be made and to oppose the sanctioning of the scheme. Illovo shareholders are entitled, at their cost, to be represented by Counsel.

5.3 If the scheme is sanctioned, a certified copy of the Order of Court sanctioning the scheme will be lodged with the Registrar for registration and upon registration, provided all other conditions precedent have been fulfilled or waived, as the case may be, the scheme will become binding on all scheme participants.

6. **SURRENDER OF DOCUMENTS OF TITLE**

The provisions of this paragraph do not apply to scheme participants holding dematerialised Illovo shares.

6.1 Scheme participants holding certificated Illovo shares shall, notwithstanding that ownership of their scheme shares has been transferred to ABF, only be entitled to receive the scheme consideration once they have surrendered their documents of title in respect of **all** of their Illovo shares.

- 6.2 If the scheme becomes operative and a shareholder holding certificated Illovo shares has surrendered all documents of title in respect of **all** of his Illovo shares, such shareholder will receive in return the scheme consideration and a replacement share certificate for the remaining balance of his Illovo shares.
- 6.3 A scheme participant holding certificated Illovo shares who wishes to expedite receipt of the scheme consideration and surrender his documents of title in anticipation of the scheme becoming operative, may complete the attached form of surrender (*pink*) and return it, at his own risk, together with the documents of title relating to **all** of his Illovo shares, to be received by the transfer secretaries, Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000) before 12:00 on the record date for the scheme.
- 6.4 Alternatively, scheme participants holding certificated Illovo shares may wait until the scheme becomes operative and surrender their documents of title under cover of the completed form of surrender (*pink*) at that time. In this regard, once the scheme becomes operative, a further form of surrender will be sent to all scheme participants holding certificated Illovo shares for use by those scheme participants who may not yet have surrendered their documents of title.
- 6.5 No receipts will be issued for documents of title surrendered unless specifically requested. Any person requiring a receipt must prepare a specimen receipt and forward it together with his documents of title surrendered.
- 6.6 Documents of title surrendered by Illovo shareholders prior to 12:00 on the record date for the scheme in anticipation of the scheme becoming operative will be held in trust on behalf of such Illovo shareholders by the transfer secretaries. If the scheme does not become operative for any reason whatsoever, the transfer secretaries will, within five business days after the date upon which it becomes known that the scheme will not become operative, return the documents of title to the shareholder concerned, by registered post, at the risk of such shareholder, to the return address specified on the form of surrender (*pink*), or if no return address is specified, to the address recorded in the register.
- 6.7 If documents of title relating to any scheme shares to be surrendered are lost or destroyed, scheme participants should nevertheless return the form of surrender (*pink*) duly signed and completed, together with a duly signed indemnity form which is obtainable from the transfer secretaries.
- 6.8 ABF and Illovo may dispense with the requirement for the surrender of such documents of title upon production of evidence satisfactory to ABF and Illovo that the documents of title to the scheme shares in question have been lost or destroyed and upon provision of a suitable duly signed indemnity form on terms satisfactory to them. Indemnity forms are obtainable from the transfer secretaries.
- 6.9 The attention of Illovo shareholders holding certificated Illovo shares is drawn to the fact that if they surrender their documents of title in advance, they will be unable to dematerialise and/or trade in their Illovo shares on the JSE from the date of surrender. However, their right to attend and vote at the scheme meeting will remain unaffected.

7. REPLACEMENT SHARE CERTIFICATES AND SETTLEMENT OF THE SCHEME CONSIDERATION

- 7.1 In the case of scheme participants holding certificated Illovo shares, unless the election referred to in paragraph 7.2 below is made, the scheme consideration and replacement share certificates will, where the documents of title have been surrendered prior to 12:00 on the record date for the scheme, be posted by registered post by the transfer secretaries to such scheme participants at their addresses recorded in the form of surrender (*pink*) or the register (if such details are not provided in the form of surrender) at the risk of the scheme participant concerned, on or about the operative date, or be posted within five business days of receipt of the form of surrender (*pink*) together with the documents of title if received after 12:00 on the record date for the scheme.

- 7.2 Scheme participants holding certificated Illovo shares may, if they have entered into a mandate with the transfer secretaries, receive the scheme consideration, should they so elect, by electronic transfer directly into their relevant bank accounts, by providing details of their bank accounts on the attached form of surrender (*pink*).
- 7.3 In respect of scheme participants holding dematerialised Illovo shares, Illovo will procure that the aggregate scheme consideration is collected by the transfer secretaries and thereafter that the relevant accounts of such scheme participants at their CSDPs or brokers are credited with the scheme consideration due to them and their shareholding is updated with the balance of their shares.
- 7.4 Where, on or subsequent to the operative date, a person who was not a registered holder of the scheme shares on the record date for the scheme, tenders to the transfer secretaries documents of title together with a form of surrender (*pink*) purporting to have been executed by or on behalf of the registered holder of such scheme shares and provided that the scheme consideration shall not already have been posted or delivered to the registered holder or deposited directly into the registered holder's bank account, such transfer shall be accepted by Illovo and ABF as if it were a valid transfer to such person of the scheme shares concerned. The scheme consideration will be posted or transferred electronically to such person in accordance with the provisions of this paragraph within five business days of such tender, subject to proof satisfactory to Illovo and ABF as to the payment of any stamp duty or uncertificated securities tax payable and provided that Illovo and ABF are given an indemnity on terms acceptable to them in respect of such scheme consideration.
- 7.5 If:
- 7.5.1 the scheme consideration is not sent to scheme participants entitled thereto or transferred directly into such scheme participants' bank accounts because the relevant documents of title have not been surrendered; or
- 7.5.2 the scheme consideration is returned undelivered to the transfer secretaries,
- the scheme consideration will be held in trust by the transfer secretaries for the benefit of the scheme participants concerned until claimed by such relevant scheme participants. No interest will accrue or be paid on any amount payable to the scheme participants arising from the scheme consideration being so held.
- 7.6 The scheme consideration will be paid in full in accordance with the terms of the scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Illovo or ABF may otherwise be entitled.
- 7.7 Delivery by ABF to Illovo, as principal, of the scheme consideration shall be the sole and exclusive manner of discharge by ABF of its payment obligations in respect of the scheme consideration.
- 7.8 Settlement of the scheme consideration due to scheme participants will be effected exclusively by Illovo as principal.
- 7.9 The rights of the scheme participants to receive the scheme consideration will be rights enforceable by scheme participants against Illovo only. Scheme participants will, in turn, be entitled to require Illovo to enforce its rights in terms of the scheme against ABF.
- 7.10 Illovo undertakes in favour of the scheme participants to enforce all its rights in terms of the scheme against ABF.

8. **CONDITIONS PRECEDENT TO THE SCHEME**

The scheme will be subject to the fulfilment or waiver, as allowed, of the following conditions precedent, by no later than the long stop date:

- 8.1 all necessary regulatory approvals to implement the scheme having been granted or deemed to have been granted, including, without being limited to:
 - 8.1.1 the approvals from the SARB in terms of the SARB Exchange Control Regulations required for the implementation of the scheme, having been duly and unconditionally given;
 - 8.1.2 all and any approvals required from the competition authorities in terms of the Competition Act for the implementation of the scheme having been duly and unconditionally given, provided that if any approval is qualified or conditional, the condition in this paragraph shall only be deemed to be fulfilled if both Illovo and ABF agree to the qualification or condition and undertake in writing to each other to abide by such qualification or condition;
- 8.2 the passing by Illovo shareholders at the general meeting of the waiver and the actual waiver by the SRP of the mandatory offer;
- 8.3 the scheme being agreed to at the scheme meeting by a majority of Illovo ordinary shareholders representing not less than three-fourths (75%) of the votes exercisable by scheme members, present and voting either in person or by proxy;
- 8.4 prior to the date on which the scheme is sanctioned, Illovo not having undertaken or allowed to occur any frustrating action (as described in Rule 19 of the Code) or having made any unusual or unplanned distributions, without the consent of ABF plc to such action, which consent shall not unreasonably be withheld or delayed;
- 8.5 there having been no change or proposed change in any law, regulation or policy of South Africa on or before five business days prior to the scheduled Court hearing date to sanction the scheme, which is effective on, or would be effective after such date, which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a proposed change means a change proposed by a relevant authority, government official or senior public servant;
- 8.6 the sanctioning of the scheme by the Court in terms of the Companies Act; and
- 8.7 the lodging of a certified copy of the Order of Court sanctioning the scheme with, and registration by, the Registrar in terms of the Companies Act.

ABF shall be entitled (but not obliged) to waive (in whole or in part) either or both of the conditions precedent set out in paragraphs 8.4 and 8.5 above. The remaining conditions precedent shall only be capable of being waived by written agreement between Illovo and ABF.

9. **SCHEME PARTICIPANTS WHO ARE NOT SOUTH AFRICAN RESIDENTS**

- 9.1 Scheme participants who are emigrants, or non-residents of the common monetary area, will receive the scheme consideration and, in case of scheme participants holding certificated Illovo shares, the replacement documents of title, subject to and in terms of the SARB Exchange Control Regulations, details of which are set out in Annexure 3 to this document.
- 9.2 Scheme participants who are not resident in, or who have a registered address outside South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the scheme consideration, including obtaining any requisite governmental or other consents, observing any other formalities and paying any issue, transfer or other taxes due in such territory.

10. UNDERTAKINGS BY ILLOVO AND ABF

Illovo and ABF have agreed that, upon the scheme becoming operative, they will give effect to the terms and conditions of the scheme insofar as they apply to them, respectively, and they will sign and procure the signing of all documents and carry out and procure the carrying out of all acts which are necessary to give effect to the scheme.

11. INSTRUCTIONS AND AUTHORITIES

11.1 Illovo shall be entitled to accept and act on all documents relating to the status and capacity of any scheme participant and shall be empowered to act on behalf of any scheme participant as deemed appropriate as if such documents had been registered with Illovo.

11.2 Each mandate and instruction in regard to the scheme shares recorded with Illovo at the record date for the scheme will be deemed, unless and until revoked, to be a mandate and instruction to ABF in respect of any rights accruing in respect of the scheme consideration.

12. GENERAL

12.1 Subject to the written consent of ABF, the Illovo board may propose

12.1.1 before or at the scheme meeting, any amendment, variation or modification of the scheme;
or

12.1.2 after the scheme meeting, any amendment, variation or modification which the Court may think fit to approve or impose, provided that no amendment, variation or modification made may have the effect of diminishing the rights which will accrue to a scheme participant in terms of the scheme.

12.2 A certificate signed by a director of each of Illovo and ABF stating that all the conditions precedent have been fulfilled and/or waived and that the scheme has become operative shall be binding on Illovo, ABF and the scheme participants.

12.3 Illovo will be entitled and will have the authority on behalf of itself and each scheme participant, to authorise any person nominated by Illovo to sign all documents required to carry the scheme into effect.

12.4 All times and dates referred to in the scheme are subject to change by mutual agreement between Illovo and ABF. Any variation in the dates and times as may be approved by the SRP, the JSE and/or the Court, will be released on SENS and published in the press.

12.5 The Order of Court sanctioning the scheme, together with copies of this document, will constitute the contract regarding the entitlement of each scheme participant to the scheme consideration. A certified copy of the Order of Court sanctioning the scheme will be lodged with and registered by the Registrar in terms of the Companies Act.

12.6 On the operative date, every director of Illovo, the company secretary of Illovo and every director of the transfer secretaries will irrevocably be deemed to be the attorney and agent in *rem suam* of all scheme participants to implement the transfer referred to in paragraph 4.2 above and to sign any instrument of transfer in respect thereof of any other documentation required to implement the scheme.

12.7 The record date for the scheme (as defined) will be determined in accordance with the Code, unless otherwise instructed by the JSE, and will occur as soon as possible after the conditions precedent have been fulfilled or waived.

For and on behalf of

ILLOVO SUGAR LIMITED

D G MacLeod

Director

Mount Edgecombe

15 June 2006

For and on behalf of

ABF OVERSEAS LIMITED

P A Lister

London

15 June 2006



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1906/000622/06)
 (Share code: ILV) (ISIN: ZAE000003547)

ABF Overseas Limited

(Incorporated in England)
 (Registration number 03313345)

VALUATION STATEMENT IN TERMS OF SECTION 312(1)(a)(ii) OF THE COMPANIES ACT

1. INTRODUCTION

- 1.1 The purpose of this valuation statement is to set out information material to the appreciation of the value of the scheme shares.
- 1.2 This valuation statement should be read together with the explanatory statement commencing on page 18 of this document. As explained in the explanatory statement, if the scheme becomes operative, the effect of the scheme will be that:
- 1.2.1 Illovo shareholders who are recorded in the register on the record date for the scheme, shall be deemed to have disposed of (and shall be deemed to have undertaken to transfer) the scheme shares (whether they hold those shares in certificated or dematerialised form) to ABF, which shall acquire ownership of such shares; and
- 1.2.2 in consideration of the disposal of each scheme share, each scheme participant will become entitled to receive the scheme consideration.

2. MARKET AND FINANCIAL INFORMATION

Information regarding the price at which Illovo shares traded immediately prior to the publication of Illovo's first cautionary announcement and the publication of the announcement of ABF plc's firm intention to make an offer, as well as a comparison of the scheme consideration to the net asset value and tangible net asset value per Illovo share at 31 March 2006, Illovo's financial year-end, are set out in the table below.

	Before the scheme (cents per share)	The scheme consideration (cents per share)	Premium ⁶
Market price on 13 February 2006	1 440.0 ¹	2 100.0	46%
30-day volume-weighted average price to 13 February 2006	1 377.0 ²	2 100.0	53%
Market price on 18 May 2006	2 000.0 ³	2 100.0	5%
30-day volume-weighted average price up to 18 May 2006	1 786.0 ⁴	2 100.0	18%
Net asset value	419.1 ⁵	2 100.0	401%
Net tangible asset value	410.5 ⁵	2 100.0	412%

Notes:

1. Closing price of Illovo shares on the JSE on Monday, 13 February 2006, being the last trading day preceding the publication of Illovo's first cautionary announcement.
2. Volume-weighted average price at which Illovo shares traded on the JSE for the 30 trading days up to and including Monday, 13 February 2006, being the last trading day preceding the publication of Illovo's first cautionary announcement.
3. Closing price of Illovo shares on the JSE on Thursday, 18 May 2006, being the last trading day preceding the publication of the announcement of ABF plc's firm intention to make an offer.
4. Volume-weighted average price at which Illovo shares traded on the JSE for the 30 trading days up to and including Thursday, 18 May 2006, being the last trading day preceding the publication of the announcement of ABF plc's firm intention to make an offer.
5. Audited net asset value and net tangible asset value per share attributable to Illovo shareholders at 31 March 2006.
6. The information reflected in the table above does not take into account the dividend entitlements referred to in paragraph 3 below.

3. DIVIDENDS

Each Illovo shareholder in the register as at the record date for the final dividend for the year ended 31 March 2006, will be entitled to receive the Illovo final dividend for that year, being 42.5 cents per Illovo share.

Furthermore, if the scheme becomes operative or the substitute offer becomes unconditional on any date subsequent to 30 September 2006, Illovo will declare and pay an advance dividend to the shareholders registered as such on the record date of the scheme (or the date on which the substitute offer becomes unconditional, as the case may be). This advance dividend, calculated in accordance with Illovo's dividend policies, principles, practices and methods consistent with the last three years, will be equal to the pro rata dividend entitlement of Illovo shareholders for the period from the then most recent past dividend record date to the operative date of the scheme or the seventh day after the substitute offer becomes unconditional, as the case may be.

4. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS**4.1 Independent professional expert's opinion**

The Illovo board has appointed Standard Bank as its financial adviser to advise it on the terms and conditions of the scheme. Standard Bank has indicated to the Illovo board that it has considered the terms and conditions of the scheme and is of the opinion that they and the scheme consideration are fair and reasonable to Illovo shareholders.

A copy of Standard Bank's letter in this regard is contained in Annexure 1 to this document.

4.2 Opinion of the Illovo board

The Illovo board has considered the scheme and the advice provided by Standard Bank in respect thereof and is of the opinion that the terms and conditions of the scheme and the scheme consideration are fair and reasonable to Illovo shareholders. Accordingly, the directors of Illovo recommend that Illovo shareholders vote in favour of the scheme, the waiver and the amendments to the Memorandum and Articles.

4.3 Undertakings by the Illovo board

The directors of Illovo undertake to vote their own shares in favour of the scheme at the scheme meeting and to vote in favour of the waiver and the amendments to the Memorandum and Articles at the general meeting.

5. SHARE CAPITAL OF ILLOVO

At the last practicable date, the authorised and issued share capital and share premium account of Illovo is as set out below.

	R'm
<i>Authorised share capital</i>	
900 000 000 ordinary shares of 4 cents each	36.0
Total authorised share capital	36.0
<i>Issued share capital</i>	
341 322 700 ordinary shares of 4 cents each	13.7
Total issued share capital	13.7
<i>Share premium</i>	
On 341 322 700 ordinary shares of 4 cents each	292.5
Total share premium	292.5

6. INFORMATION ON ILLOVO

6.1 Incorporation

Illovo was incorporated in 1906 and was listed on the JSE in 1992. Illovo employs 12 886 permanent employees and operates in six African countries, as outlined in paragraph 6.2 below.

6.2 Nature of business

Illovo is a global low-cost sugar producer and a manufacturer of high-value downstream products. Illovo is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. Downstream products include furfural, furfuryl alcohol, Crop Guard®, diacetyl, 2,3-pentanedione, ethyl alcohol, lactulose and syrup.

The climatic and soil conditions found in the countries in which Illovo operates, accompanied by irrigation from secure water sources, are ideal for the cultivation of high-yielding and excellent quality sugar cane. Annual cane production of approximately 5.5 million tons is produced on agricultural estates in South Africa, Malawi, Zambia, Swaziland, Tanzania and Mozambique. Annual sugar output amounts to approximately 1.9 million tons comprising 900 000 tons produced in South Africa, 270 000 tons in Malawi, 250 000 tons in Zambia, 230 000 tons in Swaziland, 140 000 tons in Tanzania and 70 000 tons in Mozambique.

6.3 Trading history of the Illovo shares

The trading history of the Illovo shares on the JSE is set out in Annexure 2 to this document.

6.4 Historical financial information

Relevant financial information for Illovo extracted from audited annual financial statements for the four financial years ended 31 March 2006 is set out in Annexures 4 and 5 to this document.

7. DIRECTORS' RESPONSIBILITY STATEMENT

All the directors of Illovo and ABF, whose names are set out on page 41 of this document (in the case of Illovo), in so far as the information contained in this document relates to Illovo and ABF, respectively,

- 7.1 collectively and individually accept full responsibility for the accuracy of the information given;
- 7.2 certify that, to the best of their knowledge and belief, there are no material facts that have been omitted which would make any statement false or misleading; and
- 7.3 that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by the Listings Requirements of the JSE.

8. INFORMATION ON ABF PLC

8.1 Associated British Foods plc

ABF plc is a diversified international food, ingredients and retail group with annual global sales of £5.6 billion and over 42 000 employees. It is listed on The London Stock Exchange plc with a market capitalisation of £6 billion. It operates in 41 countries with significant businesses outside Europe in Australia, China and the United States. It has had a successful history of international partnerships with minority shareholders. The group operates in four business categories: primary food & agriculture, grocery, ingredients and retail.

8.2 British Sugar

British Sugar is a wholly-owned, substantial and core business within the ABF group. It has sugar operations in the United Kingdom, Poland and China which process around two million tons of sugar annually.

British Sugar is the lowest cost beet sugar processor in the European Union and processed 1.34 million tons of sugar during the last United Kingdom season. It has market leadership in the United Kingdom and established sales positions elsewhere in the European Union and its two leading retail brands in the United Kingdom are Silver Spoon and Billington's. It has a proven ability to create value through improvement in agricultural yields, operational efficiencies, co-product development, marketing and product innovation. It has world class production facilities and technical expertise, and Wissington in Norfolk is the largest and most efficient beet sugar factory in the world. The United Kingdom's first bioethanol plant is currently being constructed at Wissington.

British Sugar entered into its first joint venture in the Polish market in 1989. It has since developed its presence considerably. 200 000 tons of sugar are processed annually and its two facilities include Glinojek, Poland's highest capacity and lowest cost beet factory. It has used its expertise to build Poland's premier retail sugar brand, become a leader in animal feeds co-products, improve agricultural yields and reduce processing cost through investment and process innovation.

British Sugar entered the Chinese market in 1995 through a joint venture and now has four cane sugar factories with a processing capacity of 550 000 tons of sugar annually. It has dramatically improved agricultural productivity, factory extraction and sugar yields and has developed a direct industrial customer base with its supply of European standard sugar.

9. MINORITY PROTECTIONS

ABF and Illovo have agreed that, should the scheme be implemented and, with the approval by way of resolutions of Illovo shareholders in general meeting, certain amendments to the Memorandum and Articles will be made to ensure the enforceability by Illovo and by Illovo shareholders holding, in aggregate, 5% or more of the issued share capital of Illovo, of various minority protections agreed with ABF plc.

10. AUTHORSHIP

Standard Bank has compiled this valuation statement on behalf of the boards of Illovo and ABF, who have furnished the information and facts contained therein.

For and on behalf of

For and on behalf of

ILLOVO SUGAR LIMITED

ABF OVERSEAS LIMITED

D G MacLeod
Director

P A Lister

Mount Edgecombe
15 June 2006

London
15 June 2006



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)

ABF Overseas Limited

(Incorporated in England)
(Registration number 03313345)

Directors of Illovo

Executive

G J Clark
N M Hawley
M I Hlatshwayo
D G MacLeod
J T Russell
B M Stuart
K Zarnack

Non-executive

B P Connellan
D Konar (Dr)
P F Madi
I N Mkhize
A R Mpungwe
R A Norton
M J Shaw
R A Williams[†]
[†] Chairman

STATEMENT OF ILLOVO DIRECTORS' INTERESTS IN TERMS OF SECTION 312(1)(a)(iii) OF THE COMPANIES ACT

1. DIRECTORS' SHARE AND OPTION HOLDINGS

1.1 Illovo directors' interests in Illovo shares

At the last practicable date, Illovo directors held shares beneficially, non-beneficially, directly and indirectly, in the issued share capital of Illovo as detailed in the table below.

Director	Beneficial		Non-beneficial		Total shares	Percentage of total shares in issue
	Direct	Indirect	Direct	Indirect		
Executive						
G J Clark	30 000		–	–	30 000	0.0
N M Hawley	35 000		–	–	35 000	0.0
M I Hlatshwayo	35 000		–	–	35 000	0.0
D G MacLeod	300 000		–	–	300 000	0.1
J T Russell	100 000		–	–	100 000	0.0
B M Stuart	128 400		–	–	128 400	0.0
Non-executive						
B P Connellan	25 224	3 242	–	–	28 466	0.0
R A Williams	37 194	7 101	–	–	44 295	0.0
	690 818	10 343	–	–	701 161	0.2

There have been no changes in the Illovo directors' interests since the financial year ended 31 March 2006.

1.2 Illovo directors' interests in options in respect of Illovo shares

At the last practicable date, Illovo directors held options in respect of Illovo shares (granted under the Illovo Sugar 1992 Share Option Scheme) as detailed in the table below.

Director	Strike price	Options unexercised	Options vested
G J Clark	R4.43	26 800	26 800
	R6.50	90 000	90 000
	R8.05	110 000	73 300
	R6.80	140 000	46 600
	R7.70	94 000	–
Total		460 800	236 700
N M Hawley	R5.62	60 000	60 000
	R4.43	40 000	40 000
	R6.50	55 000	55 000
	R8.05	45 000	30 000
	R6.80	60 000	20 000
	R7.70	42 000	–
Total		302 000	205 000
M I Hlatshwayo	R5.62	10 200	10 200
	R5.20	6 800	6 800
	R6.50	22 500	22 500
	R8.05	20 000	13 300
	R6.80	160 000	53 300
	R7.70	36 000	–
Total		255 500	101 600
D G MacLeod	R4.35	185 000	185 000
	R5.62	200 000	200 000
	R4.43	315 000	315 000
	R6.50	250 000	250 000
	R8.05	250 000	166 600
	R6.80	350 000	116 600
	R7.70	215 000	–
Total		1 765 000	1 233 200

Director	Strike price	Options unexercised	Options vested
J T Russell	R4.35	140 000	140 000
	R5.62	80 000	80 000
	R4.43	80 000	80 000
	R6.50	90 000	90 000
	R8.05	110 000	73 300
	R6.80	140 000	46 600
	R7.70	87 000	–
Total		727 000	509 900
B M Stuart	R4.35	110 000	110 000
	R5.62	85 000	85 000
	R4.43	80 000	80 000
	R6.50	90 000	90 000
	R8.05	110 000	73 300
	R6.80	140 000	46 600
	R7.70	94 000	–
Total		709 000	484 900

1.3 Illovo directors' share dealings in Illovo shares

During the period commencing six months prior to the first cautionary announcement and thereafter up to the last practicable date, Illovo directors have not had any dealings in Illovo shares.

1.4 Illovo directors' shareholdings in ABF plc

On the last practicable date, Illovo directors held no shares beneficially, non-beneficially, directly or indirectly in the issued share capital of ABF plc and have not had any such holdings in the six months prior to the first cautionary announcement.

1.5 Illovo directors and the option offer

Illovo directors have accepted the option offer in respect of all the options that they are entitled to exercise under the option offer.

2. ILLOVO DIRECTORS' REMUNERATION

The Illovo directors' remuneration will not be varied as a consequence of the scheme and there were no amendments to their remuneration in the six months prior to the first cautionary announcement.

3. ILLOVO DIRECTORS' SERVICE CONTRACTS

None of the directors of Illovo has a fixed-term service contract with Illovo. Each executive director has entered into an employment contract with Illovo, which incorporates the normal terms of an employment contract, including a notice period applicable to termination of employment of six months, whilst in respect of severance as contemplated by labour legislation, a longer notice period is applicable, varying between 24 months and 42 months in respect of the individual executive directors. There were no amendments to these employment contracts in the six months prior to the first cautionary announcement.

4. BOARD APPOINTMENTS AFTER THE IMPLEMENTATION OF THE SCHEME

On implementation of the scheme or once the substitute offer becomes unconditional, Illovo and ABF will use their reasonable endeavours to procure the appointment of three directors nominated by ABF as non-executive directors to the Illovo board and the resignation, as directors, of three existing directors (two of whom will be executive directors), as well as the appointment of one of the non-executive directors nominated by ABF to Illovo's Executive and Group Executive Committees. Immediately following these appointments and resignations, the Illovo board will comprise five executive directors, three non-executive directors who are ABF nominees and seven independent non-executive directors.

Mr Robbie Williams will be asked to remain independent non-executive Chairman of Illovo and Mr Don MacLeod will be asked to join the Executive Committee of British Sugar, a wholly-owned subsidiary of ABF plc.

Details of the proposed directors nominated by ABF are contained in Annexure 7 to this document.

5. **SPECIAL ARRANGEMENTS**

Save as disclosed in paragraph 10 of the scheme, paragraph 4 of the valuation statement, paragraph 4 above and paragraphs 4 and 5 of the section entitled "Additional information required in terms of the Code and details of amendments to the Memorandum and Articles":

5.1 there are no arrangements, undertakings by or agreements between Illovo and ABF in relation to Illovo shares; and

5.2 no agreements, arrangements or understandings (including any compensation arrangements) which have any connection with or dependence on the scheme, exist between ABF and any director of Illovo or any person who was a director of Illovo within the period commencing twelve months prior to the last practicable date, or any Illovo shareholder or a person who was an Illovo shareholder within the period commencing twelve months prior to the last practicable date.

For and on behalf of

ILLOVO SUGAR LIMITED

D G MacLeod
Director

Mount Edgecombe
15 June 2006

For and on behalf of

ABF OVERSEAS LIMITED

P A Lister

London
15 June 2006



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)

ABF Overseas Limited

(Incorporated in England)
(Registration number 03313345)

THE SUBSTITUTE OFFER

1. INTRODUCTION

In the event that the scheme does not become operative for any reason other than the failure to obtain any regulatory approval required for the implementation of the scheme, ABF may elect to make a substitute offer to purchase 51% of the fully diluted ordinary share capital of Illovo at a price not less than the scheme consideration.

2. CONDITIONS PRECEDENT TO THE SUBSTITUTE OFFER

The substitute offer, if made, will be subject to the fulfilment or waiver, as allowed, of the following conditions precedent by no later than the long stop date:

- 2.1 ABF receiving acceptances in respect of 51% of the fully diluted ordinary share capital of Illovo and not part thereof;
- 2.2 all necessary regulatory approvals to effect the substitute offer having been granted or deemed to have been granted, including, without being limited to:
 - the approvals from the SARB in terms of the SARB Exchange Control Regulations required for the implementation of the substitute offer having been duly and unconditionally given; and
 - all and any approvals required from the South African competition authorities in terms of the Competition Act for the implementation of the substitute offer having been duly and unconditionally given, provided that if any approval is qualified or conditional, this condition shall only be deemed to be fulfilled if both Illovo and ABF agree to the qualification or condition and undertake in writing to each other to abide by such qualification or condition;
- 2.3 the passing by Illovo shareholders at the general meeting of the waiver and the actual waiver by the SRP of the mandatory offer;
- 2.4 prior to the date on which the substitute offer becomes unconditional as to the acceptances, Illovo not having undertaken or allowed to occur any frustrating action (as described in Rule 19 of the Code) or having made any unusual or unplanned distributions, without the consent of ABF plc to such action, which consent shall not unreasonably be withheld or delayed; and
- 2.5 there being no change or proposed change in any law, regulation or policy of South Africa on or before five business days prior to the date on which the substitute offer becomes unconditional as to the acceptances which is effective on, or would be effective after, such date which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a proposed change means a change proposed by a relevant authority, government official or senior public servant.

ABF shall be entitled (but not obliged) to waive (in whole or in part) either or both of the conditions precedent set out in paragraphs 2.4 and 2.5. The remaining conditions precedent shall only be capable of being waived by written agreement between Illovo and ABF.

3. **FURTHER DOCUMENTATION**

Illovo shareholders will be notified by way of an announcement released on SENS and published in the press if ABF elects to proceed with the substitute offer and a document containing further information relating to the substitute offer and a form of acceptance and surrender will be posted to Illovo shareholders at that time.

4. **IMPORTANT DATES AND TIMES**

Should the substitute offer be made, all dates and times pertinent thereto will be released on SENS and published in the press.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1906/000622/06)
 (Share code: ILV) (ISIN: ZAE000003547)

ABF Overseas Limited

(Incorporated in England)
 (Registration number 03313345)

ADDITIONAL INFORMATION REQUIRED IN TERMS OF THE CODE AND DETAILS OF AMENDMENTS TO THE MEMORANDUM AND ARTICLES

1. ILLOVO'S SHAREHOLDING IN ABF plc

At the last practicable date, Illovo did not own (directly or indirectly, beneficially or non-beneficially) any shares in ABF plc, nor has it owned any shares in ABF plc in the six months prior to the first cautionary announcement.

2. SHAREHOLDINGS OF THE ABF GROUP AND ITS DIRECTORS IN ILLOVO

At the last practicable date, the ABF group and its directors did not own (directly or indirectly, beneficially or non-beneficially) any Illovo shares, nor had the ABF group and its directors owned any Illovo shares in the six months prior to the first cautionary announcement.

3. ABF AND ABF PLC DIRECTORS' SHAREHOLDING IN ABF PLC

3.1 ABF directors' interests in ABF plc

At the last practicable date, ABF directors held shares beneficially, non-beneficially, directly and indirectly in the issued share capital of ABF plc as detailed in the table below.

Director	Beneficial		Non-beneficial		Total shares	Percentage of total shares in issue
	Direct	Indirect	Direct	Indirect		
J G Bason	9 694	–	–	–	9 694	0.0
H J Davenport	8 171	–	–	–	8 171	0.0
P A Russell	3 000	–	–	–	3 000	0.0

3.2 ABF plc directors' interests in ABF plc

At the last practicable date, ABF plc directors held shares beneficially, non-beneficially, directly and indirectly in the issued share capital of ABF plc as detailed in the table below.

	Beneficial		Non-beneficial		Total shares	Percentage of total shares in issue
	Direct	Indirect	Direct	Indirect		
Executive						
J G Bason	9 694	–	–	–	9 694	0.0
G G Weston ¹	3 146 761	–	–	–	3 146 761	0.4
Non-executive						
M G Adamson	50 000	–	–	–	50 000	0.0
M R Alexander	1 205	–	–	–	1 205	0.0
T Clarke	3 000	–	–	–	3 000	0.0
J F Harris	2 000	–	–	–	2 000	0.0
Lord McGregor of Pulham Market (Rt. Hon.)	2 045	–	–	–	2 045	0.0
WG G Weston OC ¹	5 672 560	–	–	–	5 672 560	0.7

Note:

G G Weston and WG G Weston OC have beneficial interests in Wittington Investments Limited of 5 892 and 37 953 ordinary shares of 50p each, respectively. Wittington Investments Limited, and its wholly-owned subsidiary, Howard Investments Limited, own 431 515 108 ordinary shares in ABF plc. Wittington Investment Limited has 862 022 ordinary shares of 50p each in issue.

4. THE ILLOVO SUGAR 1992 SHARE OPTION SCHEME

In terms of the Code, ABF is required to extend a comparable offer to the option holders. Accordingly, an offer has been made to option holders in respect of the options that have:

- vested, to acquire 100% of such option holders' shares resulting from the exercise of 51% of such options immediately after the operative date of the scheme, at a consideration equal to the scheme consideration; and
- not yet vested, to allow for the accelerated vesting of 51% of such options and the acquisition of 100% of such shares issued pursuant to the exercise of such vested options immediately after the operative date of the scheme, at a consideration equal to the scheme consideration.

At the last practicable date, 12 215 200 options were outstanding, in respect of which irrevocable undertakings to accept the option offer have been received in respect of 12 117 700 of such options. The directors of Illovo have undertaken to accept the option offer described above in respect of options held by directors of Illovo.

5. CONDITIONAL UNDERTAKINGS

ABF has received the following undertakings to support the scheme and the waiver from Illovo shareholders holding or having an interest in 63.8% in aggregate of Illovo's issued ordinary shares.

Shareholder	Number of Illovo shares held	Percentage
Allan Gray – non-discretionary ¹	76 140 075	22.4
Allan Gray – discretionary ^{2, 3}	28 734 714	8.4
Investec Asset Management ^{3, 4}	86 268 781	25.4
Old Mutual Asset Management ⁴	26 000 000	7.6
	217 143 570	63.8

Notes:

1. Allan Gray has undertaken to recommend to its clients who own Illovo shares under the non-discretionary mandates that they support the scheme and the waiver.

2. Allan Gray has undertaken to support the scheme and the waiver in respect of the Illovo shares that it controls under the discretionary mandate.
3. The undertakings from Investec and Allan Gray in respect of clients under discretionary mandates have been provided subject to no third party announcing that it will make a general offer to acquire more than 50% of Illovo's issued ordinary shares at a price higher than R23.10 per Illovo share.
4. The Investec and Old Mutual undertakings are also subject to any contrary instructions being received by third party clients who have the ability to dictate the voting on their investments.

6. **CONFIRMATION OF FUNDS**

N M Rothschild & Sons (South Africa) (Proprietary) Limited has confirmed, to the satisfaction of the SRP, that ABF has sufficient resources to discharge its obligations in terms of the scheme.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

All the directors of Illovo and ABF, whose names are set out on page 41 of this document (in the case of Illovo), in so far as the information contained in this document relates to Illovo and ABF, respectively,

- 7.1 collectively and individually accept full responsibility for the accuracy of the information given;
- 7.2 certify that, to the best of their knowledge and belief, there are no material facts that have been omitted which would make any statement false or misleading; and
- 7.3 that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by the Listings Requirements of the JSE.

8. **WAIVER OF THE MANDATORY OFFER**

Subject to an ordinary resolution to such effect being passed by a simple majority in general meeting, the SRP has indicated to ABF that it will waive the requirement arising pursuant to Rule 8 of the Code for ABF to extend an offer to Illovo shareholders to acquire all of their Illovo shares following the implementation of the scheme.

Accordingly, a resolution approving the waiver will be put to Illovo shareholders at the general meeting, notice of which is attached to and forms part of this document.

9. **MINORITY PROTECTIONS**

ABF plc and Illovo have agreed that should the scheme become operative or the substitute offer become unconditional, as the case may be, the following undertakings to Illovo and its shareholders will be incorporated (with the approval of Illovo shareholders in general meeting) into the Memorandum and Articles so that they will be capable of being enforced by Illovo and by Illovo shareholders holding, in aggregate, 5% or more of the issued ordinary share capital of Illovo.

9.1 **Territorial expansion**

ABF plc will procure that, for any period during which it holds 25% or more of the issued share capital of Illovo, should any expansion opportunities within the sugar industry in Africa (including Mauritius and Madagascar) come to the attention of the ABF group, such opportunities will be explored and undertaken by the ABF group only through Illovo unless Illovo is unwilling or unable to explore or undertake them. However, this will not preclude Illovo from exploring sugar cane opportunities outside Africa, Mauritius or Madagascar, or preclude any member of the ABF group from pursuing an acquisition opportunity in Africa (including Mauritius and Madagascar) provided that neither sugar cane, sugar products nor any downstream products derived directly from the cane sugar process through the transformation of sugar cane, including furfural, furfuryl alcohol, Crop Guard®, diacetyl, 2,3-pentanedione, ethyl alcohol, lactulose and syrup, nor the production using by-products of the cane sugar process of electricity for external consumption, nor such other products as may be agreed between Illovo and ABF plc are the main purpose of such acquisition.

9.2 Disposals

ABF plc will not dispose of any of its subsidiaries (or any of its subsidiaries' businesses or material assets) to Illovo without such acquisition by Illovo having been approved by a majority of those directors of Illovo who are independent from ABF plc and, to the extent required by the Companies Act or the Listings Requirements of the JSE, by the shareholders of Illovo. ABF plc has warranted that no such disposals are currently being contemplated by the ABF group.

9.3 Commercial arrangements

Any commercial arrangements between any member of the ABF group and Illovo are to be considered by the Illovo board (or, where appropriate, the executive management of Illovo) to be in the best interests of Illovo, will be conducted by those parties on an arms length basis and will not be implemented until they have been approved, to the extent required by the Companies Act or the Listings Requirements of the JSE, by the shareholders of Illovo. All such arrangements, being arrangements between related parties, will require disclosure in Illovo's annual report.

9.4 Standstill

9.4.1 ABF plc will not permit any member of the ABF group, directly or indirectly, to acquire or propose to acquire or agree to acquire, in any way whatsoever including but not limited to purchase, exchange, through the acquisition of control of another person, merger or otherwise, more Illovo shares than the ownership cap nor take any other action as a shareholder if such action would result in the ABF group owning or controlling more than the ownership cap. Provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in paragraphs 9.4.3 and 9.4.4 below.

9.4.2 If at any time the ABF group owns more Illovo shares than the ownership cap, ABF plc will notify Illovo thereof in writing as soon as is reasonably practicable thereafter, but in any event by no later than twenty business days thereafter, which notice shall contain the following details:

9.4.2.1 the number of Illovo shares held by the ABF group;

9.4.2.2 the price paid for all the Illovo shares acquired by the ABF group in the previous six-month period; and

9.4.2.3 ABF plc's election as set out below.

9.4.3 If at any time the ABF group owns more Illovo shares than the ownership cap, one of the following will apply (at ABF plc's sole discretion):

9.4.3.1 subject to paragraph 9.4.4 below, ABF will as soon as is reasonably practicable, but in no event longer than 90 business days after the ABF group's ownership percentage of shares in Illovo shares first exceeds the ownership cap, dispose or procure the disposal of such number of Illovo shares sufficient to reduce the ABF group's holding of Illovo shares to or below the ownership cap; or

9.4.3.2 subject to paragraph 9.4.4 below, the acquisition of Illovo shares which causes the ownership cap to be exceeded will be deemed an "affected transaction" in terms of the Code, and the rules specified in the Code regarding "affected transactions" will be deemed to apply to the ABF group, *mutatis mutandis*, as if ABF plc were obliged to make a mandatory offer in terms of Rule 8.1 of the Code (as it currently stands), except that such offer will be required to be made within 90 business days after such shares have been acquired.

9.4.4 Notwithstanding the foregoing provisions, ABF will not be obliged to make or procure such a disposal or to make such an offer, as the case may be, if, prior to the expiry of the 90-day period referred to above, a resolution is passed at a general meeting of Illovo's ordinary shareholders (at which the members of the ABF group who are ordinary shareholders do not vote) that ABF is not required to make or procure such a disposal or to extend such an offer or procure the disposal, as the case may be.

9.4.5 ABF plc will not permit any member of the ABF group, directly or indirectly, to control or propose to control or agree to control, in any way whatsoever including, but not limited to, through the acquisition of control of another person, merger or otherwise, more Illovo shares than the ownership cap. Provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in paragraphs 9.4.3 and 9.4.4.

9.4.6 If at any time the ABF group controls more than the ownership cap, as contemplated in paragraph 9.4.1 above, the provisions of paragraphs 9.4.2 to 9.4.4 shall apply *mutatis mutandis*.

9.5 Shareholders resolution

A resolution to approve the amendments to the Memorandum and Articles to incorporate the minority protections referred to above will be proposed at the general meeting.

10. GENERAL MEETING

A general meeting of Illovo shareholders will be held at 13:00 on Wednesday, 12 July 2006 at the registered office of Illovo, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe to consider and, if deemed fit, approve the waiver and the resolutions approving the amendments to the Memorandum and Articles.

A notice of the general meeting is attached to and forms part of this document.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Illovo during normal office hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this document up to and including the operative date of the scheme:

11.1 the Memorandum and Articles;

11.2 a copy of the Order of Court;

11.3 the audited annual financial statements of Illovo for the four financial years ended 31 March 2006;

11.4 the opinion letter from Standard Bank to the Illovo board;

11.5 the conditional undertakings referred to in paragraph 5 of the section entitled "Additional information required in terms of the Code and details of amendments to the Memorandum and Articles"; and

11.6 signed copies of this document.

For and on behalf of

ILLOVO SUGAR LIMITED

D G MacLeod
Director

Mount Edgecombe
15 June 2006

For and on behalf of

ABF OVERSEAS LIMITED

P A Lister

London
15 June 2006

FAIR AND REASONABLE OPINION FROM THE INDEPENDENT PROFESSIONAL EXPERT

"The Board of Directors
Illovo Sugar Limited
Illovo Sugar Park
1 Montgomery Drive
Mount Edgecombe

7 June 2006

Dear Sirs

THE OFFER BY ABF OVERSEAS LIMITED ("ABF") TO THE HOLDERS OF ORDINARY SHARES IN ILLOVO SUGAR LIMITED ("ILLOVO") TO ACQUIRE 51% OF THE FULLY DILUTED ISSUED ORDINARY SHARES OF ILLOVO.

1. INTRODUCTION

In terms of Rule 3.1 of the Securities Regulation Code on Take-overs and Mergers and the Rules of the Securities Regulation Panel, The Standard Bank of South Africa Limited ("Standard Bank") has been appointed by the Board of Directors of Illovo ("the Board") to provide it and the shareholders of Illovo with an opinion on the terms of the offer to be effected by way of a scheme of arrangement in terms of section 311 of the Companies Act, 61 of 1973, as amended, to be proposed by ABF, or a wholly-owned subsidiary of it, between Illovo and all of its ordinary shareholders ("the offer"). In terms of the offer, Illovo shareholders will receive a cash consideration of R21.00 per share held in the share capital of Illovo ("the cash consideration").

Full details of the offer are contained in documents to be posted to Illovo shareholders on 15 June 2006, which will include this letter ("the documents"). All terms, otherwise than defined herein, have the meanings given to them in those documents.

The Securities Regulation Panel has determined that the concept of fairness is primarily based on quantitative issues and the concept of reasonableness is based on qualitative issues. In the case of an offer by a third party for a company's shares, the offer may be said to be fair if the consideration payable is greater than or equal to the value of the business that is the subject of the offer.

The reasonableness of an offer depends largely upon the circumstances of the offer and is concluded upon after considering significant qualitative factors.

2. PROCEDURES

In arriving at its opinion, Standard Bank has performed a detailed valuation of Illovo and its investments making use of, *inter alia*, the following valuation methodologies:

- discounted cash flow ("DCF");
- capitalisation of earnings;
- net asset value; and
- dividend discount.

In the implementation of such valuation methodologies, Standard Bank has used and/or considered the following:

- discussions with the management team of Illovo;
- Illovo's audited financial statements for the five financial years ended 31 March 2006;

- Illovo Sugar (Malawi) Limited and Zambia Sugar plc's audited financial statements for the two financial years ended 31 March 2005;
- forecast financial information, for Illovo and each of its subsidiary companies, for the four financial years ending 31 March 2010;
- the strategic plan for Illovo dated September 2005 for the four financial years ending 31 March 2010;
- information provided by Illovo management with regard to the sensitivity of Illovo's financial results to a number of factors, including, *inter alia*, the Rand/US Dollar exchange rate, the impact of changes to the European Union sugar regime and the world sugar price;
- various analysts reports for Illovo, for internationally listed companies with similar operations to Illovo ("the comparable companies") and for the sugar industry in South Africa and internationally;
- information from I-Net Bridge and Bloomberg for internationally listed companies with similar operations to the investment portfolio companies ("the comparable companies"), as well as such comparable companies' most recent published results;
- information from Standard Bank Economics division for macro-economic forecast data for both South Africa and internationally; and
- historical share prices, volumes traded and volatility of Illovo and the comparable companies.

3. VALUATION

Standard Bank has used the DCF valuation methodology as its principal determinant of the value of Illovo. In applying the DCF valuation methodology, Standard Bank included various scenario analyses and sensitivities to test the impact of changes in respect of certain critical input factors, primarily the impact of changes in the Rand/US Dollar exchange rate and changes in the world sugar price. This process allowed Standard Bank to establish a fair value for Illovo.

In addition to the DCF valuation methodology, Standard Bank applied the capitalisation of earnings valuation methodology and the dividend discount valuation methodology and compared the values obtained to the net asset value of Illovo as corroborative valuations.

4. OPINION AND RECOMMENDATION TO THE ILLOVO BOARD

Standard Bank's assessment of the offer includes the determination of the fair value of Illovo, which takes into account company specific conditions and also takes cognisance of market conditions and circumstances surrounding the offer, including:

- the fact that the cash consideration is at a 53% premium to the market price and a 46% premium to the 30-day volume weighted average price of Illovo shares to 13 February 2006, being the day before the first cautionary announcement was published;
- the offer is for 51% of the fully diluted issued ordinary share capital of Illovo, which allows existing Illovo shareholders to retain a significant interest in Illovo and retains the listing of Illovo on the JSE Limited;
- the offer should be beneficial to both Illovo and ABF in the fields of technology transfer and marketing;
- the current and expected outlook for the Rand/US Dollar exchange rate and the world sugar price; and
- that the offer is for cash.

Based on the valuation performed by Standard Bank, any offer made to Illovo shareholders for 51% of the fully diluted share capital at or above R19.82 per Illovo share is regarded as fair. The offer is fair to Illovo shareholders because the cash consideration is above the fair value of Illovo as determined by Standard Bank's valuation.

The offer is reasonable in relation to Illovo shareholders in that it is at a significant premium to the Illovo share price prior to the first cautionary announcement and the offer incorporates specific minority protections for Illovo shareholders post the implementation of the offer. The details of the specific minority protections are contained in paragraph 9 of the Additional Information Required in Terms of the Code and Details of Amendments to the Memorandum and Articles section of the documents.

Therefore, our advice to the Board is that the terms and conditions of the offer are fair and reasonable to the Illovo shareholders. Standard Bank, therefore, advises that the Board recommends to Illovo shareholders that they accept the offer.

This opinion and recommendation is based on the information for the period up to 7 June 2006 made available to Standard Bank by the management of Illovo and the economic, regulatory, market and other conditions in effect on 7 June 2006. It should be understood that subsequent developments might affect this opinion and recommendation, which Standard Bank is under no obligation to update, revise or re-affirm.

In performing the valuation, Standard Bank has assumed and relied upon the accuracy of the information provided to it, or otherwise reviewed by it for the purposes of this opinion, whether in writing or obtained following discussions with the management of Illovo, and Standard Bank does not have and does not assume any responsibility or liability for the accuracy thereof. In relying upon the information, Standard Bank performed the procedures detailed in paragraph 2 above in an effort to satisfy itself as to the appropriateness and reasonableness of the underlying information and assumptions.

Forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. Standard Bank expresses no opinion as to how closely the actual results will correspond to those forecast by the management of Illovo.

The Standard Bank of South Africa Limited is a subsidiary of Standard Bank Group Limited (collectively, "Standard Bank Group"). Companies comprising the Standard Bank Group may hold Illovo shares, which investments would be held in the ordinary course of the Standard Bank Group's asset management activities. Standard Bank has been mandated to provide an independent fair and reasonable opinion and will be paid its fee regardless of the successful outcome of the offer.

5. **USE OF THIS OPINION**

This opinion is provided solely for the benefit of the Board in connection with and for the purposes of their consideration of the offer. Standard Bank's opinion does not constitute a recommendation to any shareholder of Illovo as to how to vote at any Illovo shareholders' meeting relating to the offer or on any matters relating to it, nor as to the acceptance of the offer.

An individual shareholder's decision may be influenced by such shareholder's particular circumstances. Accordingly, a shareholder should consult an independent financial adviser if such shareholder is in any doubt as to the merits or otherwise of the offer.

6. **CONSENT**

Standard Bank hereby consents to the inclusion of this letter and references thereto in the documents to Illovo shareholders in the form and context in which they appear.

Yours faithfully

Standard Bank
Corporate Finance Division

3 Simmonds Street
Marshalltown
Johannesburg"

TRADING HISTORY OF ILLOVO SHARES ON THE JSE

The trading history of Illovo shares on the JSE is set out below.

			Low (cents)	High (cents)	Volume
Quarterly					
2003	June	30	630	790	34 219 655
	September	30	745	840	45 394 159
	December	31	625	800	45 481 841
2004	March	31	675	815	40 436 209
	June	30	742	800	23 426 282
	September	30	650	820	39 084 916
	December	31	730	930	45 621 208
2005	March	31	760	870	35 462 572
	June	30	725	880	20 049 678
Monthly					
2005	June	30	780	880	8 093 530
	July	31	835	915	6 487 562
	August	31	845	912	13 219 368
	September	30	875	1 000	13 682 171
	October	31	960	1 085	26 473 976
	November	30	960	1 080	17 180 091
	December	31	1 065	1 280	35 080 778
2006	January	31	1 250	1 530	17 661 129
	February	28	1 325	1 500	14 995 546
	March	31	1 467	1 700	14 522 797
	April	30	1 650	1 790	10 499 274
	May	31	1 710	2 100	41 972 425
Daily					
2006	April	24	1 724	1 750	1 264 598
		25	1 730	1 790	731 851
		26	1 740	1 770	336 984
		28	1 666	1 760	1 235 412
	May	2	1 710	1 730	392 956
		3	1 740	1 760	492 137
		4	1 760	1 800	1 038 631
		5	1 760	1 775	957 744
		8	1 752	1 800	385 940
		9	1 745	1 800	7 575 897
		10	1 800	1 870	1 086 895
		11	1 870	1 930	1 856 743
		12	1 925	2 001	1 312 449
		15	1 900	2 000	1 244 552
		16	1 905	1 990	1 078 059
		17	1 950	2 025	826 989
		18	1 950	2 010	922 383
		19	2 000	2 061	11 737 317
		22	2 020	2 100	7 865 350
		23	2 011	2 050	3 198 383
		24	2 000	2 035	467 128

			Low (cents)	High (cents)	Volume
Daily					
2006	May	25	2 000	2 020	345 205
		26	2 002	2 048	350 886
		29	2 015	2 041	225 262
		30	2 000	2 020	656 241
		31	1 990	2 015	186 992
	June	1	1 985	2 015	669 241
		2	1 987	2 000	228 132
		5	1 980	1 995	56 320
		6*	1 940	1 995	404 112

* Last practicable date.

SARB EXCHANGE CONTROL REGULATIONS

The following is a summary of the SARB Exchange Control Regulations insofar as they have application to scheme participants. Any scheme participants who have any doubts as to the application thereof should consult their professional advisers as soon as possible.

1. RESIDENTS OF THE COMMON MONETARY AREA

In the case of a scheme participant holding:

- 1.1 certificated Illovo shares whose registered address in the register is within the common monetary area and whose documents of title are not endorsed in terms of the SARB Exchange Control Regulations, the scheme consideration and replacement share certificate will be posted to his address recorded in the register (or, in the case of the consideration, electronically transferred to such scheme participant's bank account if the transfer secretaries have details of that bank account, the scheme participant concerned has concluded a mandate with the transfer secretaries and the scheme participant holding certificated Illovo shares surrendered his documents of title before 12:00 on the record date for the scheme unless written instructions to the contrary are received and an address provided. The attached form of surrender (*pink*) makes provision for a substitute address; or
- 1.2 dematerialised Illovo shares, the scheme consideration will be paid to his CSDP or broker and credited to that scheme participant in terms of the provisions of the custody agreement with his CSDP or broker.

2. EMIGRANTS FROM THE COMMON MONETARY AREA

In the case of scheme participants who are emigrants from the common monetary area and whose Illovo shares form part of their blocked assets, the scheme consideration will, in the case of a scheme participant holding:

- 2.1 certificated Illovo shares, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such scheme participant's blocked assets in terms of the SARB Exchange Control Regulations. The attached form of surrender (*pink*) makes provision for details of the authorised dealer concerned to be given; or
- 2.2 dematerialised Illovo shares, be paid to his CSDP or broker, which shall arrange for the same to be credited directly to the blocked Rand bank account of the scheme participant with his authorised dealer.

3. ALL OTHER NON-RESIDENTS OF THE COMMON MONETARY AREA

The scheme consideration accruing to non-resident scheme participants whose registered addresses are outside the common monetary area and who are not emigrants will, in the case of a scheme participant holding:

- 3.1 certificated Illovo shares, whose documents of title have been endorsed "non-resident" under the SARB Exchange Control Regulations, be posted to his registered address, together with a replacement share certificate, unless written instructions to the contrary are received and an address provided. The attached form of surrender (*pink*) makes provision for a substitute address; or
- 3.2 dematerialised Illovo shares, be paid to his CSDP or broker and credited to that scheme participant in terms of the provisions of the custody agreement with his CSDP or broker.

ABRIDGED FINANCIAL INFORMATION RELATING TO ILLOVO FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

REVIEW

During the past year the group achieved excellent results with headline earnings increasing by 129% to R352.4 million and headline earnings per share increasing by 127% to 104.2 cents. This was largely due to increased sugar production in South Africa and record sugar output in all the group's other countries of operation, combined with a general improvement in domestic sales, a significant increase in world and regional sugar prices, cost savings and a material reduction in financing costs. The change in the value of growing cane, largely as a result of increased sugar prices, enhanced earnings from cane growing.

In the financial year ended 31 March 2006, the group achieved turnover of R5.5 billion and operating profit of R751.5 million. Compared to the previous year, and impacted by the sale of certain businesses in 2004/05, turnover increased by 7% and operating profit by 77%. Net financing costs decreased from R153.9 million to R100.9 million, whilst the effective tax rate, excluding material items was 30.3%. Cash generation was strong with group borrowings of R441.0 million reflecting a major decrease of R360.6 million, resulting in gearing of 24.3%.

The contributions to operating profit were: sugar production 61%, cane growing 31% and downstream 8%. By country, contributions were: South Africa 21%, Malawi 39%, Zambia 20%, Swaziland 10%, Tanzania 9% and Mozambique 1%.

Group sugar and cane production of 1.87 million tons and 5.46 million tons respectively were higher than that achieved in the previous season. Overall, the season was characterised by variable weather conditions. The importance of good irrigation sources and infrastructure was particularly evident in Zambia and Swaziland where very dry conditions were offset by effective irrigation. As a result of good cane yields, record cane production was achieved in Malawi, Zambia and Mozambique.

Factory performance continued to improve with high levels of mechanical and operational efficiency. Major refinery expansions have been undertaken at the Pongola and Noodsberg factories which will enable refined sugar production in South Africa to exceed the levels which existed prior to the sale of the Umfolozi mill. The performance of the downstream operations across the group was good, with record production of diacetyl and ethyl alcohol.

Sales of sugar and downstream products into domestic markets contributed 63% to total revenue, whilst exports to 102 countries contributed the balance. A strength of the group is that 69% of sugar by volume and 80% by value was sold into the domestic or premium-priced export markets. Domestic sales of sugar have shown an improvement across the group as a result of marketing initiatives and improved distribution, particularly in rural areas. Despite the overall improvement in domestic market offtake, it is of concern that illegal sugar imports into some of the countries in Africa have again been an issue. However, generally the authorities have responded positively to counter these illegal imports. It is disappointing that in Tanzania the issue of government protection to domestic producers of refined sugar remains unresolved. The matter is receiving attention with support from the Sugar Board of Tanzania.

The world sugar price, although continuing to be volatile, made a most welcome upward adjustment during the past year. The improvement in price also resulted in a firming of sugar revenue realisations in the regional markets supplied by Illovo. World raw sugar prices commenced the 2005/06 season at around US8.0 cents/lb, peaked at around US19.7 cents/lb in February 2006 and ended the financial year in the US17.0 to US18.0 cents/lb range. The upward movement in prices was fuelled by a number of factors, including a global production deficit which is currently in its third year, the European Union (EU) sugar regime reform, and growing world-wide interest in ethanol from sugar cane as a bio-renewable energy source. In addition, weather-related factors in certain major producing regions such as the United States, Thailand, China and Brazil impacted on production in the current year. The increase in world consumption of around 2% per annum, together with the structural changes of the EU sugar regime, and the increasing demand for ethanol, have created a positive background for continuing stronger sugar prices compared to the more recent past. The EU reform is expected to result in a decline in production in Europe of between five and seven million tons of sugar per annum. The cost of new sugar production to meet consumer demand around the world will also be impacted by energy prices, as the installation of new productive capacity will be compared with the alternative of using sugar cane for ethanol.

The reform of the EU sugar regime was finalised early in 2006. The implementation date is 1 July 2006 and the new regime will be effective until 30 September 2015. The detailed rules and regulations to govern the regime are currently being finalised. Illovo supports the reform of the EU sugar sector. The EU raw sugar reference price payable to quota holders under the African, Caribbean and Pacific (ACP) Sugar Protocol (in the case of Illovo, affecting mainly its Swaziland operation) will reduce by 5% on 1 July 2006. This will equalise the price paid for all raw sugar imported into the EU. The price for all suppliers of raw sugar will then remain unchanged until 30 September 2008, after which it will be reduced by 32.5% in two tranches on 1 October 2008 and 1 October 2009. As a result, no significant price reduction impact on Illovo is expected until the 2009 financial year. Whilst the price cut will impact negatively on revenue from existing export quotas into the EU, a phased reduction in duty commencing from 2006 and culminating in duty-free and quota-free access for exports from 2009 in respect of sugar supplied by Least Developed Countries (including the group's operations in Malawi, Zambia, Tanzania and Mozambique) will provide Illovo with opportunities to both substantially increase export volumes into the EU market and extend the range of sugar products supplied. The finalisation of the reform package creates a period of certainty in respect of the EU market until September 2015, which will underpin the expansion plans of the group.

During the year, R120.8 million was spent on replacement of plant and equipment to ensure that the group's operating assets are maintained in a sound condition, that strategic plant is adequately protected against breakdown, and that product quality is of the highest standard. In addition, R84.2 million was invested in expansion projects and on product registrations.

Details of the group's compliance with the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa 2002, are disclosed in the 2006 Annual Report which is to be issued in the third week of June 2006.

Dividend

The final dividend has been increased to 42.5 cents per share (2005: 13.5 cents) which results in a total distribution of 62.5 cents (2005: 25.5 cents) for the full year.

Outlook

The existing factory and field operations have significant expansion potential in the longer term. In the current year, the group will commence these expansions which will be phased-in over a four year period. New investment opportunities in Africa continue to be pursued. The group's feasibility studies on power generation are well advanced.

In the current year, own cane, sugar and downstream production are anticipated to exceed the levels achieved in the past year. World sugar prices have improved considerably, and world and regional sales will earn better prices than those attained in the past year. The results for the current year will again be impacted by the level of the rand compared to other currencies, particularly the US dollar. However, good growth in earnings is anticipated at current exchange rates and world sugar prices.

Firm intention to acquire 51% of Illovo Sugar Limited

Attention is drawn to the joint announcement by Illovo and Associated British Foods plc (ABF) setting out the details of the firm intention by ABF to make an offer to acquire 51% of the issued ordinary shares of Illovo for a cash consideration of R21.00 per share through a scheme of arrangement or substitute offer.

The Illovo board has considered the terms of the offer, and is of the opinion that such terms are fair and reasonable to shareholders.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Mount Edgecombe
18 May 2006

GROUP INCOME STATEMENTS

		Year ended 31 March		
	Notes	2006 Rm	2005 Restated Rm	Change %
Revenue		5 468.8	5 102.7	7
Profit from operations		751.5	423.7	77
Net financing costs	4	100.9	153.9	
Profit before material items		650.6	269.8	
Material items	5	3.5	(79.2)	
Profit before taxation		654.1	190.6	
Taxation		197.3	88.9	
Profit after taxation		456.8	101.7	
Attributable to outside shareholders in subsidiary companies		99.1	50.0	
Net profit attributable to shareholders in Illovo Sugar Limited		357.7	51.7	
Determination of headline earnings:				
Net profit attributable to shareholders		357.7	51.7	
Adjusted for:				
Net loss on sale of businesses	5	–	97.0	
(Profit)/loss on disposal of property	5	(3.3)	6.5	
Profit on disposal of plant and equipment		(2.0)	(1.4)	
Headline earnings		352.4	153.8	129
Number of shares in issue (millions)		340.1	337.2	
Weighted average number of shares on which headline earnings per share are based (millions)		338.2	335.0	
Headline earnings per share (cents)		104.2	45.9	127
Diluted headline earnings per share (cents)		101.4	45.4	
Dividend per share (cents)		62.5	25.5	145

ABRIDGED GROUP BALANCE SHEETS

31 March

	2006	2005
	Rm	Restated Rm
ASSETS		
Non-current assets	2 362.6	2 292.2
Property, plant and equipment	1 704.9	1 661.6
Cane roots	589.1	543.7
Investments	68.6	86.9
Current assets	1 633.5	1 519.7
Inventories	470.8	404.5
Growing cane	657.9	534.5
Accounts receivable	504.8	580.7
Total assets	3 996.1	3 811.9
EQUITY AND LIABILITIES		
Total equity	1 813.5	1 465.9
Equity holders' interest	1 425.5	1 135.0
Minority shareholders' interest	388.0	330.9
Non-current liabilities	922.5	1 232.1
Deferred taxation	481.5	430.5
Net borrowings	441.0	801.6
Current liabilities	1 260.1	1 113.9
Accounts payable and provisions	1 170.7	1 021.7
Financial instruments	89.4	92.2
Total equity and liabilities	3 996.1	3 811.9

OTHER SALIENT FEATURES

	2006	2005
	Rm	Restated Rm
Operating margin (%)	13.7	8.3
Gearing (%)	24.3	54.7
Interest cover (times)	7.4	2.8
Return on net assets (%)	25.2	11.1
Net asset value per share (cents)	533.2	434.7
Depreciation	127.7	161.2
Capital expenditure	205.0	332.1
– expansion	75.4	18.5
– product registration costs	8.8	7.3
– operating leases	–	172.2
– replacement	120.8	134.1
Capital commitments	284.2	245.4
– contracted	28.1	11.6
– approved but not contracted	256.1	233.8
Lease commitments	171.2	182.1
– land and buildings	102.8	115.2
– other	68.4	66.9
Contingent liabilities	10.5	14.4

ABRIDGED GROUP CASH FLOW STATEMENTS

	Year ended 31 March	
	2006	2005
	Rm	Restated Rm
Cash flows from operating and investing activities		
Cash operating profit	710.5	533.0
Working capital requirements	117.2	134.7
Cash generated from operations	827.7	667.7
Replacement capital expenditure	(120.8)	(306.3)
Financing costs, taxation and dividend	(341.3)	(388.3)
Net investment in future operations	(98.7)	(43.2)
Cash flow from businesses sold	–	429.9
Other movements	43.9	26.6
Net cash inflow before financing activities	310.8	386.4

STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2006	2005
	Rm	Restated Rm
Share capital and share premium		
Balance at beginning of the period	282.5	264.3
Issue of new shares	15.9	18.2
Balance at end of the period	298.4	282.5
Share-based payments reserve		
Balance at beginning of the period	4.4	–
Restatement of opening balance	–	1.6
Share-based payment expense	3.7	2.8
Balance at end of the period	8.1	4.4
Non-distributable reserves		
Balance at beginning of the period	95.4	109.4
Restatement of opening balance	–	(2.8)
Realised profit/(loss) on sale of land	0.2	(1.5)
Effect of foreign currency translation	26.6	(31.3)
Effect of cash flow hedges	(0.1)	(9.7)
Transfer from retained surplus – Foreign Currency Translation Reserve (FCTR)	–	31.3
Balance at end of the period	122.1	95.4
Retained surplus		
Balance at beginning of the period	707.2	921.3
Restatement of opening balance		(77.9)
Dividend reserve opening balance transfer		(93.5)
Realised (loss)/profit on disposal of land	(0.2)	1.5
Reserve arising out of IAS 39		0.2
Derecognition of negative goodwill		21.0
Transfer to dividend reserve	(212.4)	(85.8)
Transfer to non-distributable reserves – FCTR	–	(31.3)
Net profit for the period	357.7	51.7
Balance at end of the period	852.3	707.2
Dividend reserve		
Balance at beginning of the period	45.5	93.5
Transfer from retained surplus	212.4	85.8
Dividends paid	(113.3)	(133.8)
Balance at end of the period	144.6	45.5
Equity holders' interest	1 425.5	1 135.0
Minority shareholders' interest		
Balance at beginning of the period	330.9	409.9
Restatement of opening balance		(79.8)
Effect of foreign currency translation	(6.7)	(8.7)
Dividends paid	(37.6)	(40.5)
Increase in shareholding	2.3	–
Net profit for the period	99.1	50.0
Balance at end of the period	388.0	330.9
Total equity	1 813.5	1 465.9

SEGMENTAL ANALYSIS

Year ended 31 March

	2006		2005 Restated	
	Rm	%	Rm	%
BUSINESS SEGMENTS				
Revenue				
Sugar production	3 883.2	71	3 740.3	73
Cane growing	1 081.5	20	893.6	18
Downstream	504.1	9	468.8	9
	5 468.8		5 102.7	
Profit from operations				
Sugar production	456.9	61	294.9	70
Cane growing	235.3	31	63.8	15
Downstream	59.3	8	65.0	15
	751.5		423.7	
Total assets				
Sugar production	2 060.8	51	2 058.4	54
Cane growing	1 701.9	43	1 524.8	40
Downstream	233.4	6	228.7	6
	3 996.1		3 811.9	
GEOGRAPHICAL SEGMENTS				
Revenue				
South Africa	2 631.1	48	2 409.4	47
Malawi	938.0	17	722.9	14
Zambia	784.9	14	632.1	12
Swaziland	586.1	11	507.5	10
Tanzania	353.9	7	348.1	7
Mozambique	174.8	3	148.2	3
USA	–		334.5	7
	5 468.8		5 102.7	
Profit from operations				
South Africa	156.8	21	61.5	15
Malawi	293.3	39	140.4	33
Zambia	153.2	20	153.9	36
Swaziland	73.0	10	14.3	3
Tanzania	68.6	9	81.8	19
Mozambique	6.6	1	(5.4)	(1)
USA	–		(22.8)	(5)
	751.5		423.7	

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The group has adopted IFRS with a transition date of 1 April 2004. The audited results for the year ended 31 March 2006 have been prepared using accounting policies that comply with IFRS and the comparatives have been restated accordingly. The group is reporting under IFRS for the first time for the year ended 31 March 2006.

The accounting policies adopted are consistent with those of the previous financial period, except for those described in note 2.

2. New accounting policies adopted:

2.1 Share-based payments (IFRS 2)

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity-settled payments after 7 November 2002 that were unvested as at 1 January 2005. The group issued equity-settled instruments to certain qualifying employees under an employee share option scheme to purchase shares in the company's authorised but unissued share capital. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant. The deferred share-based compensation is expensed over the vesting period, based on the company's estimate of the shares that are expected to eventually vest with a corresponding credit to a share-based payments reserve in equity.

2.2 Property, plant and equipment (IAS 16)

In accordance with IAS 16, the group has adopted the componentisation approach to property, plant and equipment. This requires amortisation to be determined separately for each significant part of an item of property, plant and equipment. In addition, costs relating to the moving and certain indirect costs relating to the rehabilitation of items of property, plant and equipment which were previously capitalised to the asset, are now written-off in the period in which they are incurred. The group has made an election in terms of IFRS 1 (First-time adoption of IFRS) for certain items of property, plant and equipment, whereby their fair value at the date of transition is deemed to be cost.

2.3 Operating leases (IAS 17)

In accordance with Circular 7/2005 of SAICA in respect of the accounting treatment of operating leases, the group now reports all operating leases with fixed rate escalations as an expense on a straight-line basis over the period of the lease.

2.4 Interests in Joint Ventures (IAS 31)

In accordance with IAS 31, the group now accounts for investments in jointly controlled entities using the proportionate consolidation method, whereas previously the group accounted for these entities using the full consolidation method.

3. Reconciliation of changes in accounting policies

	Actual Audited Year ended 31 March 2005 Rm	IFRS transition date 1 April 2004 Rm
Balance sheet		
Equity holders' interest		
As previously reported	1 200.3	1 295.0
Effect of IAS 16 (note 2.2)	(80.2)	(79.1)
Effect of IAS 17 (note 2.3)	1.1	–
Effect of IFRS 2 (note 2.1)	2.8	–
Effect of changes on the income statement	11.0	–
As restated	1 135.0	1 215.9
Minority shareholders' interest		
As previously reported	408.4	409.9
Effect of IAS 16 (note 2.2)	(57.6)	(59.5)
Effect of IAS 31 (note 2.4)	(20.5)	(20.3)
Effect of IFRS 2 (note 2.1)	(0.1)	–
Effect of changes on the income statement	0.7	–
As restated	330.9	330.1
Income statement		
Net profit as previously reported	40.7	
Effect of IFRS 2 (note 2.1)	(2.6)	
Effect of IAS 16 (note 2.2)	14.1	
Effect of IAS 17 (note 2.3)	(0.5)	
As restated	51.7	
	2006	Year ended 31 March 2005 Restated Rm
	Rm	Rm
4. Net financing costs		
Interest paid	161.4	191.8
Interest received	(59.5)	(35.3)
Dividend income	(1.0)	(2.6)
	100.9	153.9
5. Material items		
Net loss on sale of businesses	–	(72.7)
Profit/(loss) on disposal of property	3.5	(6.5)
Material profit/(loss) before taxation	3.5	(79.2)
Taxation	(0.2)	(24.3)
Material profit/(loss) attributable to shareholders in Illovo Sugar Limited	3.3	(103.5)

DECLARATION OF DIVIDEND NO. 29

Notice is hereby given that a final dividend of 42.5 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2006. This dividend, together with the interim dividend of 20.0 cents per share which was declared on 16 November 2005, makes a total distribution in respect of the year ended 31 March 2006 of 62.5 cents per share.

In accordance with the settlement procedures of STRATE, the company has determined the following salient dates for the payment of the dividend:

Last day to trade cum-dividend	Friday, 30 June 2006
Shares commence trading ex-dividend	Monday, 3 July 2006
Record date	Friday, 7 July 2006
Payment of dividend	Monday, 10 July 2006

Share certificates may not be dematerialised/rematerialised between Monday, 3 July 2006 and Friday, 7 July 2006, both days inclusive.

By order of the Board

G D Knox
Company Secretary

Mount Edgecombe
18 May 2006

FINANCIAL INFORMATION RELATING TO ILLOVO FOR THE THREE FINANCIAL YEARS ENDED 31 MARCH 2005

ACCOUNTING POLICIES

The principal accounting policies of the group conform with South African Statements of Generally Accepted Accounting Practice. During the current year the group adopted AC 501 (Accounting for Secondary Tax on Companies (STC)) and AC 140 (Business Combinations) with retrospective application and the prior year's comparatives have been restated accordingly. Apart from these changes, the principal accounting policies of the group are consistent in all material respects with those of the previous year.

1. **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. Operating results of subsidiaries acquired or disposed of during the year are included from, or up to, the effective dates of acquisition or disposal, respectively.

2. **Translation of Financial Statements prepared in foreign currencies**

Balance sheets of consolidated foreign subsidiaries are translated into South African Rand at rates of exchange ruling at the year end. The related income statements including those of equity accounted foreign subsidiaries are translated at the weighted average rate of exchange for the year.

Where a subsidiary reports in the currency of a hyperinflationary economy, its financial statements are restated by applying a general price index pertaining to that economy before they are translated and included in the consolidated financial statements. Translation of the restated financial statements of the subsidiary is performed at rates of exchange ruling at the year end.

Aggregate gains and losses on the translation of foreign subsidiaries are taken directly to the foreign currency translation reserve.

3. **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is carried at cost and tested for impairment on an annual basis.

Negative goodwill is recognised in profit or loss at the date of acquisition of a subsidiary, associate or jointly controlled entity.

4. **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.

5. **Property, plant and equipment**

Property, plant and equipment are stated at cost to the group.

Land is not depreciated.

Leasehold properties are amortised over the period of the leases.

Plant and equipment are written down to their estimated residual values over their anticipated useful lives using the straight-line basis.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Interest on funds expended on new productive capacity prior to commencement of production is capitalised where such expenditure is incurred over a period in excess of 12 months.

6. **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 of each year of planting adjusted for the remaining expected life.

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

7. **Leased assets**

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. Lease payments are allocated using the effective interest rate method between a reduction in the liability to the lessor and interest charged to income.

The cost of the asset is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease finance charges are charged to operating profit as they are incurred. Assets subject to operating lease agreements are not capitalised and the related lease payments are charged to operating profit as they are incurred.

8. **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 in the following year.

9. **Associated companies**

Associates are those companies which are not subsidiaries, over which the group exercises a significant influence over the financial and operating policies and in which it holds a long-term equity interest.

Associate companies are accounted for on the equity method from their most recent financial statements. Equity accounted income, which is included in the respective carrying values of the investments, represents the group's proportionate share of associate companies' post-acquisition retained income after accounting for dividends payable by those associates.

10. **Investments**

Investments are stated at fair value.

11. **Inventories**

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of production and selling expenses. The basis of determining cost is the average method except in the case of downstream products where the first-in-first-out basis is used.

Cost of finished goods comprise all costs of purchase, cost of conversion and other costs incurred in bringing such inventories to their present location and condition.

Maintenance stores are valued at average cost with obsolete items being written off.

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

12. **Foreign currency assets and liabilities**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Realised gains and losses arising from the settlement of such transactions are recognised through the income statement. Foreign currency denominated balances are revalued at the spot rate at reporting date with unrealised gains and losses being taken through the income statement.

Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates at the date the fair value was determined.

13. **Financial Instruments**

Financial instruments are initially measured at cost, which includes transaction costs, when the related contractual rights or obligations arise. Subsequent to initial recognition, these instruments are measured as set out below:

- **Originated loans and receivables:**
Trade and other receivables originated by the group are stated at cost less provision for impairment. This represents fair value. All loans are stated at amortised cost.
- **Held for trading financial instruments:**
Derivative instruments are measured at fair value and realised and unrealised gains and losses are taken through the income statement, unless they have been designated as a hedging instrument qualifying for cash flow hedge accounting.
- **Held to maturity financial instruments** are held at amortised cost.
- **Available for sale financial instruments:**
These consist of all financial instruments not falling within the other four categories. They are measured at fair value and all gains and losses are recognised directly in equity until the instrument is disposed of or discharged upon which the cumulative gains and losses are taken to the income statement.

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which the change arises.

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 liability simultaneously.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities other than derivatives are recognised at their original debt value less principal payments and amortisations. Interest is recognised using the effective interest rate method. Trade and other payables are stated at cost.

Embedded derivatives arising as a result of transacting in currencies which are not the currencies of the primary economic environment in which either party to the transaction operates and in currencies in which the related goods that are traded are not routinely denominated in that currency in international commerce are measured by separating the embedded derivative from the host transaction and measuring the embedded derivative at fair value. Any gain or loss on the embedded derivative is recognised in the income statement.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Where a derivative is designated as a cash flow hedge, the effective part of gains and losses from re-measuring the hedging instruments to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss during the period when the commitment or forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

Interest rate differentials under swap arrangements are recognised by adjustment to net interest payable. All interest rate swaps are marked to market.

Currency swap agreements and forward foreign exchange contracts (FECs) are valued at the forward rate to maturity at the reporting date. Resulting gains and losses are offset against foreign exchange gains or losses on the related borrowings (for cross currency swaps) and the related debtors or foreign currency denominated cash balances (for FECs). Gains and losses on cash flow hedges are taken to equity until such time as the underlying forecast future transaction occurs.

14. **Taxation**

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement to the extent that it relates to items not recognised directly in equity, in which case it is recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable in respect of previous years.

Deferred taxation is provided on the comprehensive basis using the balance sheet liability method based on temporary differences at rates substantially enacted at the balance sheet date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred taxation liabilities are recognised for all taxable temporary differences.

Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15. **Dividend income**

Dividend income from investments is brought to account as and when the company is entitled to receive such dividends.

16. **Revenue**

Revenue comprises the selling value, excluding value added tax, of goods delivered and services rendered during the year. In the determination of revenue, all material inter-company transactions are excluded. Revenue is recognised when significant risks and rewards of ownership are transferred to the customer.

17. **Research, development and related expenditure**

Research and development expenditure is charged to operating profit in the year in which it is incurred.

Technology, royalty and associated costs, which are disclosed separately from research and development expenditure, are charged to operating profit as incurred. These costs include technical licence fees and royalties paid to third parties where the payments are considered to be a contribution to the research and development activities of those third parties.

18. **Abnormal items**

Abnormal items are those items of income or expense, whose nature or incidence is such that their disclosure becomes relevant to explain the performance of the group. Profit before taxation is stated after accounting for abnormal items.

19. **Discontinuing operations**

Discontinuing operations are significant, distinguishable components of the group that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and includes the operating results from that date to the year end, the difference between the proceeds of disposal and the net carrying value of the assets and liabilities to be disposed of, as well as all costs and expenses that are incurred and are directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is taken into account only when realised.

20. **Retirement benefits**

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

Contributions by group companies to defined contribution retirement plans are recognised as an expense in the year in which the related services are rendered by employees.

Current service costs in respect of defined benefit retirement plans are actuarially determined and recognised as an expense in the year in which related services are rendered by employees. Past service costs in respect of existing employees, including changes in actuarial assumptions, plan amendments and experience adjustments, are recognised as income or expense systematically over the expected remaining working lives of the employees concerned. Past service costs in respect of retired employees are recognised as an expense in the year in which the plan amendment is made. All plans are funded. Funding shortfalls arising in defined benefits plans are met by group companies through lump sum payments or increased future contributions.

Additional severance liabilities in terms of legislative regulations are assessed annually and provided for.

Historically, qualifying employees have been granted certain post retirement medical benefits. Although the practice has been discontinued, there is a liability in respect of current and retired employees to whom the benefit was granted. These costs are provided on the accrual basis, determined actuarially.

21. **Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

22. **Asset impairment review**

An assessment is made at each balance sheet date to determine whether there is objective evidence that property, plant and equipment and other assets may be impaired. An estimate of the future undiscounted net cash flows of the related assets over the remaining useful life is used to determine whether the asset value is recoverable and to measure any impairment by reference to fair value. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss on the difference between the recoverable amount and carrying amounts is recognised in the Income Statement.

23. **Comparative figures**

When an accounting policy is changed with retrospective effect, comparative figures are restated in accordance with the new policy.

INCOME STATEMENT

for the year ended 31 March

	Notes	March 2005 Rm	March 2004 Restated Rm	March 2003 Restated Rm
Revenue	1	5 143.0	6 488.2	7 025.0
Profit from operations	2	405.6	726.6	1 057.3
Net financing costs	3	156.1	259.0	248.8
Dividend income		2.6	2.6	1.7
Profit/(loss) before taxation and abnormal items		252.1	470.2	810.2
Abnormal items	4	(79.2)	1.9	(2.3)
Profit/(loss) before taxation		172.9	472.1	807.9
Taxation	5	82.9	141.4	254.9
Profit/(loss) after taxation		90.0	330.7	553.0
Attributable to outside shareholders of subsidiary companies		49.3	90.2	115.2
Net profit/(loss) attributable to shareholders in Illovo Sugar Limited		40.7	240.5	437.8
Reconciliation of headline earnings:				
Net profit from ordinary activities		40.7	240.5	437.8
<i>Adjusted for:</i>				
Loss/(profit) on disposal of property, plant and equipment		5.1	(3.0)	(0.8)
Loss on disposal of businesses		97.0	–	–
Amortisation of goodwill		–	(1.1)	1.7
Reorganisation of long term debt		–	1.2	–
Headline earnings		142.8	237.6	438.7
Net profit from ordinary activities per share (cents)	19	12.1	72.1	131.8
Diluted earnings per share (cents)	19	13.2	70.5	128.9
Headline earnings per share (cents)	19	42.6	71.3	132.0
Diluted headline earnings per share (cents)	19	42.2	69.7	128.9

BALANCE SHEET

as at 31 March

	Notes	March 2005 Rm	March 2004 Restated Rm	March 2003 Restated Rm
ASSETS				
Non-current assets		2 415.0	3 181.3	3 758.4
Property, plant and equipment	7	1 823.2	2 557.4	3 077.8
Cane roots	8	543.7	518.4	568.9
Product registrations	9	30.4	23.8	15.8
Goodwill	10	–	(21.0)	(22.1)
Interest in subsidiary companies	11	–	–	–
Interest in associate companies	12	–	–	–
Investments and loans	13	86.9	80.6	118.0
Deferred taxation asset	22	30.8	22.1	–
Current assets		1 892.7	2 052.3	2 510.0
Inventories	14	291.7	629.4	689.7
Growing cane	15	534.5	547.4	602.0
Accounts receivable	16	588.6	485.7	743.4
Factory overhaul costs	17	123.5	127.8	145.8
Financial instruments	18	1.9	11.8	–
Cash resources		352.5	250.2	329.1
Total assets		4 407.7	5 233.6	6 268.4
EQUITY AND LIABILITIES				
Capital and reserves		1 200.3	1 295.0	1 616.2
Ordinary share capital and premium	19	282.5	264.3	259.9
Non-distributable reserves	20	98.2	109.4	91.7
Retained surplus	21	819.6	921.3	1 264.6
Interest of outside shareholders of subsidiaries		408.4	409.9	444.1
Non-current liabilities		762.5	970.0	1 083.9
Deferred taxation	22	525.0	630.6	697.2
Long term borrowings	23	237.5	339.4	386.7
Current liabilities		2 036.5	2 558.7	3 124.2
Short term borrowings	24	799.9	1 119.2	988.4
Accounts payable	25	821.6	881.1	1 564.6
Bank overdraft		109.8	157.9	155.0
Financial instruments	18	94.1	80.8	–
Taxation		35.8	18.8	61.8
Provisions	26	175.3	300.9	354.4
Total equity and liabilities		4 407.7	5 233.6	6 268.4

CASH FLOW STATEMENT

for the year ended 31 March

	Notes	March 2005 Rm	March 2004 Restated Rm	March 2003 Restated Rm
Cash flows from operating activities				
Profit from operations before working capital requirements	a	531.3	816.7	1 143.3
Working capital requirements	b	137.5	42.3	29.6
Cash generated from operations		668.6	859.0	1 72.9
Interest paid		(188.3)	(286.7)	(277.9)
Interest received		32.2	27.7	28.9
Taxation paid	c	(60.1)	(104.6)	(194.6)
Dividends paid	d	(176.0)	(239.4)	(227.8)
Dividend income		2.6	2.6	1.7
Net cash inflow from operating activities		279.0	258.6	503.2
Cash flows from investing activities				
Replacement of property, plant and equipment		(134.1)	(158.9)	(173.8)
Acquisition of operating leases		(172.2)	–	–
Expansion capital expenditure		(18.5)	(27.1)	(30.6)
Capitalisation of product registrations		(7.3)	(12.5)	(12.1)
Proceeds on disposal of plant and equipment		23.9	4.4	5.9
Proceeds on disposal of immovable property		–	37.3	12.3
Cash cost of subsidiaries acquired		–	–	(194.0)
Proceeds on disposal of businesses	e	429.9	–	–
Acquisition of investments		10.7	–	–
Research and development expenditure		(17.4)	(19.4)	(18.3)
Net movement on loans and advances		(8.0)	12.6	0.8
Net cash inflow/(outflow) from investing activities		107.0	(163.6)	(409.8)
Net cash inflow before financing activities		386.0	95.0	93.4
Cash flows from financing activities				
Long term borrowings raised		31.9	131.0	–
Long term borrowings repaid		(165.0)	(145.2)	(282.6)
Short term borrowings repaid		(169.1)	(128.2)	109.0
Capitalised finance leases (repaid)/raised		(0.5)	2.3	(0.3)
Proceeds from issue of share capital	f	18.2	4.4	5.3
Net cash outflow from financing activities		(284.5)	(135.7)	(168.6)
Net increase/(decrease) in cash and cash equivalents		101.5	(40.7)	(75.2)
Cash and cash equivalents at beginning of the year	g	251.0	290.9	404.3
Cash and cash equivalents at end of the year		352.5	250.2	329.1

NOTES TO THE CASH FLOW STATEMENT

	2005	2004	2003
	Rm	Restated Rm	Restated Rm
a Profit from operations before working capital requirements is calculated as follows:			
Profit from operations before interest and taxation	405.6	726.6	1 057.3
Abnormal items	(79.2)	1.9	(2.3)
Total income	326.4	728.5	1 055.0
<i>Add back:</i> Depreciation	180.2	236.2	214.8
Change in fair value of cane roots	(61.0)	(85.6)	(114.2)
Change in fair value of growing cane	(9.8)	(89.6)	(31.3)
Loss/(profit) on disposal of property, plant and equipment	4.9	(4.4)	(1.3)
Loss on disposal of businesses	72.7		
Amortisation of goodwill	–	(1.1)	1.7
Amortisation of product registration costs	0.7	0.2	0.3
Research and development expenditure	17.4	19.4	18.3
Financial instruments adjustments	(0.4)	13.1	
Profit from operations before working capital requirements	531.1	816.7	1 143.3
b Working capital requirements comprise the following:			
Inventories	224.8	(128.0)	(85.7)
Accounts receivable	(170.6)	106.9	(114.4)
Factory overhaul costs	(3.1)	2.9	(17.7)
Accounts payable	86.4	60.5	247.4
Working capital requirements	137.5	42.3	29.6
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:			
Amounts (unpaid)/overpaid at beginning of year	(9.7)	(42.2)	(70.7)
Translation rate adjustment	(0.3)	5.2	9.5
Other	(0.5)	3.8	(0.7)
Per income statements (excluding deferred taxation)	(82.0)	(81.1)	(174.9)
Amounts unpaid at end of year net of overpayments	32.4	9.7	42.2
Total taxation paid	(60.1)	(104.6)	(194.6)
d Dividends paid are reconciled as follows:			
Dividend paid to shareholders of Illovo Sugar Limited (per note 6 to the financial statements)	(133.8)	(199.9)	(189.4)
Dividends paid to outside shareholders of subsidiary companies	(42.2)	(39.5)	(38.4)
Total dividends paid	(176.0)	(239.4)	(227.8)

	2005 Rm	2004 Rm
e Proceeds on disposal of businesses		
The fair value of the assets and liabilities of businesses disposed of were as follows:		
Cash	–	–
Inventories	110.2	–
Growing cane	24.0	–
Cane roots	38.1	–
Accounts receivable	138.9	–
Factory overhaul costs	7.8	–
Property, plant and equipment	753.9	–
Investments	–	–
Accounts payable	(284.4)	–
Long term liabilities	(5.7)	–
Short term loans	(146.3)	–
Deferred tax liability	(100.8)	–
Net asset value to group	535.7	–
Portion of purchase price still unpaid	(105.8)	–
Net proceeds on disposal of business	429.9	–
f Proceeds from issue of share capital		
During the year the company issued 3 363 800 (2004: 918 800) new shares	18.2	4.4
g Cash and cash equivalents		
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	250.2	329.1
Translation adjustment on opening balance of cash and cash equivalents	0.8	(38.2)
Per the cashflow statement	251.0	290.9

STATEMENT OF CHANGES IN EQUITY

as at 31 March 2005

	Share capital and premium Rm	Translation reserve Rm	Other non-distributable reserves Rm	Retained surplus Rm	Total Rm
Group					
Balance at 31 March 2003	259.9	–	91.7	1 264.6	1 616.2
Prior year adjustments:				21.8	21.8
Net gains and losses not recognised in the income statement:	–	–	17.7	(405.7)	(388.0)
Realised profits – disposal of land			(5.3)	5.3	–
Adjustment to reserves on implementation of AC 133				(1.3)	(1.3)
Adjustments for cashflow hedges			4.2		4.2
Currency translation differences		(409.7)	18.8		(390.9)
Transfer of debit foreign currency translation reserve to retained surplus		409.7		(409.7)	–
Net profit for the year				240.5	240.5
Dividends paid				(199.9)	(199.9)
Issue of share capital	4.4				4.4
Restated balance at 31 March 2004	264.3	–	109.4	921.3	1 295.0
Net gains and losses not recognised in the income statement:	–	–	(11.2)	(8.6)	(19.8)
Realised profits – disposal of land			(1.5)	1.5	–
Adjustments for cashflow hedges			(9.7)	0.2	(9.5)
Currency translation differences		(31.3)			(31.3)
Derecognition of negative goodwill				21.0	21.0
Transfer of debit foreign currency translation reserve to retained surplus		31.3		(31.3)	–
Net profit for the year				40.7	40.7
Dividends paid				(133.8)	(133.8)
Issue of share capital	18.2				18.2
Balance at 31 March 2005	282.5	–	98.2	819.6	1 200.3

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

	2005 Rm	2004 Rm
1. REVENUE		
Revenue represents the proceeds receivable from:		
Sugar production	3 740.3	4 892.1
Cane growing	893.6	1 040.7
Downstream	509.1	555.4
	5 143.0	6 488.2
Includes export revenue of:	1 633.1	1 902.6
2. PROFIT FROM OPERATIONS		
Revenue	5 143.0	6 488.2
Cost of sales	3 614.3	4 502.9
Distribution costs	368.8	570.8
Administrative costs	505.8	435.6
Other operating costs	248.5	252.3
Profit from operations	405.6	726.6
Profit from operations has been determined after taking into account the following items:		
Depreciation	180.2	236.2
– Buildings	11.7	16.1
– Leasehold properties	5.9	4.1
– Plant, machinery and other	162.6	216.0
Profit on disposal of plant and equipment	(1.6)	(2.5)
Amortisation of goodwill	–	(1.1)
Amortisation of product registration costs	0.7	0.2
Amortisation of factory overhaul costs	119.4	138.2
Fair value adjustments		
– cane roots	61.0	85.6
– growing cane	9.8	89.6
– financial instruments	(0.3)	1.4
Operating lease charges		
– property	20.5	52.8
– plant and equipment	25.2	15.9
Auditors' remuneration	8.1	7.8
– Audit fees	4.9	5.8
– Fees for other services	2.7	1.7
– Expenses	0.5	0.3
Exchange losses	8.8	34.5
Research and development expenditure	17.4	19.4

	2005 Rm	2004 Rm
3. NET FINANCING COSTS		
Interest paid	188.3	286.7
Long-term borrowings	12.1	22.9
Bank and short-term borrowings	164.7	242.4
Capitalised finance leases	3.1	4.0
Other	8.4	17.4
Interest received on loans and deposits	(32.2)	(27.7)
Net financing cost	156.1	259.0
Dividend income	2.6	2.6
Financing costs net of dividend income	153.5	256.4
4. ABNORMAL ITEMS		
(Loss)/profit arising on disposal of properties	(6.5)	1.9
Loss arising on disposal of businesses	(72.7)	–
Per income statement	(79.2)	1.9
Taxation	(24.3)	(0.2)
Abnormal (loss)/profit attributable to shareholders of Illovo Sugar Limited	(103.5)	1.7
5. TAXATION		
South African normal taxation – current year	(0.6)	13.8
– prior year	(0.6)	(4.7)
Foreign taxation – current year	81.4	69.5
– prior year	1.2	(1.4)
Secondary tax on companies	(9.7)	18.8
Deferred taxation – current year	6.7	40.7
– prior year	7.6	(0.3)
– rate change adjustment	(3.7)	0.9
	82.9	141.4
Reconciliation of rate of taxation	%	%
South African normal rate of taxation	30.0	30.0
Less increase/(reduction) in charge for year due to:	2.9	–
Adjustment from prior years	0.2	(0.3)
Adjustment in respect of abnormal items	9.6	–
Exempt income	(8.9)	(5.0)
Assessed losses created/(utilised)	(0.5)	(0.9)
Reduction in the tax rate	(1.5)	–
Disallowable expenditure	15.8	7.1
Secondary tax on companies	0.1	–
Timing differences not provided	(8.7)	(1.2)
Taxation rate differentials – foreign subsidiaries	3.5	(3.4)
Other	(6.7)	3.7
Effective rate of taxation	32.9	30.0
The estimated tax losses at the end of the year aggregate:	195.5	239.0

6. DIVIDENDS PAID

	2005 Rm	2004 Rm
Dividend no. 23 of 42.0 cents per share (final 2003) – paid 14 July 2003		139.9
Dividend no. 24 of 18.0 cents per share (interim 2004) – paid 12 January 2004		60.0
Dividend no. 25 of 28.0 cents per share (final 2004) – paid 12 July 2004	93.5	
Dividend no. 26 of 12.0 cents per share (interim 2005) – paid 10 January 2005	40.3	
	133.8	199.9

7. PROPERTY, PLANT AND EQUIPMENT

	Cost Rm	2005 Accumulated depreciation Rm	Cost Rm	2004 Accumulated depreciation Rm
Group				
Freehold land and buildings	442.2	73.1	571.2	170.6
Leasehold properties	234.6	40.8	259.2	40.8
Plant, machinery and other	2 355.6	1 096.3	3 661.1	1 725.4
Capitalised leased plant	1.4	0.4	3.0	0.3
	3 033.8	1 210.6	4 494.5	1 937.1
Net book value		1 823.2		2 577.4

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R13 989 million (2004: R16 568 million). Motor vehicles are insured at market value.

The group's properties are wide-ranging, amounting to approximately 112 407 hectares (2004: 126 816) 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.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

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

	Freehold land and buildings Rm	Plant leasehold properties Rm	Machinery and other Rm	2005 Total Rm	2004 Total Rm
Net book value at beginning of year	400.6	218.4	1 938.4	2 557.4	3 077.8
Additions	184.2	4.7	135.8	324.7	186.0
Disposal of businesses	(189.0)	–	(618.8)	(807.7)	–
Disposals	(16.1)	(21.7)	(36.5)	(74.3)	(17.8)
Exchange rate translation	1.1	(1.8)	4.0	3.3	(452.4)
	380.8	199.6	1 423.0	2 003.4	2 793.6
Depreciation	(11.7)	(5.9)	(162.6)	(180.2)	(236.2)
Net book value at end of year	369.1	193.7	1 260.4	1 823.2	2 557.4

8. CANE ROOTS

The carrying value of cane roots comprises:

	2005 Total Rm	Group 2004 Total Rm
Carrying value at beginning of year	518.4	568.9
Change in fair value	61.0	85.6
Acquisition of farms	4.0	–
Disposal of businesses	(38.1)	–
Disposal of farms	(4.3)	(8.8)
Exchange rate translation	2.7	(127.3)
Carrying value at end of year	543.7	518.4
Area under cane at 31 March (hectares)		
South Africa	12 088	19 369
Malawi	18 421	18 411
Swaziland	7 916	7 889
Zambia	11 031	11 231
Tanzania	7 984	8 152
Mozambique	3 721	3 095
	61 161	68 147

9. PRODUCT REGISTRATIONS

Product registrations represent registered rights to exclusively sell licensed products in specific countries.

Balance at the beginning of the year	23.8	15.8
Current year movements		
Expenditure	7.3	12.5
Amortisation	(0.7)	(0.2)
Exchange rate translation	–	(4.3)
Transfer to subsidiary company		
Balance at the end of the year	30.4	23.8

	2005 Total Rm	2004 Total Rm
10. GOODWILL		
Balance at the beginning of the year	(21.0)	(22.1)
Derecognition of negative goodwill (Note 30)	21.0	–
Amortisation for the year	–	1.1
Carrying amount at the end of the year	–	(21.0)
Gross carrying amount	–	(21.0)
Accumulated amortisation	–	–
Goodwill relates to the following subsidiaries:		
Illovo Sugar (Malawi) Limited	–	(24.5)
Kilombero Sugar Company Limited	–	3.5
	–	(21.0)

11. INTEREST IN SUBSIDIARY COMPANIES

The principal subsidiaries of Illovo Sugar Limited are as follows:	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amount owing by/(to) subsidiary company Rm	Total investment Rm
2005					
Illovo Distributors (Pty) Limited	–	100	0.4	(7.1)	(6.7)
Illprop (Pty) Limited	1.3	100	0.2	0.1	0.3
Reynolds Brothers Limited	–	100	–	5.1	5.1
Eureka Trading Limited	–	100	–	(0.7)	(0.7)
Illovo Project Services Limited	–	100	–	(0.2)	(0.2)
CGS Investments (Pty) Limited	–	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	5.6	100	20.9	(17.6)	3.3
Lacsa (Pty) Limited/Relax Limited	–	50	0.6	2.2	2.8
East African Supply (Pty) Limited	–	100	–	15.9	15.9
Illovo Sugar (Africa) Limited	95.8	100	41.9	(66.2)	(24.3)
Ubombo Sugar Limited	49.5	60	–	0.9	0.9
Illovo Sugar (Malawi) Limited	51.5	76	–	–	–
Zambia Sugar Plc	3.6	90	–	0.5	0.5
Maragra Açúcar SARL	228.5	76	–	(0.7)	(0.7)
Kilombero Sugar Company Limited	0.1	55	–	0.4	0.4
Illovo Group Holdings Limited – ordinary	–	100	–	–	–
Illovo Group Holdings Limited – preference	1 035.4	100	815.6	84.8	900.4
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.5	0.5
Monitor Holdings Limited*	250.0	100	17.5	7.7	25.2
Sucoma Holdings Limited	389.3	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	3.3	3.3
Illovo Sugar Espana	–	100	–	1.3	1.3
			898.0	28.7	926.7

11. INTEREST IN SUBSIDIARY COMPANIES (continued)

The principal subsidiaries of Illovo Sugar Limited are as follows:	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amount owing by/(to) subsidiary company Rm	Total investment Rm
2004					
Illovo Distributors (Pty) Limited	–	100	0.4	(5.5)	(5.1)
Illprop (Pty) Limited	1.3	100	1.3	–	1.3
Reynolds Brothers Limited	–	100	–	8.5	8.5
Eureka Trading Limited	–	100	–	(0.6)	(0.6)
Illovo Project Services Limited	–	100	–	(3.3)	(3.3)
CGS Investments (Pty) Limited	–	100	0.9	(1.5)	(0.6)
Glendale Sugar Limited	4.7	100	20.9	(11.5)	9.4
Lacsa (Pty) Limited/Relax Limited	1.2	50	0.6	1.4	2.0
East African Supply (Pty) Limited	–	100	–	1.5	1.5
Illovo Sugar (Africa) Limited	95.8	100	41.9	(136.1)	(94.2)
Ubombo Sugar Limited	49.5	60	–	0.2	0.2
Illovo Sugar (Malawi) Limited	50.9	76	–	–	–
Zambia Sugar Plc	3.6	90	–	–	–
Maragra Açúcar SARL	234.1	76	–	(1.0)	(1.0)
Kilombero Sugar Company Limited	0.1	55	–	0.5	0.5
Illovo Group Holdings Limited – ordinary	–	100	–	2.0	2.0
Illovo Group Holdings Limited – preference	743.5	100	815.6	–	815.6
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.3	0.3
Monitor Holdings Limited	350.0	100	350.0	11.5	361.5
Monitor Sugar Company	95.7	100	–	0.2	0.2
Sucoma Holdings Limited	351.9	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	4.1	4.1
Illovo Sugar Espana	–	100	–	1.2	1.2
			1 231.6	(128.1)	1 103.5

12. INTEREST IN ASSOCIATE COMPANIES

Principal associates of the group	Nature of business	2005 Percentage holding	2004 Percentage holding
Southern Cross Sugar Exports (Pty) Limited	Sugar export agents	33.3%	33.3%
Kilombero Sugar Distributors Limited	Distribution agents	20.0%	20.0%
Investment in associate companies		Rm	Rm
Gross investment		–	–
Directors' valuation of:			
Shares and loans in unlisted associate companies		–	–

13. INVESTMENTS AND LOANS

	2005 Rm	2004 Rm
Long-term promissory note receivable	20.0	–
Unlisted investments	1.3	1.3
Loans	65.6	79.3
	86.9	80.6
Long-term promissory note at directors' valuation	20.0	–
Unlisted investments at directors' valuation	1.3	1.3

The long term promissory note receivable is unsecured and is denominated in US Dollars with the interest calculated at 6% per annum, payable monthly. The principal is payable in 108 equal monthly instalments commencing on 1 November 2005 with the final payment due on 1 October 2014.

The loans bear interest at varying rates and have no fixed terms of repayment.

14. INVENTORIES

Finished goods	70.7	367.4
Consumables and components	221.0	262.0
	291.7	629.4

15. GROWING CANE

The carrying value of cane roots comprises:

	2005 Total Rm	2004 Total Rm
Carrying value at beginning of year	547.4	606.0
Change in fair value	9.8	89.6
Acquisition of farms	0.5	–
Disposal of businesses	(24.0)	–
Disposal of farms	(2.4)	(10.6)
Exchange rate translation	3.2	(133.6)
Carrying value at end of year	534.5	547.4

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2005:

	South Africa	Malawi	Swaziland	Zambia	Tanzania	Mozambique
2005						
Expected area to harvest (Ha)	6 203.0	18 131.0	7 659.0	10 889.0	7 759.2	3 680.0
Estimated yield (tons cane/ha)	67.0	105.0	99.0	116.5	85.2	90.9
Average maturity of cane at 31 March	56.10%	66.67%	66.67%	66.67%	50.00%	66.67%
2004						
Expected area to harvest (Ha)	8 295.0	18 441.0	7 634.0	10 908.0	7 835.1	3 096.0
Estimated yield (tons cane/ha)	69.0	104.0	100.7	116.0	85.9	93.7
Average maturity of cane at 31 March	56.40%	66.67%	66.67%	66.67%	50.00%	66.67%

16. ACCOUNTS RECEIVABLE

	2005 Rm	2004 Rm
Trade debtors	348.2	272.1
Other accounts receivable	240.4	213.6
	588.6	485.7

17. FACTORY OVERHAUL COSTS

Balance at the beginning of the year	127.8	145.8
Disposal of businesses	(7.8)	–
Capitalised during the year	122.5	135.2
Amortised during the year	(119.4)	(138.2)
Exchange rate translation	0.4	(15.0)
Balance at the end of the year	123.5	127.8

	2005 Rm	2004 Rm
18. FINANCIAL INSTRUMENTS		
Forward exchange contracts – imports	(0.2)	(0.6)
Forward exchange contracts – exports	0.5	1.8
Sugar Commodities Futures contracts	0.2	5.5
Embedded derivatives	0.1	(1.9)
Cross Currency Interest Rate Swap	(92.8)	(73.8)
	(92.2)	(69.0)
Comprising:		
Assets	1.9	11.8
Liabilities	(94.1)	(80.8)
	(92.2)	(69.0)

19. ORDINARY SHARE CAPITAL AND PREMIUM

Authorised share capital 900 000 000 (2004: 900 000 000) ordinary shares of 4 cents each	36.0	36.0
Issued share capital 337 194 500 (2004: 333 830 700) ordinary shares of 4 cents each	13.5	13.3
Share premium account	269.0	251.0
	282.5	264.3
The movement on the share capital and share premium accounts for the year was as follows:		
Balance at beginning of year	264.3	259.9
Issue of new shares	18.2	4.4
Balance at end of year	282.5	264.3

The unissued shares are under the control of the directors until the forthcoming annual general meeting. The weighted average number of shares used in the calculation of earnings per share and headline earnings per share was 335 019 478 (2004: 333 345 538) and that used in the calculation of diluted earnings per share and headline earnings per share was 351 680 078 (2004: 349 141 938).

	2005	2004
	Rm	Rm
20. NON-DISTRIBUTABLE RESERVES		
Realised surpluses on sales of land and investments	66.6	68.1
Capital redemption reserve funds	37.1	37.1
Hedging reserve	(5.5)	4.2
Foreign currency translation reserve	–	–
Total non-distributable reserves	98.2	109.4
Balance at beginning of year	109.4	91.7
Realised (losses)/surpluses – sale of land	(1.5)	(5.3)
Adjustments for cashflow hedges	(9.7)	4.2
Currency translation differences	(31.3)	(390.9)
Transfer of debit foreign currency translation reserve to retained surplus	31.3	409.7
Balance at end of year	98.2	109.4
21. RETAINED SURPLUS		
Balance at beginning of year	921.3	1 264.6
Restatement of prior year in terms of AC 501 (Note 30)	–	21.8
Derecognition of negative goodwill	21.0	–
Adjustment for cashflow hedges	0.2	(1.3)
Net profit for the year	40.7	240.5
Dividends paid	(133.8)	(199.9)
Transfer of debit foreign currency translation reserve from non-distributable reserves	(31.3)	(409.7)
Realised losses/(surpluses) – sale of land	1.5	5.3
Balance at end of year	819.6	921.3
22. DEFERRED TAXATION		
Balance at beginning of year	608.5	697.2
Restatement of prior year in terms of AC 501	–	(21.8)
Provision on Financial Instrument's taken to equity	(1.2)	(1.7)
On disposal of businesses	(117.1)	–
Changes during the year:		
Exchange rate translation difference	3.1	(125.3)
Charged/(credited) to income:		
Secondary tax on companies	(9.7)	18.8
Temporary differences	14.3	40.4
Rate change adjustment	(3.7)	0.9
Balance at end of year	494.2	608.5
Analysis of provision		
Property, plant and equipment	286.1	486.2
Tax losses	(48.4)	(73.2)
Other	256.5	195.5
Balance at end of year	494.2	608.5
Asset	(30.8)	(22.1)
Liability	525.0	630.6

	2005 Rm	2004 Rm
23. LONG-TERM BORROWINGS		
South African borrowings	2.0	2.4
Foreign currency borrowings	247.1	388.6
Total borrowings	249.1	391.0
Less: Current portion redeemable and repayable within one year	11.6	51.6
	237.5	339.4

The above borrowings are due for repayment in the following years ending 31 March

2005	–	51.6
2006	11.6	124.8
2007	56.5	50.3
2008	62.1	56.4
2009 and thereafter	118.9	107.9
	249.1	391.0

	Foreign currency millions	Years of redemption/ payment	Interest rate %	2005 Rm	2004 Rm
South African borrowings					
Liabilities under capitalised finance leases		2004 – 2009	18.0	2.0	2.4
Total South African borrowings				2.0	2.4
Foreign borrowings					
Unsecured loans					
US Dollar	18.4	2005 – 2014	2.7 – 7.0	–	116.7
Euro	17.0	2005 – 2015	3.0 – 7.1	90.3	98.3
Swaziland Lilangeni	0.2	2010	10.0	0.1	0.2
Mozambican Metical	3 400.0	2005 – 2007	8.0	0.9	0.9
Secured loans					
US Dollar	25.0	2009 – 2010	4.4 – 5.6	154.9	170.5
Mozambican Metical	2 550.0	2005 – 2008	8.0	0.9	0.5
Liabilities under capitalised finance leases					
US Dollar	0.2	2013	5.6	–	1.5
Total foreign borrowings				247.1	388.6
Total borrowings				249.1	391.0

24. SHORT-TERM BORROWINGS

	2005 Rm	2004 Rm
Amounts due to bankers	788.3	1 067.6
Current portion of long term borrowings (note 23)	11.6	51.6
	799.9	1 119.2

	2005 Rm	2004 Rm
25. ACCOUNTS PAYABLE		
Trade creditors	296.4	291.0
Other accounts payable	525.2	590.1
	821.6	881.1
26. PROVISIONS		
Leave pay		
Balance at beginning of year	44.1	46.2
Disposal of businesses	(10.9)	–
Raised during the year	0.2	2.1
Foreign currency translation movement	0.2	(4.2)
Balance at end of year	33.6	44.1
Post retirement benefits		
Balance at beginning of year	237.2	289.1
Disposal of businesses	(109.0)	–
(Utilised)/raised during the year	(4.8)	(15.8)
Foreign currency translation movement	1.7	(36.1)
Balance at end of year	125.1	237.2
Other		
Balance at beginning of year	19.6	19.1
Raised during the year	(3.0)	0.5
Balance at end of year	16.6	19.6
Total provisions		
Balance at beginning of year	300.9	354.4
Disposal of businesses	(119.9)	–
(Utilised)/raised during the year	(7.6)	(13.2)
Foreign currency translation movement	1.9	(40.3)
Balance at end of year	175.3	300.9

27. RETIREMENT BENEFITS

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

An amount of R30.7 million (2004: R32.1 million) was expensed during the year in respect of defined contribution plans and R15.3 million (2004: R20.2 million) was expensed during the year 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.

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 AC116, a valuation using the projected unit credit method was last performed on the two defined benefit plans at 31 March 2004. These were found to be in a sound financial condition by an independent consulting actuary. In arriving at his finding, the actuary took into account a discount rate and expected rate of return on the assets of 9.0%, an expected rate of salary increase of 6.0%, an expected rate of pension increase of 4.0% and an expected rate of inflation of 4.5%. The assumptions and methods used are consistent with the requirements of the revised statement AC 116, 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 R571.8 million whilst the actuarial present value of promised retirement benefits totalled R354.6 million.

The actuarial surplus per the statutory valuation as at 31 December 2002 of R68.5 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 a surplus apportionment exercise is presently being carried out and expected to be finalised during June 2005.

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.

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.

With effect from 30 September 2004, the group transferred all qualifying employees that were previously on the defined benefit pension scheme to a defined contribution provident fund. At the time of the conversion, the defined benefit scheme was independently valued by the actuaries of the fund. The deficit arising at the time of conversion was R3.4 million net of tax. This deficit has been treated as an expense in the current financial period.

Arrangements have been concluded in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of service. An actuarial valuation carried out by independent consulting actuaries at 31 March 2001 indicated that the provision in respect of these benefits and the statutory benefits was understated by R8.9 million. The shortfall is being provided for over a period of five years and at 31 March 2005 the balance not provided for in this regard was R1.8 million (2004: R4.2 million) which is to be provided over the next year.

Zambia

The defined benefit pension scheme covering its non-unionised permanent employees operates as a closed fund. Members contribute 6.5% and the company contributes 12% of the pensionable pay to a fund managed by Saturnia Regna Pension Trust fund.

An actuarial valuation of the Defined Benefit Fund at 31 March 2004 identified a deficit of R18.5 million which has been fully funded. The fair value of assets amounted to R12.0 million whilst the actuarial value of promised retirement benefits totalled R30.5 million. In arriving at this valuation, the actuary has taken into account a discount rate and expected rate of return on the assets of 14%, an expected rate of salary increase of 12% and an expected rate of pension increase equal to 7%.

With effect from 1 May 2002, the Company established a defined contribution pension scheme and the pension costs are recognised when incurred.

Retirement benefits in respect of unionised employees covered by collective agreements are provided based on the number of years service at current rates of pay.

Tanzania and Mozambique

There are no group retirement plans in Tanzania and Mozambique, however, employees are covered for retirement purposes by statutory social security arrangements established by the respective governments. The group contributes a percentage of the payroll in terms of the statutory requirements.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis, determined actuarially. At 31 March 2005, the total provision amounted to R106.3 million (2004: R203.7 million). During the current year R9.7 million (2004: R13.1 million) was charged to the Income Statement whilst foreign currency translations reduced the provision by R1.8 million (2004: R22.5 million).

28. CAPITAL EXPENDITURE COMMITMENTS

	2005 Rm	2004 Rm
South Africa		
– contracted	3.6	5.3
– approved but not contracted	162.1	94.5
Swaziland		
– contracted	0.1	0.3
– approved but not contracted	11.9	13.2
Malawi		
– contracted	1.8	2.0
– approved but not contracted	21.3	27.5
Zambia		
– contracted	4.4	5.2
– approved but not contracted	19.4	27.4
Tanzania		
– contracted	1.7	4.8
– approved but not contracted	14.3	22.2
Mozambique		
– contracted	–	0.1
– approved but not contracted	4.8	6.5
United States of America		
– contracted	–	1.7
– approved but not contracted	–	31.4
Contracted	11.6	19.4
Approved but not contracted	233.8	222.7
	245.4	242.1

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

29. CONTINGENT LIABILITIES

Guarantees in respect of liabilities of third parties and claims against the group	14.4	16.0
Guarantees in respect of liabilities of subsidiary companies	–	–
	14.4	16.0

30. CHANGE IN ACCOUNTING POLICY

The group adopted AC 501 (Accounting for Secondary Tax on Companies (STC)) with effect from 1 April 2004. As required by AC 501, it has been retrospectively applied, with the comparative figures for the previous year restated accordingly.

The impact of the change in policy is as follows:

	2005 Rm	2004 Rm
Balance sheet		
The impact on equity at 31 March 2004 is as follows:		
Increase in deferred tax asset	–	21.8
Increase in equity	–	21.8
Income statement		
The impact on net profit attributable to shareholders is as follows:		
(Decrease)/increase in taxation	(9.7)	18.8
(Increase)/decrease in attributable profit	(9.7)	18.8

In addition, the group has adopted AC 140 (Business Combinations). In terms of this statement, previously recognised negative goodwill has been derecognised at the beginning of the period with a corresponding adjustment to opening retained income (Refer note 10).

31. DISPOSAL OF UNITED STATES OF AMERICA OPERATION

Effective 30 September 2004, the group disposed of its investment in Monitor Sugar Company. The total consideration of US\$39.2 million was settled partly in cash of US\$36 million in October 2004 and the balance of US\$3.2 million by delivery of a ten year promissory note (Note 13). Upon receipt of the cash, the group immediately settled liabilities in Monitor Sugar Company of US\$20.9 million. The consideration, net of costs associated with the disposal, represents a deficit over the net asset value at 30 September 2004 of R242.5 million. In addition to the proceeds, the borrowings in Monitor Sugar Company were taken over by the purchaser. At 31 March 2004 these amounted to US\$48.7 million.

The result of the operations of Monitor Sugar Company to 30 September 2004 were as follows:

	6 months 30 September 2004 Rm	Year ended 3 March 2004 Rm
Revenue	334.5	727.3
Loss from operations	(22.8)	(10.6)
Net finance costs	2.9	7.3
Loss before taxation	(25.7)	(17.9)
Taxation	(7.7)	(6.1)
Loss after taxation	(18.0)	(11.8)
The net cash flow attributable to Monitor Sugar Company to 30 September 2004 was as follows:		
Cash flow from operating activities	152.3	25.8
Cash flow from investing activities	1.7	8.2
Net cash flow before financing activities	154.0	34.0
Cash flow from financing activities	(156.3)	(42.6)
Net movement in cash	(2.3)	(8.6)

32. OPERATING LEASES

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

	2006	2007	2008	2009	2010 onwards	2005	2004
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Property	5.6	5.4	5.7	6.1	92.4	115.2	429.7
Plant and equipment	21.7	19.5	13.6	6.2	5.9	66.9	65.6
Total lease commitments	27.3	24.9	19.3	12.3	98.3	182.1	495.3

33. DIRECTORS' REMUNERATION (R'000)

The directors' remuneration for the year ended 31 March 2005 was as follows:

Name	Salary	Bonus	Retirement and medical contributions	Other benefits	Option Gains	2005 Total	2004 Total
Executive directors:							
G J Clark	1 248	–	289	62	770	2 369	1 501
N M Hawley	786	–	182	184	369	1 521	1 088
M I Hlatswayo	725	–	170	188	199	1 282	995
D G MacLeod	2 429	–	493	99	335	3 356	2 816
J T Russell	1 241	–	263	157	200	1 861	1 557
B M Stuart	1 248	–	282	123	200	1 853	1 554
W M A Buchanan	–	–	–	–	–	–	968
G D Knox	–	–	–	–	–	–	962
R L Hetzler	–	–	–	–	–	–	3 987
Total	7 677	–	1 680	814	2 073	12 242	
March 2004 totals	11 256	–	2 916	1 191	65		15 428
						2005 Fees	2004 Fees
Non-executive directors:							
B P Connellan						100	90
R D Hamilton						–	–
D Konar						175	165
P M Madi						102	90
A R Mpungwe						102	90
R A Norton						210	200
M J Shaw						260	215
R A Williams						1 125	1 125
						2 074	1 975

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

Benefits paid to past directors amounted to R51 805 for the year (2004: R53 918).

34. RELATED PARTY TRANSACTIONS

Related party relationships exist between subsidiaries and associates within the group.

Purchasing and selling transactions are concluded at arm's length.

34.1 Subsidiaries and associates

Details of investments in principal subsidiaries and associates are disclosed in notes 11 and 12, respectively.

34.2 Shareholders

Reference has been made to major shareholders of the company on page 48 of the circular.

34.3 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.

34.4 Shareholders and related interests of directors and officers in share capital

Details of the company's directors' interests have been disclosed on page 41 of the circular.

35. FINANCIAL RISK MANAGEMENT

35.1 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.

35.2 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 2005 is as follows:

	Floating rate	Greater 1 – 6 months	Current portion than 6 months	Long-term borrowings	Long-term borrowings	Total borrowings
Borrowings (Rm)	109.8	755.5	32.8	237.5	11.6	1 147.2
Total borrowings	10%	66%	3%	20%	1%	100%

At year end the group does not have any open interest rate derivatives.

35.3 Currency risk management

In order to minimise the risk on a US dollar denominated revolving credit facility, the company has entered into a three-year cross currency interest rate swap which fixes the exchange rate on the capital and swaps out the floating US dollar LIBOR interest rate for a floating JIBAR rate and a fixed Rand interest rate.

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 2005 financial year.

	2005			2004		
	Foreign currency million	Average rate	Amount in Rm	Foreign currency million	Average rate	Amount in Rm
Foreign currency sold						
US Dollars	6.0	6.20	37.2	3.0	6.83	20.5
Euro	2.7	8.11	21.9			

Unhedged and uncovered foreign currency monetary items which are repayable within 12 months comprise:

	2005		2004	
	Foreign currency million	Amount in Rm	Foreign currency million	Amount in Rm
Assets				
US Dollars	6.0	37.3	1.2	7.8
		37.3		7.8
Liabilities				
US Dollars	1.3	7.9	–	–
Euro	0.1	0.7	0.1	0.7
Pound sterling	0.1	0.7		
		9.3		0.7

35.4 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments and trade debtors. 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 comprise a widespread customer base, and group companies undertake ongoing credit evaluations of the financial condition of their customers. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2005, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

35.5 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 see fit.

The group treasury has access to the following local and foreign banking facilities at 31 March 2005:

	Rm
Local, fixed and flexible term, general banking facilities	2 368.0
Foreign, fixed and flexible term, general banking facilities	818.0
	3 186.0

In terms of a US Dollar denominated revolving credit facility, the total consolidated net borrowings of the group are constrained to a percentage of the group's consolidated earnings before finance costs and taxation.

36. **SEGMENTAL ANALYSIS**

Business segmental analysis

Year to 31 March 2005

	Operating Revenue Rm	Total profit Rm	Capital assets Rm	expenditure Rm	Depreciation Rm
Sugar production	3 740.3	274.8	2 159.4	263.6	139.9
Cane growing	893.6	63.8	1 606.3	42.4	28.8
Downstream	509.1	67.0	258.7	18.7	11.5
	5 143.0	405.6	4 024.4	324.7	180.2

Year to 31 March 2004

	Operating Revenue Rm	Total profit Rm	Capital assets Rm	expenditure Rm	Depreciation Rm
Sugar production	4 892.1	424.7	3 030.4	118.6	189.1
Cane growing	1 040.7	236.8	1 676.4	46.0	35.7
Downstream	555.4	65.1	254.5	21.4	11.3
	6 488.2	726.6	4 961.3	186.0	236.2

Geographical segmental analysis

	2005		2004	
	Revenue Rm	Operating profit Rm	Revenue Rm	Operating profit Rm
South Africa	2 449.7	52.5	3 216.7	133.2
Malawi	722.9	138.2	789.0	247.1
Swaziland	507.5	18.4	548.0	68.4
Zambia	632.1	153.2	648.2	186.4
Tanzania	348.1	69.2	396.0	111.2
Mozambique	148.2	(3.1)	154.0	(9.1)
USA	334.5	(22.8)	727.3	(10.6)
	5 143.0	405.6	6 488.2	726.6

TABLE OF ENTITLEMENTS TO ILLOVO SHARES AND THE SCHEME CONSIDERATION

Holding of Illovo shares before the scheme	Balance reflected on replacement share certificate	Cash entitlement (Rand)	Holding of Illovo shares before the scheme	Balance reflected on replacement share certificate	Cash entitlement (Rand)
1	–	21.00	53	26	567.00
2	1	21.00	54	26	588.00
3	1	42.00	55	27	588.00
4	2	42.00	56	27	609.00
5	2	63.00	57	28	609.00
6	3	63.00	58	28	630.00
7	3	84.00	59	29	630.00
8	4	84.00	60	29	651.00
9	4	105.00	61	30	651.00
10	5	105.00	62	30	672.00
11	5	126.00	63	31	672.00
12	6	126.00	64	31	693.00
13	6	147.00	65	32	693.00
14	7	147.00	66	32	714.00
15	7	168.00	67	33	714.00
16	8	168.00	68	33	735.00
17	8	189.00	69	34	735.00
18	9	189.00	70	34	756.00
19	9	210.00	71	35	756.00
20	10	210.00	72	35	777.00
21	10	231.00	73	36	777.00
22	11	231.00	74	36	798.00
23	11	252.00	75	37	798.00
24	12	252.00	76	37	819.00
25	12	273.00	77	38	819.00
26	13	273.00	78	38	840.00
27	13	294.00	79	39	840.00
28	14	294.00	80	39	861.00
29	14	315.00	81	40	861.00
30	15	315.00	82	40	882.00
31	15	336.00	83	41	882.00
32	16	336.00	84	41	903.00
33	16	357.00	85	42	903.00
34	17	357.00	86	42	924.00
35	17	378.00	87	43	924.00
36	18	378.00	88	43	945.00
37	18	399.00	89	44	945.00
38	19	399.00	90	44	966.00
39	19	420.00	91	45	966.00
40	20	420.00	92	45	987.00
41	20	441.00	93	46	987.00
42	21	441.00	94	46	1 008.00
43	21	462.00	95	47	1 008.00
44	22	462.00	96	47	1 029.00
45	22	483.00	97	48	1 029.00
46	23	483.00	98	48	1 050.00
47	23	504.00	99	49	1 050.00
48	24	504.00	100	49	1 071.00
49	24	525.00	200	98	2 142.00
50	24	546.00	500	245	5 355.00
51	25	546.00	1 000	490	10 710.00
52	25	567.00	2 000	980	21 420.00

DIRECTORS NOMINATED BY ABF TO THE ILLOVO BOARD

Dr Mark Carr (43) was appointed to his current role of Chief Executive of British Sugar in April 2004. Prior to that, he was Managing Director of Corus Strip Products, having joined the Corus Group (formerly British Steel) in 1986. Dr Carr gained a Doctorate in Mechanical Engineering at the University of Wales and an MBA from Warwick University. He is a Chartered Engineer of the Institute of Mechanical Engineers and is also Chairman of the United Kingdom Sugar Bureau and a Director of the World Sugar Research Organisation.

Mr David Langlands (40) became Finance Director of British Sugar in June 2003, having previously been Finance and Information Technology Director for ABNA, the agricultural division of ABF plc. Mr Langlands joined the ABF group in 1994 and worked at KPMG Inc. for six years prior to that. He is a Chartered Accountant and has a Mathematics degree from the University of Manchester.

Mr Paul Lister (42) is currently Director of Legal Services and Company Secretary of ABF plc, having joined the ABF group in that role in January 2001. He was formerly Associate General Counsel of Diageo plc. Mr Lister holds a law degree from University College London and is a qualified solicitor in England & Wales.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)

(Registration number 1906/000622/06)

(Share code: ILV) (ISIN: ZAE000003547)

("Illovo" or "the company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the members of the company will be held at the registered office of the company, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe on Wednesday, 12 July 2006 at 13:00 to consider and, if deemed fit, to pass the following ordinary and special resolutions:

ORDINARY RESOLUTION NUMBER 1

Resolved that, subject to the scheme of arrangement in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("**Companies Act**") proposed by ABF Overseas Limited (Registration number 03313345) ("**Offeror**") between Illovo and its ordinary shareholders ("**Scheme**") becoming operative or, in the event that the Scheme does not become operative for any reason other than the failure to obtain any regulatory approval required for the implementation of the Scheme, the Offeror making a substitute offer for 51% of the fully diluted ordinary share capital of Illovo for a consideration of not less than the amount which would have been paid had the Scheme become operative ("**Substitute Offer**"), the requirement contained in Rule 8 of the Securities Regulation Code on Takeovers and Mergers and the Rules of the Securities Regulation Panel ("**Code**") that, following implementation of the Scheme or the Substitute Offer, as the case may be (details of which are contained in the document to which the notice of general meeting at which this ordinary resolution will be proposed is attached), the Offeror is obliged to make a mandatory offer to all Illovo shareholders, be and is hereby expressly waived.

The Securities Regulation Panel has indicated that it will dispense with the requirement of a mandatory offer in terms of Rule 8.7 of the Code, where the approval of the Illovo shareholders, excluding the Offeror, Associated British Foods plc ("**ABF**") and their subsidiaries and associates, is obtained in the general meeting.

SPECIAL RESOLUTION NUMBER 1

Resolved that, subject to the passing of ordinary resolution number 1 to be proposed at the general meeting at which this special resolution number 1 will be proposed, and the Scheme (as defined in the aforesaid ordinary resolution number 1) becoming operative or the Substitute Offer (as defined in the aforesaid ordinary resolution number 1) becoming unconditional, as the case may be, the articles of association of Illovo be and are hereby amended by the insertion of the following new Articles 115 – 126 as follows:

"UNDERTAKINGS GIVEN BY ABF IN FAVOUR OF THE COMPANY AND ITS OTHER SHAREHOLDERS"

115. For the purposes of Articles 116 to 126, the following terms bear the meanings assigned to them below unless the context indicates otherwise –

- (a) "**ABF**" means Associated British Foods plc (Registration number 293262), a public company incorporated in England and listed on The London Stock Exchange plc;
- (b) "**ABF Group**" means ABF and its Subsidiaries;
- (c) "**Additional Shares**" means Shares which cause the Ownership Cap to be exceeded;
- (d) "**Code**" means the Securities Regulation Code on Takeovers and Mergers and the Rules of the Securities Regulation Panel;

- (e) **“Control”** means the right to vote any Shares, irrespective of the ownership thereof;
- (f) **“JSE Listings Requirements”** means the Listings Requirements of the JSE;
- (g) **“Ownership Cap”** means 60% of the fully diluted issued ordinary share capital of the company;
- (h) **“Shares”** means ordinary shares in the issued share capital of the company; and
- (i) **“Subsidiary”** has the meaning ascribed to it in section 1(3)(a) of the Companies Act except that the reference to the term “company” in that section includes a company which has not been incorporated under chapter IV of the Companies Act.

TERRITORIAL EXPANSION

116. ABF hereby undertakes that, for any period during which it holds 25% or more of the Shares, should any expansion opportunities within the sugar industry in Africa, including Mauritius and Madagascar, come to the attention of the ABF Group, such opportunities will be explored and undertaken by the ABF Group only through the company unless the company is unwilling or unable to explore or undertake them. The foregoing provisions of this Article 116 will not be construed as:

116.1 precluding the company from exploring sugar cane opportunities outside Africa, Mauritius or Madagascar, or

116.2 precluding any member of the ABF Group from pursuing an acquisition opportunity in Africa (including Mauritius and Madagascar) provided that neither sugar cane, nor sugar products nor any downstream products derived directly from the cane sugar process through the transformation of sugar cane, including furfural, furfuryl alcohol, Crop Guard®, diacetyl, 2,3-pentanedione, ethyl alcohol, lactulose and syrup nor the production using by-products of the cane sugar process of electricity for external consumption, nor such other products as may be agreed between the company and ABF, are the main purpose of the acquisition.

DISPOSALS

117. ABF hereby undertakes that it will not dispose of any of its Subsidiaries (or any of its or its Subsidiaries’ businesses or material assets) to the company without such acquisition by the company having been approved by a majority of those directors of the company who are independent from ABF and, to the extent required by the Companies Act or the JSE Listings Requirements, by the shareholders of the company. ABF warrants and represents that, as at 15 June 2006, no such disposals are currently being contemplated by the ABF Group.

COMMERCIAL ARRANGEMENTS

118. ABF agrees that any commercial arrangements between any member of the ABF Group on the one hand and the company on the other must be considered by the board of directors of the company (or, where appropriate, the executive management of the company) to be in the best interests of the company, will be conducted by those parties on an arms length basis and will not be implemented until they have been approved, to the extent required by the Companies Act or the JSE Listings Requirements, by the shareholders of the company. All such arrangements, being arrangements between related parties, will be disclosed in the company’s annual report.

STANDSTILL

119. ABF hereby undertakes that it shall not permit any member of the ABF Group, directly or indirectly, to acquire or propose to acquire or agree to acquire, in any way whatsoever including but not limited to purchase, exchange, through the acquisition of control of another person, merger or otherwise, more Shares than the Ownership Cap, nor take any other action as a shareholder of the company if such action would result in the ABF Group owning or controlling more than the Ownership Cap. Provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in Article 121 read with Article 122.

120. ABF hereby undertakes that if at any time the ABF Group owns more Shares than the Ownership Cap as contemplated in Article 119, ABF will notify the company thereof in writing as soon as is reasonably practicable thereafter, but in any event by no later than 20 (twenty) business days thereafter, which notice shall contain the following details –

- (a) the number of Shares held by the ABF Group;
- (b) the price paid for all Shares acquired by the ABF Group in the previous 6 (six) month period; and
- (c) ABF’s election in terms of Article 121.

121. ABF hereby undertakes that if at any time the ABF Group owns more Shares than the Ownership Cap, one of the following will apply (at ABF's sole discretion) –
- (a) subject to Article 122, ABF will as soon as is reasonably practicable, but in no event longer than 90 (ninety) business days after the ABF Group's ownership percentage of Shares first exceeds the Ownership Cap, dispose or procure the disposal of such number of Shares sufficient to reduce the ABF Group's holding of Shares to or below the Ownership Cap; or
 - (b) subject to Article 122, the acquisition of the Additional Shares will be deemed an "affected transaction" in terms of the Code, and the rules specified in the Code regarding "affected transactions" will be deemed to apply to ABF, *mutatis mutandis*, as if ABF were obliged to make a mandatory offer in terms of Rule 8.1 of the Code (as it currently stands), except that such offer will be required to be made within 90 (ninety) business days after the Additional Shares have been acquired.
122. Notwithstanding the foregoing provisions of Article 121, ABF will not be obliged to make or procure a disposal contemplated in Article 121(a) or make an offer contemplated in Article 121(b), as the case may be, if, prior to the expiry of the period of 90 (ninety) business days referred to in Article 121(b), a resolution is passed at a general meeting of the company's ordinary shareholders (at which the members of the ABF Group who are ordinary shareholders do not vote) that ABF is not required to make or procure a disposal contemplated in Article 121(a) or extend an offer as contemplated in Article 121(b), as the case may be.
123. ABF hereby undertakes that it shall not permit any member of the ABF Group, directly or indirectly, to Control or propose to Control or agree to Control, in any way whatsoever including, but not limited to, through the acquisition of control of another person, merger or otherwise, more Shares than the Ownership Cap. Provided that ABF will not be construed as being in breach of this undertaking if it complies with its undertaking referred to in Article 121 read with Article 122.
124. ABF hereby undertakes that if at any time the ABF Group Controls more than the Ownership Cap, as contemplated in Article 123, the provisions of Articles 120 to 122 shall apply *mutatis mutandis*.
125. The undertakings given by ABF in Articles 116 to 124 shall be capable of being enforced by the company and/or, subject to Article 126, any of its shareholders.
126. Notwithstanding anything to the contrary contained elsewhere in Articles 115 to 125, the shareholders of the company may only institute legal proceedings of any nature whatsoever in respect of the undertakings given by ABF in terms of the provisions of Articles 116 to 124 (inclusive) against ABF or any member of the ABF Group if the claim or other relief sought in such proceedings is made by ordinary shareholders of the company holding among them 5% or more of the issued ordinary share capital of the company."

The reason for this special resolution is to give effect to an agreement reached between ABF and Illovo on 18 May 2006 whereby ABF undertook to afford certain minority protections to the shareholders of Illovo. The effect of this special resolution is to amend the articles of association of Illovo.

SPECIAL RESOLUTION NUMBER 2

Resolved that, subject to the passing of ordinary resolution number 1 and special resolution number 1 to be proposed at the general meeting at which this special resolution number 2 will be proposed, and the Scheme (as defined in the aforesaid ordinary resolution number 1) becoming operative or the Substitute Offer (as defined in the aforesaid ordinary resolution number 1) becoming unconditional, as the case may be, the memorandum of association of Illovo be and is hereby amended by the insertion of the following special conditions, under paragraph 6 –

- "(a) For the purposes of this paragraph 6, words and expressions defined in the articles of association of the company will have the same meanings.
- (b) This paragraph 6(b) and Articles 115 to 124 of the articles of association of the company shall only be capable of being amended by way of a special resolution, provided that (i) if the voting is on a show of hands, not less than 50% of shareholders who are not members of the ABF Group who are present in person or by proxy vote in favour of such resolution; and (ii) if the voting is on a poll, not less than 50% of the votes of the shareholders who are not members of the ABF Group who are present in person or by proxy are cast in favour of such resolution."

The reason for this special resolution is to give effect to an agreement reached between ABF and Illovo on 18 May 2006 whereby ABF undertook to afford certain minority protections to the shareholders of Illovo. The effect of this special resolution is to amend the memorandum of association of Illovo.

ORDINARY RESOLUTION NUMBER 2

Resolved that, any one of the directors of Illovo be and is hereby authorised to do all such things, sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions proposed at this general meeting.

ATTENDANCE AND VOTING

1. If you hold dematerialised Illovo shares and you do not have “own-name” registration:

1.1 Attendance at the general meeting

If you wish to attend the general meeting in person or be represented thereat by proxy, you must advise your CSDP or broker and your CSDP or broker will issue you with the necessary letter of authority to attend the general meeting. You must **not** complete the attached form of proxy for the general meeting (*green*).

1.2 Voting at the general meeting

1.2.1. Your CSDP or broker should contact you to ascertain how you wish to cast your vote at the general meeting and thereafter cast your vote in accordance with your instructions.

1.2.2 If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

1.2.3 If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.

1.2.4 You must **not** complete the attached form of proxy for the general meeting (*green*).

2. If you are a nominee holder of dematerialised Illovo shares or you are a holder of dematerialised Illovo shares and you have “own-name” registration or if you hold certificated Illovo shares:

You may attend the general meeting in person and may vote at the general meeting. Alternatively, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy for the general meeting (*green*) in accordance with the instructions contained therein and returning it to the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)) to be received by no later than 13:00 on Monday, 10 July 2006 or 48 hours immediately preceding any adjournment or postponement of the general meeting).

By order of the board

G D Knox

Company Secretary

Mount Edgecombe

15 June 2006

ORDER OF COURT

**IN THE HIGH COURT OF SOUTH AFRICA
(DURBAN AND COAST LOCAL DIVISION)**

Case number: 6368/2006

Before the Honourable Ms Justice Niles-Dunér
on 13 June 2006

In the *ex parte* application of:

ILLOVO SUGAR LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)

Applicant

Upon the motion of Counsel for the Applicant and having read the notice of motion and the other documents filed on record –

IT IS ORDERED THAT:

1. A meeting (“**scheme meeting**”) in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended (“**Companies Act**”), of the shareholders of the Applicant, registered as such at the close of business on Friday, 7 July 2006 (“**scheme members**”) be convened by the chairman (“**chairman**”) mentioned in paragraph 2 of this Order of Court (“**Order**”), at the registered office of the Applicant, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting of the Applicant to be held at 13:00 on the same day at the same venue, whichever is the later) on Wednesday, 12 July 2006 (or any adjourned date as determined by the chairman), for the purpose of considering and, if deemed fit, approving, with or without modification, a scheme of arrangement (“**scheme**”) proposed by ABF Overseas Limited (“**ABF**”) between the Applicant and the Applicant’s shareholders (“**scheme participants**”).
2. David Lionel Levin or, failing him, any other attorney of the High Court of South Africa practising as such in the Province of KwaZulu-Natal nominated in writing by Nicolson Stiller & Geshen Inc. for that purpose, shall be the chairman of the scheme meeting.
3. The chairman is authorised to:
 - 3.1 convene or reconvene the scheme meeting;
 - 3.2 appoint scrutineers for the purpose of the scheme meeting and any adjourned meeting;
 - 3.3 determine:
 - 3.3.1 the validity and acceptability of any form of proxy submitted for use at the scheme meeting and any adjourned meeting;
 - 3.3.2 the validity and acceptability of any share register and/or sub-register kept or maintained in respect of the shares in the issued share capital of the Applicant; and
 - 3.3.3 the procedure to be followed at the scheme meeting and any adjournment thereof;
 - 3.4 adjourn the scheme meeting from time to time (with the need for publication of the details of the adjournment, the timing and the distribution of such publication being at the discretion of the chairman) if the chairman considers it necessary to do so; and

- 3.5 accept the proxies handed to the chairman by not later than ten minutes before the scheme meeting is due to commence or recommence.
4. The Applicant shall cause this Order and a notice convening the scheme meeting (substantially in the form contained in the papers before the Court), to be published once in each of the “Business Day”, “Natal Mercury” and “Die Beeld”, at least fourteen calendar days before the date of the scheme meeting. The said notice shall state:
- 4.1 the basic characteristics of the scheme;
 - 4.2 the time, date and venue of the scheme meeting;
 - 4.3 that the scheme meeting has been convened in terms of this Order to consider and if deemed fit, to approve, with or without modification, the scheme; and
 - 4.4 that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1)(a)(i) of the Companies Act may be inspected and/or obtained free of charge on request during normal business hours any time prior to the scheme meeting at the registered office of the Applicant, being Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe.
5. Copies of:
- 5.1 the scheme and the explanatory statement in terms of section 312(1)(a)(i) of the Companies Act (substantially in the form contained in the papers before the Court);
 - 5.2 the notice convening the scheme meeting (substantially in the form contained in the papers before the Court) stating the time, date and place of the scheme meeting;
 - 5.3 the form of proxy (*blue*) to be used at the scheme meeting (substantially in the form contained in the papers before the Court); and
 - 5.4 this Order,
- shall be sent by the Applicant by pre-paid post at least fourteen calendar days before the date of the scheme meeting to:
- (i) each of the members of the Applicant at the addresses reflected in the Applicant’s register of members; and
 - (ii) those persons certified by the Central Securities Depository Participants (“**CSDPs**”) administering the sub-registers of the Applicant as being ordinary shareholders of the Applicant registered as such on such sub-registers and/or as beneficial owners of the shares so recorded,
- as at the close of business on a date not more than seven calendar days before the date of such posting.
6. A copy of the documents referred to in paragraph 5 above, shall lie for inspection at the registered office of the Applicant at Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe by any shareholder of the Applicant, during normal business hours for at least fourteen calendar days prior to the date of the scheme meeting.
7. The chairman shall report, by way of affidavit, the results of the scheme meeting to this Court at 9:30 or so soon thereafter as Counsel for the Applicant may be heard, on a date which is not more than three weeks after the last of the regulatory approvals required for the implementation of the scheme being obtained, or such other date as may be agreed in writing between the Applicant and ABF, provided that at least one week’s notice of such date has been given to all shareholders of the Applicant by way of an announcement in the “Business Day”, “Natal Mercury” and “Die Beeld”. The report of the chairman shall give details of:
- 7.1 the number of scheme members present in person (including those represented) at the scheme meeting and the number of the Applicant’s shares held by them;

- 7.2 the number of scheme members represented by proxies at the scheme meeting and the number of the Applicant's shares held by them, together with information as to the number represented by the chairman in terms of proxies annexed to the scheme circular;
 - 7.3 any proxies which have been disallowed;
 - 7.4 all resolutions passed at the scheme meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which were annexed to the scheme circular;
 - 7.5 all rulings made and directions given by the chairman at the scheme meeting or any adjournment thereof;
 - 7.6 the relevant portions of documents and reports submitted or tabled at the scheme meeting which bear on the merits or demerits of the scheme, including copies thereof; and
 - 7.7 the main points of any other proposals which were submitted to the scheme meeting.
8. The Applicant shall arrange to make available at the address mentioned in paragraph 6 above (and the notice of the scheme meeting which is published and sent to shareholders of the Applicant shall include a statement that it will be so available) a copy of the chairman's report to this Court, free of charge, to any scheme member on request during normal business hours, for at least one week before the date on which the chairman reports back to this Court.
 9. Any scheme member who holds certificated shares in the Applicant or dematerialised shares in the Applicant through a CSDP and has "own-name" registration who wishes to vote by proxy at the scheme meeting, shall by not later than 13:30 on Monday, 10 July 2006 or, if the scheme meeting is adjourned, by not later than 48 hours before the scheme meeting is scheduled to commence, tender a form of proxy at the address stipulated therein, or hand the form of proxy to the chairman at least ten minutes before the scheduled time for the start of the scheme meeting.
 10. Any person who holds dematerialised shares in the Applicant through a CSDP or broker and does not have "own-name" registration who wishes to attend and vote at the scheme meeting, should timeously inform his CSDP or broker of his intention to attend and vote at the scheme meeting or be represented by a proxy thereat in order for the CSDP or broker to issue him with the necessary authorisation to do so or should he not wish to attend the scheme meeting in person, timeously provide his CSDP or broker with his voting instructions in order for the CSDP or broker to vote at the scheme meeting in accordance with such instructions.

By Order of the Court

Registrar

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(DURBAN AND COAST LOCAL DIVISION)

Case number: 6368/2006

Before the Honourable Ms Justice Niles-Dunér

In the *ex parte* application of:

ILLOVO SUGAR LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)

Applicant

NOTICE IS HEREBY GIVEN that, in terms of an Order of Court dated Tuesday, 13 June 2006, in the above matter, the High Court of South Africa (Durban and Coast Local Division) ("**Court**") has ordered, in accordance with the provisions of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("**Companies Act**"), that a meeting ("**scheme meeting**") of the shareholders of the Applicant, registered as such at the close of business on Friday, 7 July 2006 ("**scheme members**"), be convened under the chairmanship of David Lionel Levin, or failing him, any other attorney of the High Court of South Africa practising as such in the Province of KwaZulu-Natal nominated in writing for that purpose by Nicolson Stiller & Geshen Inc. for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("**the scheme**") proposed by ABF Overseas Limited (Registration number 03313345) ("**ABF**") between the Applicant and the Applicant's ordinary shareholders ("**scheme participants**").

The scheme meeting will be held at 13:30 (or ten minutes after the conclusion or adjournment of the general meeting of the Applicant convened at 13:00 on the same day and at the same venue, whichever is the later) on Wednesday, 12 July 2006 at the registered office of the Applicant, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe.

The basic characteristic of the scheme is that, upon implementation, 51.00614% of the issued share capital of the Applicant previously held by the Applicant's shareholders ("scheme shares") will be acquired by ABF and the scheme participants will receive the scheme consideration of 2 100 cents for each scheme share held on the record date of the scheme.

Each scheme member who holds certificated ordinary shares in the Applicant or who holds dematerialised ordinary shares in the Applicant through a Central Securities Depository Participant ("**CSDP**") and has "own-name" registration, may attend, speak and vote, or abstain from voting, in person at the scheme meeting or any adjourned meeting, or may appoint one or more proxies (who need not be shareholders of the Applicant) to attend, speak and vote, or abstain from voting at the scheme meeting or any adjourned meeting, in the place of such scheme member.

Forms of proxy for completion by scheme members holding certificated shares and dematerialised "own-name" shares only, will be available for this purpose. If more than one person is appointed on a single form of proxy, then only one of those proxies (in order of appointment) will be entitled to exercise that proxy. In the case of joint scheme members, the vote of the senior scheme member (seniority will be determined by the order in which the names of the joint scheme members stand in the Applicant's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote of the other joint scheme members.

Properly completed forms of proxy must be lodged with or posted to the transfer secretaries of the Applicant, Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000), to be received by no later than 13:30 on Monday, 10 July 2006 (or 48 hours immediately preceding any adjourned meeting), or handed to the chairman of the scheme meeting not later than ten minutes before the scheduled time for the commencement of the scheme meeting or adjourned scheme meeting. Notwithstanding the foregoing, the chairman of the scheme meeting may approve, in the chairman's discretion, the use of any other form of proxy.

Each person who holds dematerialised ordinary shares in the Applicant and who does not have "own-name" registration may attend, speak and vote, or abstain from voting, in person at the scheme meeting or

adjourned scheme meeting only if such person holding dematerialised shares informs his CSDP or broker timeously of his intention to attend and vote, or abstain from voting at the scheme meeting or adjourned meeting or be represented by proxy thereat, in order for his CSDP or broker to issue him with the necessary authorisation in writing to do so. Alternatively such person holding dematerialised shares may provide his CSDP or broker timeously with his voting instruction, should such scheme member holding dematerialised shares not wish to attend the scheme meeting or adjourned meeting in person, in order for his CSDP or broker to vote in accordance with his instruction at the scheme meeting or adjourned meeting. The CSDP or broker will then provide the transfer secretaries of the Applicant with forms of proxy in terms of the instruction of each individual scheme member holding dematerialised shares.

In terms of the aforementioned Order of Court, the chairman of the scheme meeting or adjourned meeting must report the results thereof to the Court at 09:30 or so soon thereafter as Counsel for the Applicant may be heard, on a date which will not be more than three weeks after the last of the regulatory approvals required for the implementation of the scheme being obtained, or such other date as may be agreed in writing between the Applicant and ABF, provided that at least one week's notice of such date has been given to all shareholders of the Applicant by way of an announcement in the "Business Day", "Natal Mercury" and "Die Beeld". A copy of the chairman's report to the Court will be available on request to any scheme member, free of charge, at the registered office of the Applicant and at the office of the chairman, during normal business hours at least one week prior to the date on which the chairman reports back to the Court.

Copies of this notice, the form of proxy to be used at the scheme meeting or any adjourned meeting, the scheme, the explanatory statement in terms of section 312(1)(a)(i) of the Companies Act, explaining the scheme, and the Order of Court, are included in the document which has been sent to holders of ordinary shares in the Applicant. Such documents may be inspected and copies thereof obtained on request, free of charge by any shareholder of the Applicant, during normal business hours, at any time prior to the scheme meeting, at the registered office of the Applicant, being Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe.

David Lionel Levin

Chairman of the scheme meeting

Attorneys to the Applicant

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1 Protea Place

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Sandton

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Private Bag X7

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Ref: Mr I K Hayes/Mr W H Jacobs

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7 Torsvale Crescent

La Lucia Ridge Office Estate

Umhlanga

P.O. Box 1219

Umhlanga Rocks

4320

Tel: +27 (0)31 570 5300

Fax: +27 (0)31 570 5301

Ref: Mr N R Pistorius/Mr J C Jones



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)
("Illovo" or "the company")

FORM OF PROXY – GENERAL MEETING

For use by holders of certificated Illovo shares, nominee companies of CSDPs, brokers' nominee companies and by the holders of dematerialised Illovo shares with "own-name" registration at the general meeting to be held at 13:00 on Wednesday, 12 July 2006 at Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe.

Holders of dematerialised Illovo ordinary shares who have not selected "own-name" registration must inform their CSDP or broker timeously of their intention to attend and vote at the general meeting or to be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with the voting instructions should they not wish to attend the general meeting in order for the CSDP or broker to vote in accordance with their instructions at the general meeting.

I/We (please print)

of (please print address)

being the holder/s of certificated Illovo shares or dematerialised "own-name" Illovo shares, do hereby appoint (see note 1):

- _____ or failing him/her,
- _____ or failing him/her,
- the chairman of the company or failing him the chairman of the general meeting as my/our proxy to attend, speak, and on a poll to vote or abstain from voting on my/our behalf, as indicated below, at the general meeting or any adjournment thereof.

	* For	* Against	* Abstain
Ordinary resolution to approve the waiver of a mandatory offer			
Special resolution to approve the amendments to the Articles of Association			
Special resolution to approve the amendments to the Memorandum and Articles			
Ordinary resolution to approve delegation of authority			

* Insert the relevant number of shares/votes. If no options are marked the proxy will be entitled to vote as he/she deems fit. Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed at _____ on _____ 2006

Signature _____

A shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of Illovo) to attend, speak and vote or abstain from voting in the place of that shareholder at the general meeting.

Capacity of signatory (where applicable)

Note: Authority for signatory to be attached – see note 7.

Assisted by me (where applicable)

Signed at _____ on _____ 2006

Full name _____ Capacity _____

Signature _____

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the company, or failing him the chairman of the general meeting" but the shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares/votes in the appropriate box. Failure to comply with the above will be deemed to authorise the chairman of the company or failing him the chairman of the general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the general meeting, or any other proxy to vote or abstain from voting at the general meeting as he/she deems fit, in respect of the shareholder's total holding.
3. The completion and lodging of this form of proxy will not preclude a shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
4. In the case of joint holders, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders, for which purpose seniority will be determined by the order in which the names stand in the register of shareholders in respect of the joint holding.
5. The chairman of the general meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the company or failing him, the chairman of the general meeting.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. This form of proxy must be lodged with the transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)) to be received by no later than 13:00 on Monday, 10 July 2006.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
(Share code: ILV) (ISIN: ZAE000003547)
("Illovo" or "the company")

FORM OF PROXY – SCHEME MEETING

For use by holders of certificated Illovo shares, nominee companies of CSDPs, brokers' nominee companies and by the holders of dematerialised Illovo shares with "own-name" registration, at the scheme meeting convened in terms of an Order of the High Court of South Africa (Durban and Coast Local Division) to be held at 13:30 or ten minutes after the conclusion or adjournment of the general meeting to be held at 13:00, on the same day at the same venue, whichever is the later, on Wednesday, 12 July 2006 at Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe.

Holders of dematerialised Illovo ordinary shares who have not selected "own-name" registration must inform their CSDP or broker timeously of their intention to attend and vote at the scheme meeting or to be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the scheme meeting in order for the CSDP or broker to vote in accordance with their instructions at the scheme meeting.

I/We (please print)

of (please print address)

being the holder/s of certificated Illovo shares or dematerialised "own-name" Illovo shares, do hereby appoint (see note 1):

1. _____ or failing him/her,
2. _____ or failing him/her,
3. the chairman of the scheme meeting,

as my/our proxy to attend and speak on my/our behalf at the scheme meeting and, if deemed fit, approve (see note 3):

With modification†	(delete whichever is not applicable)
Without modification	

the scheme of arrangement ("scheme") proposed by Illovo between Illovo and its shareholders and at any adjournment of the scheme meeting, to vote for and/or against the scheme and/or abstain from voting in respect of the Illovo shares registered in my/our name/s, in accordance with the following instructions (see note 2):

For the scheme	Number of votes*
Against the scheme	Number of votes*
Abstain from voting	Number of votes*

*One vote per share held by scheme members

Signed at _____ on _____ 2006

Signature _____

Each scheme member is entitled to appoint one or more proxies (none of whom need be a shareholder of Illovo) to attend, speak and vote in place of that scheme member at the scheme meeting.

Capacity of signatory (where applicable) _____

Note: Authority for signatory to be attached – see note 8.

Assisted by me (where applicable)

Signed at _____ on _____ 2006

Full name _____ Capacity _____

Signature _____

† If a scheme member agrees that the scheme may be modified, the scheme member may, if he/she so desires, indicate the manner and extent of any such modification to which the proxy may agree on a separate sheet of paper which must be lodged at or posted to the address stipulated in note 4, together with this form of proxy. In addition, please refer to the conditions stipulated in note 4.

Notes:

1. A scheme member may insert the name of a proxy or the names of two alternative proxies of the scheme member's choice in the space/s provided, with or without deleting "the chairman of the scheme meeting" but the scheme member must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the scheme meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A scheme member's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the scheme member in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairman of the scheme meeting, if the chairman of the scheme meeting is the authorised proxy, to vote in favour of the scheme, or any other proxy to vote or abstain from voting at the scheme meeting as he/she deems fit, in respect of all the scheme member's votes exercisable at the scheme meeting.
3. If a scheme member agrees that the scheme may be modified, the scheme member may indicate the manner and the extent of such modification to which the proxy may agree on a separate sheet of paper which must be lodged with or posted to the company's transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)), to be received by no later than 13:30 on Monday, 10 July 2006, or may be handed to the chairman of the scheme meeting not later than ten minutes before the scheme meeting is due to commence. If a scheme member fails to indicate whether the scheme may be approved with or without modification or fails to indicate the manner and the extent of any modification to which the proxy may agree, such failure shall be deemed to authorise the chairman of the scheme meeting, if the chairman is the proxy, to agree to the scheme with or without modification or any other proxy to agree to the scheme with or without modification as he/she deems fit, in respect of all the scheme member's votes exercisable at the scheme meeting.
4. The completion and lodging of this form of proxy will not preclude the relevant scheme member from attending the scheme meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such scheme member wish to do so.
5. The chairman of the scheme meeting may reject or accept any form of proxy that is completed and/or received, other than in accordance with these notes.
6. Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the scheme meeting.
8. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders, for which purpose seniority will be determined by the order in which the names stand in the company's register of shareholders in respect of the joint holding.
9. A minor must be assisted by his parents or guardian unless the relevant documents establishing his legal capacity are produced or have been registered by the company's transfer secretaries.
10. This form of proxy must be lodged with or posted to the company's transfer secretaries (being Ultra Registrars (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000)), to be received by no later than 13:30 on Monday, 10 July 2006, or may be handed to the chairman of the scheme meeting not later than ten minutes before the scheme meeting is due to commence.



Illovo Sugar Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1906/000622/06)
 (Share code: ILV) (ISIN: ZAE000003547)
 ("Illovo")

FORM OF SURRENDER

For use only by registered holders of certificated Illovo shares in relation to a scheme of arrangement ("the scheme") in terms of section 311 of the Companies Act, No. 61 of 1973, as amended ("the Companies Act"), to be proposed by ABF Overseas Limited ("ABF") between Illovo and all of its shareholders whereby ABF will acquire 51% of the fully diluted ordinary share capital of Illovo.

Full details of the scheme are contained in a document to shareholders of Illovo, dated 15 June 2006 ("the circular"), to which this form is attached and forms part. Accordingly, all definitions and terms used in this form shall, unless the context otherwise requires, have the meanings ascribed to them in the circular.

This form is attached for the convenience of Illovo shareholders holding certificated Illovo shares who may wish to surrender their documents of title prior to the operative date of the scheme. Another form of surrender will be posted as soon as the scheme becomes unconditional.

Instructions:

1. A separate form of surrender is required for each shareholder holding certificated Illovo shares.
2. **Part A** must be completed by all Illovo shareholders holding certificated Illovo shares who return this form.
3. **Part B** must be completed by Illovo shareholders holding certificated Illovo shares who are emigrants from or non-residents of the Republic of South Africa ("South Africa"), the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (collectively, "the common monetary area") (see note 2 overleaf).

Please also read notes on the reverse side hereof.

To:	The transfer secretaries	
	<i>By hand</i> Ultra Registrars (Proprietary) Limited 5th Floor 11 Diagonal Street Johannesburg, 2001	<i>By post</i> Ultra Registrars (Proprietary) Limited P.O. Box 4844 Johannesburg, 2000

Dear Sirs

PART A

All Illovo shareholders holding certificated Illovo shares must please complete Part A of this form (in BLOCK LETTERS).

I/We hereby surrender and enclose the share certificate/s, certified transfer deed/s and/or other documents of title, details of which have been completed below, in respect of my/our holding of shares in Illovo.

Surname or Name of corporate body _____

First names (in full) _____

Title _____

Address to which the scheme consideration should be sent (if different from registered address).

Postal code _____

Country _____

Telephone number () _____

Share certificates and/or other document of title surrendered

Name of registered holder (separate form for each holder)	Certificate number(s) (in numerical order)	Number of shares covered by each certificate
Total		

PART B

To be completed in **BLOCK LETTERS** by Illovo shareholders holding certificated shares who are emigrants from or non-residents of the common monetary area (see note 1 below).

The scheme consideration will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the emigrant’s blocked assets in terms of the SARB Exchange Control Regulations as nominated below for its control and credit to the emigrant’s blocked assets account. Accordingly, Illovo shareholders holding certificated Illovo shares who are emigrants from the common monetary area must provide the following information:

Name of authorised dealer _____

Account number _____

Address _____

Postal code _____

If emigrants make no nomination, the scheme consideration and the new share certificate will be held in trust by the transfer secretaries.

Non-residents must complete Part B if they wish the scheme consideration to be paid to an authorised dealer in South Africa. If no nomination is made by non-residents, the scheme consideration will be forwarded to them, at their own risk, at their addresses recorded in the register.

Signature of certificated shareholder	Stamp and address of agent lodging this form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date 2006	
Telephone number (Home) ()	
Telephone number (Work) ()	

Signatories may be called upon for evidence of their authority or capacity to sign this form.

Notes:

1. If the scheme becomes operative and you have surrendered your documents of title representing **all** of your certificated Illovo shares before 12:00 on the record date for the scheme, the scheme consideration will be paid, within five business days of the operative date. Instead of posting the scheme consideration, the scheme consideration will be electronically transferred directly into the bank account of a scheme participant holding certificated Illovo shares if details of such account are available to the transfer secretaries and the scheme participant has entered into a mandate with the transfer secretaries. Such transfer will be effected within five business days of the operative date provided such scheme participant has surrendered his documents of title in respect of **all** of his certificated Illovo shares before 12:00 on the record date for the scheme. If the scheme becomes operative and you surrender your documents of title representing all of your certificated Illovo shares after 12:00 on the record date for the scheme, then the scheme consideration will be paid, at your own risk, within five business days after receipt by the transfer secretaries of your documents of title representing **all** of your certificated Illovo shares.
2. Emigrants from the common monetary area must complete Part B. All other non-residents of the common monetary area must complete Part B if they wish the scheme consideration to be paid to an authorised dealer in South Africa. If Part B is not properly completed by emigrants, the scheme consideration will be held in trust by the transfer secretaries pending receipt of the necessary nomination or instruction.
3. If this form is returned with the relevant documents of title, it will be treated as a conditional surrender, which is made subject to the scheme becoming operative. Documents surrendered in anticipation of the scheme becoming operative will be held in trust by the transfer secretaries until the scheme becomes operative. Should the scheme not become operative for any reason whatsoever, then the transfer secretaries will within five business days of the date upon which it becomes known that the scheme will not become operative, return the documents of title to the Illovo shareholders holding certificated Illovo shares concerned by registered post, at the risk of such shareholders.
4. The scheme consideration will not be sent or paid to Illovo shareholders holding certificated Illovo shares unless and until documents of title in respect of **all** the certificated Illovo shares have been surrendered to the transfer secretaries.
5. If a shareholder holding certificated Illovo shares produces evidence to the satisfaction of Illovo and ABF that documents of title in respect of Illovo shares have been lost or destroyed, Illovo and ABF may waive the requirement for the surrender of such documents of title against delivery of an indemnity in a form and on terms and conditions approved by them, at the cost of the shareholder concerned, or may in their discretion waive such indemnity.
6. If this form of surrender is not signed by the shareholder concerned, such shareholder will be deemed to have irrevocably appointed the transfer secretaries to implement the shareholder’s obligations under the scheme on his behalf.
7. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
8. Any alteration to this form of surrender must be signed in full and not initialled.
9. If this form of surrender is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by Illovo or its transfer secretaries).
10. Where the shareholder of certificated Illovo shares is a company or a close corporation, unless it has already been registered with Illovo or the transfer secretaries, a certified copy of the directors’ or members’ resolution authorising the signing of this form of surrender must be submitted if so requested by Illovo.
11. Note 10 above does not apply in the event that this form bears the stamp of a broking member of the JSE.
12. Where there are joint holders of any Illovo shares, only that holder whose name stands first in the register in respect of such shares needs to sign this form.