

PROFIT AND DIVIDEND ANNOUNCEMENT



Audited results for the year ended 31 March 2003

Company Registration No. 1906/000622/06

Record production levels

Operating profit exceeds R1 billion

Strong cash generation

33% increase in headline earnings per share

Review

During the past year the group achieved very good results with headline earnings increasing by 34% and record production of cane, sugar and most downstream products being attained. Overall the season was characterised by favourable weather conditions which assisted in the achievement of improved cane and sucrose yields. Factory performance continued to improve with high levels of mechanical and operational efficiency. These factors enabled the company to further consolidate its position as a leading, global, low-cost sugar and downstream products producer.

In the financial year ended 31 March 2003, the group achieved turnover of R7.0 billion, operating profit of R1.086 billion and headline earnings of R454.6 million. Compared to the previous year revenue increased by 17% and operating profit by 42%. Headline earnings per share of 136.8 cents were 33% higher than those achieved in the previous 12 months. A substantial increase in cane and sugar production, strong performance from downstream operations, improved domestic market sales and a weaker rand contributed to these results. Financing costs increased by R19.1 million to R247.1 million. Cash generated from operations of R1 172.9 million was strong. Following the completion of the rehabilitation and re-development programmes at Kilombero in Tanzania and Maragra in Mozambique both operations have been consolidated into the group with effect from 31 March 2003. At the end of March 2003, the group increased its shareholding in Sucoma (Malawi) to 76% whilst it raised its stake in Zambia Sugar to 90% during the year. Both these investments should contribute towards future headline earnings. Gearing increased from 68.0% to 94.4% largely as a result of the consolidation of Kilombero and Maragra. However, group borrowings of R1 777.2 million, taking into account the borrowings of these entities at both the beginning and end of the financial year under review, reflected a decrease of R594.8 million.

The contributions to operating profit were sugar manufacture 59%, cane growing 27% and downstream 14%. The contributions to profit by country, were South Africa 39%, Malawi 24%, Zambia 22%, Swaziland 13% and the United States 2%.

The group's productive base continued to expand with new sugar production records being achieved in each country of operation, except for the United States. Group sugar output increased to 2.308 million tons, which exceeded last season's record by 355 000 tons, whilst cane production increased by almost one million tons to a new record of 5.781 million tons.

The downstream plants performed particularly well. New weekly production records were established at the furfural plant whilst there was a significant increase in the production of acetoin and a small increase in diacetyl. Record volumes of ethyl alcohol were produced at the Merebank and Glendale plants. Lactulose output was also a record.

The group supplies sugar and downstream products to a number of domestic, regional and world markets. Sales to domestic markets contributed 50% to total revenue whilst exports to 94 countries contributed the balance. A strength of the group is that 61% of sugar production by volume and 77% by value was sold into stable domestic or premium priced export markets.

Illegal sugar imports into some of the countries in Africa where the group has operations have been of concern, but it is pleasing that the government in each of the affected countries has responded positively to stem the flow of these illegal imports.

World trade negotiations continue and the group is monitoring the impact of these on its markets, as access tonnages and prices earned in the European Union and the United States are valuable to the group and the many developing

countries which receive this access. The group is supportive of international sugar trade reform as it could be the catalyst for production expansion in its area of operation, but it is imperative that any new trade agreements take cognisance of the special differential needs of the developing countries which benefit from the current African, Caribbean & Pacific (ACP) and proposed additional Least Developed Countries (LDC) preferential access into these markets.

World sugar prices experienced a welcome return to higher levels during the year, with futures prices rising from below US5.0 cents/lb in June 2002 to a high of US9.0 cents/lb in February 2003. The average white premium was favourable for refined exports. Illovo benefited from the higher prices received from raw sugar sales on the world market as well as from the premiums achieved for regional sugar sales, refined exports and speciality sugar exports.

During the year R173.8 million (2002 : R140.2 million) was spent on the replacement of plant and equipment to ensure that operating assets are maintained in sound condition and that product quality is of the highest standard. In addition, R42.7 million was invested in expansion projects in the flavourants side of the business in South Africa, and the sugar operations in Swaziland, and on product registrations. Steady progress was made towards the commercialisation of furfural as an agricultural chemical.

Details of the company'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 2003 Annual Report which is to be issued in the third week of June 2003.

Prospects

The results in the forthcoming year will be impacted by disappointing rainfall in South Africa this past summer. The first official cane estimate released in early April was approximately 12.5% below last year's final production figure. In addition to reduced sugar production, the lower cane estimate will also impact on furfural production at the Sezela downstream plant. In the irrigated areas in the rest of the group's African operations the cane is looking excellent, however sugar production remains dependent on weather conditions experienced during the rest of the season. Illovo is a major exporter of sugar and downstream products and earnings are affected by both world prices and exchange rates. In addition, profits from foreign operations are impacted by the currency translation effect. The rand is considerably stronger at present compared with the same period last year and there will be a significant negative effect on earnings should the rand continue to trade at current levels for the remainder of the 2003/04 financial year.

Dividend

The final dividend has been increased to 42.0 cents per share [2002 : 31.0 cents] which gives a total distribution of 68.0 cents per share [2002 : 51.0 cents] for the full year.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Durban
20 May 2003

GROUP INCOME STATEMENTS

	Notes	Year ended 31 March		Change %
		2003 Rm	2002 Rm	
Revenue		<u>7 025.0</u>	<u>6 001.0</u>	17
Profit from operations		1 086.4	763.5	42
Net financing costs	1	<u>247.1</u>	<u>228.0</u>	
Profit before abnormal items		839.3	535.5	57
Abnormal items	2	<u>(2.3)</u>	<u>20.1</u>	
Profit before taxation		837.0	555.6	51
Taxation		<u>263.5</u>	<u>122.0</u>	
Profit after taxation		573.5	433.6	32
Attributable to outside shareholders in subsidiary companies		<u>119.8</u>	<u>72.2</u>	
Net profit from ordinary activities		453.7	361.4	26
Extraordinary item	3	<u>-</u>	<u>186.7</u>	
Net profit attributable to shareholders in Illovo Sugar Limited		<u>453.7</u>	<u>174.7</u>	
Determination of headline earnings :				
Net profit from ordinary activities		453.7	361.4	26
Adjusted for :				
Profit/(loss) on disposal of property, plant and equipment		0.8	(2.8)	
Profit on disposal of subsidiary companies		-	23.3	
Amortisation of goodwill		<u>(1.7)</u>	<u>0.6</u>	
Headline earnings		<u>454.6</u>	<u>340.3</u>	34
Number of shares in issue (millions)		332.9	331.7	
Weighted average number of shares on which headline earnings per share are based (millions)		332.3	330.9	
Headline earnings per share (cents)		136.8	102.8	33
Diluted headline earnings per share (cents)		133.5	100.1	
Dividend per share (cents)		68.0	51.0	33

BUSINESS SEGMENTAL ANALYSIS

	Year ended 31 March			
	2003 Rm	%	2002 Rm	%
Revenue				
Sugar production	5 217.7	74	4 561.0	76
Cane growing	1 126.9	16	816.1	14
Downstream	<u>680.4</u>	10	<u>623.9</u>	10
	<u>7 025.0</u>		<u>6 001.0</u>	
Profit from operations				
Sugar production	642.7	59	481.8	63
Cane growing	290.2	27	165.8	22
Downstream	<u>153.5</u>	14	<u>115.8</u>	15
	<u>1 086.4</u>		<u>763.4</u>	

NOTES TO THE INCOME STATEMENTS

1. Net financing costs

Interest paid	277.9	288.7
Interest received	(28.9)	(58.6)
Dividend income	(1.7)	(1.7)
Interest incurred prior to the commencement of production and capitalised as part of the cost of property, plant and equipment	<u>(0.2)</u>	<u>(0.4)</u>
	<u>247.1</u>	<u>228.0</u>

2. Abnormal items

Loss on disposal of property	(2.3)	(3.2)
Profit on disposal of subsidiary companies	-	23.3
Abnormal (loss)/profit before taxation	(2.3)	20.1
Taxation	0.9	-
Minority share of abnormal items after taxation	-	-
Abnormal (loss)/profit attributable to shareholders in Illovo Sugar Limited	<u>(1.4)</u>	<u>20.1</u>

3. Extraordinary item

Write down of investment in Maragra Acucar arising out of flood damage	-	<u>186.7</u>
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ABRIDGED GROUP BALANCE SHEETS

	31 March	
	2003	2002
	Rm	Rm
ASSETS		
Non-current assets	3 187.7	2 982.6
Property, plant and equipment	3 093.6	2 730.3
Investments	118.0	263.8
Goodwill	(23.9)	(11.5)
Current assets	2 477.3	2 558.0
Total assets	5 665.0	5 540.6
EQUITY AND LIABILITIES		
Capital and reserves	1 469.4	1 786.3
Interest of outside shareholders in subsidiaries	412.3	359.3
Deferred taxation	634.6	575.1
Net borrowings	1 777.2	1 459.5
Current liabilities	1 371.5	1 360.4
Total equity and liabilities	5 665.0	5 540.6

OTHER SALIENT FEATURES

Operating margin (%)	15.5	12.7
Gearing (%)	94.4	68.0
Depreciation	214.8	215.6
Capital expenditure	216.5	181.6
- expansion	30.6	37.4
- product registration costs	12.1	4.0
- replacement	173.8	140.2
Capital commitments	435.4	393.4
- contracted	31.7	27.9
- approved but not contracted	403.7	365.5
Lease commitments	577.0	618.2
- land and buildings	498.0	513.9
- other	79.0	104.3
Contingent liabilities	16.1	469.5

ABRIDGED GROUP CASH FLOW STATEMENTS

	Year ended 31 March	
	2003	2002
	Rm	Rm
Cash flows from operating and investing activities		
Cash operating profit	1 317.9	993.6
Working capital requirements	(145.0)	(250.2)
Cash generated from operations	1 172.9	743.4
Replacement capital	(173.8)	(140.2)
Interest, taxation and dividend	(669.7)	(447.9)
Proceeds on disposal of Mauritius operations	-	389.7
Investment in future operations	(254.2)	(249.9)
Other movements	18.2	81.5
Net cash inflow before financing activities	93.4	376.6

STATEMENT OF CHANGES IN EQUITY

Share capital and share premium		
Balance at beginning of the period	254.6	247.8
Movements during the period	5.3	6.8
Balance at end of the period	259.9	254.6
Non-distributable reserves		
Balance at beginning of the period	466.1	417.9
Effect of foreign currency translation	(586.5)	400.2
Transfer from/(to) retained surplus	212.1	(352.0)
Balance at end of the period	91.7	466.1
Retained surplus		
Balance at beginning of the period	1,065.6	667.9
Dividends paid	(189.4)	(129.0)
Transfer (to)/from non-distributable reserves	(212.1)	352.0
Net profit for the period	453.7	174.7
Balance at end of the period	1,117.8	1,065.6
Ordinary shareholders' equity	1 469.4	1 786.3

The principal accounting policies used in this report are in all material respects consistently applied, and conform with South African Statements of Generally Accepted Accounting Practice.

Comparative figures for the prior year have been adjusted for joint ventures which were previously equity accounted and which are now consolidated.

The results for the year ended 31 March 2003 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.



Company Registration no. 1906/000622/06
Share code ILV
ISIN no. ZAE000003547

DECLARATION OF DIVIDEND NO. 23

Notice is hereby given that a final dividend of 42.0 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2003. This dividend, together with the interim dividend of 26.0 cents per share which was declared on 13 November 2002, makes a total distribution in respect of the year ended 31 March 2003 of 68.0 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, 4 July 2003
Shares commence trading ex-dividend	Monday, 7 July 2003
Record date	Friday, 11 July 2003
Payment of dividend	Monday, 14 July 2003

Share certificates may not be dematerialised / rematerialised between Monday, 7 July 2003 and Friday, 11 July 2003, both days inclusive.

By order of the Board

G D Knox	Durban
<i>Secretary</i>	20 May 2003

Directors :

R A Williams (Chairman)*, D G MacLeod (Managing Director), W M A Buchanan, G J Clark (Australian), B P Connellan*, R D Hamilton*, N M Hawley, R L Hetzler (USA), M I Hlatshwayo (Swazi), G D Knox (British), D Konar*, P M Madi*, A R Mpungwe (Tanzanian)*, R A Norton*, J T Russell, M J Shaw*, B M Stuart

* *Non-executive*

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Transfer Secretaries :

Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, 2001

Auditors :

Deloitte & Touche

Sponsor :

Cazenove South Africa (Proprietary) Limited