

PROFIT AND DIVIDEND ANNOUNCEMENT



Audited results for the year ended 31 March 2004

Company Registration No. 1906/000622/06

Review

Group financial results were sharply down compared to the previous year. The group achieved turnover of R6,5 billion, operating profit of R726,6 million and headline earnings of R256,5 million. Compared to the previous year revenue declined by 8% and operating profit by 31%. Operating profits were severely impacted by the continuing strong rand in respect of both sugar and downstream exports, and the translation of foreign profits. The rand strengthened by 36% compared to the US dollar over the financial year. In addition, as a consequence of the strong rand, local sugar prices in South Africa and Swaziland had to be reduced. Headline earnings per share of 76,9 cents were 42% below those achieved in the previous 12 months. Financing costs increased by R9,3 million to R256,4 million whilst the effective tax rate was 26% which was 6% below last year. Cash generated from operations of R859,0 million was strong. Net group borrowings declined by R410,9 million to R1 366,3 million, whilst gearing of 80,3% shows a slight improvement compared to the previous year.

The contributions to operating profit were sugar manufacture 58%, cane growing 33% and downstream 9%. The contributions by country were South Africa 18%, Malawi 34%, Zambia 26%, Swaziland 9%, Tanzania 15%, Mozambique (1%) and the United States (1%).

Group sugar and cane production was slightly below last year's record output largely due to dry conditions in South Africa. Elsewhere in the group growing conditions were favourable with cane and sucrose yields reflecting a further improvement. In general the sugar and downstream plants performed very well with high levels of mechanical and operational efficiency being achieved.

The group's productive base continues to be strong with sugar production of 2,224 million tons and cane production of 5,641 million tons being only slightly less than last year's all time records. Record sugar production was achieved in Swaziland, Tanzania and Mozambique whilst output in Malawi and Zambia fell only marginally short of the previous year's levels.

The downstream plants performed well with the Merebank distillery achieving a record volume of ethyl alcohol. The commercialisation of furfural as an agricultural chemical is progressing. Further registrations have been received in South Africa, whilst international registrations in a variety of applications are being pursued.

The group supplies sugar and downstream products to domestic, regional and world markets. Sales to domestic markets in the countries in which the group operates contributed 69% to total revenue whilst exports to 93 countries contributed the balance. A strength of the group is that 69% of sugar production by volume and 77% by value was sold into stable domestic or premium priced export markets. In the group's African countries of operation outside South Africa, local sales benefited from concerted drives to improve national distribution of sugar through the implementation of more effective marketing arrangements. It is pleasing that the governments in these countries have responded positively to stem the flow of illegal imports. In Tanzania, the local refined sugar market is currently supplied by imports, however the company's operation at Kilombero is constructing a refinery to meet this demand and is planning to be operative by August 2004.

The world sugar price remains volatile. During the 2003 sugar year, production expanded across the globe with consumption failing to keep pace. The season started with prices just under US8.0 cents per pound (cents/lb.) which fell to a low of US5.35 cents/lb. during the season. Futures prices have recently risen to around US7.0 cents/lb. in the light of increasing evidence that last year's surplus could switch to a deficit due to significant production declines in some of the major sugar producing areas. In recent times, the world sugar price has been below the production costs for most sugar producing countries which has led to rationalisation and contraction of many sugar operations. Deliberate expansion for world market sales has only really taken place in Brazil which now dominates the world market. Outside Brazil, producers' costs are much higher largely as a result of the appreciation of their currencies against the US dollar. The market is still uncertain but its physical structure may be starting to improve.

World trade negotiations faltered at Cancun and many countries are now involved in bi-lateral trade discussions. The access tonnages and prices earned for sugar in the European Union and the United States are valuable to the group and the many developing countries which receive this access. It is important that the sugar producers from developing countries continue to have preferential access into the EU and the US at reasonable prices. The EU is investigating reform of its sugar regulations and the company is actively participating in the process and providing technical input to the discussions.

As announced on 17 May 2004, and in line with Illovo's objective that there should be direct and meaningful Black Economic Empowerment (BEE) participation in the South African sugar milling industry, the company has entered into an agreement for the sale of the Gledhow sugar factory and cane growing estates on the north coast of KwaZulu-Natal. The purchaser is a broad-based BEE company. The purchase price of R335 million is to be settled in cash and Illovo will continue to provide management support for a period of five years after transfer. The agreement is subject to approval by the Competition Commission

In addition, Illovo has entered into discussions with various parties, including the Monitor Sugar Beet Growers' Association, which represents Monitor's 600 growers, regarding the possibility of divesting of its interest in Monitor Sugar Company in the USA. To this end, Illovo has compiled an information memorandum and is making this and a data room available for interested parties under confidentiality agreements. Shareholders will be advised of developments regarding these discussions in due course.

During the year R158,9 million (2003 : R173,8 million) was spent on the replacement of plant and equipment to ensure that the group's operating assets are kept in sound condition, that strategic plant is adequately protected against breakdown and that product quality is of the highest standard. In addition, R39,6 million was invested in expansion projects and on product registrations.

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 2004 Annual Report which is to be issued in the third week of June 2004.

Outlook

The results of the forthcoming year will be considerably impacted by the level of the rand compared to other currencies, particularly the US dollar. Excluding the impact of the sale of the Gledhow operations, cane production and downstream output for the group should be similar to that achieved last year, whilst sugar output is expected to be marginally down due to the below average rainfall experienced in South Africa during the past summer. World sugar prices have recovered from previous low levels in recent months and the average price achieved from world market sales should be around levels attained in the past year.

Dividend

A final dividend of 28,0 cents (2003 : 42,0 cents) has been declared which gives a total distribution of 46,0 cents (2003 : 68,0 cents) for the full year.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Mount Edgecombe
19 May 2004

GROUP INCOME STATEMENTS

| | Notes | Year ended 31 March | | Change % |
|---|-------|---------------------|------------------------|-------------|
| | | 2004 Rm | 2003 Restated Rm | |
| Revenue | | 6 488.2 | 7 025.0 | (8) |
| Profit from operations | | 726.6 | 1 057.3 | (31) |
| Net financing costs | 1 | 256.4 | 247.1 | |
| Profit before abnormal items | | 470.2 | 810.2 | (42) |
| Abnormal items | 2 | 1.9 | (2.3) | |
| Profit before taxation | | 472.1 | 807.9 | (42) |
| Taxation | | 122.5 | 254.9 | |
| Profit after taxation | | 349.6 | 553.0 | (37) |
| Attributable to outside shareholders in subsidiary companies | | 90.2 | 115.2 | |
| Net profit attributable to shareholders in Illovo Sugar Limited | | 259.4 | 437.8 | (41) |
| Determination of headline earnings : | | | | |
| Net profit attributable to shareholders | | 259.4 | 437.8 | (41) |
| Adjusted for : | | | | |
| Profit on disposal of property, plant and equipment | | (3.0) | (0.8) | |
| Amortisation of goodwill | | (1.1) | 1.7 | |
| Reorganisation of long term debt | | 1.2 | - | |
| Headline earnings | | 256.5 | 438.7 | (42) |
| Number of shares in issue (millions) | | 333.8 | 332.9 | |
| Weighted average number of shares on which headline earnings per share are based (millions) | | 333.4 | 332.3 | |
| Headline earnings per share (cents) | | 76.9 | 132.0 | (42) |
| Diluted headline earnings per share (cents) | | 75.0 | 128.9 | |
| Dividend per share (cents) | | 46.0 | 68.0 | (32) |

The group adopted AC133 (Financial Instruments - Recognition and Measurement) and AC137 (Agriculture) with effect from 1 April 2003. As required by the statements, AC133 has been prospectively applied, whereas AC137 has been retrospectively applied with the comparative figures for the previous year having been restated accordingly.

In all other material respects the principal accounting policies used in this report have been consistently applied and conform with South African Statements of Generally Accepted Accounting Practice.

The results for the year ended 31 March 2004 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

BUSINESS SEGMENTAL ANALYSIS

| | Year ended 31 March | | | |
|-------------------------------|---------------------|----|----------------|----|
| | 2004 | | 2003 | |
| | Rm | % | Restated Rm | % |
| Revenue | | | | |
| Sugar production | 4 892.1 | 75 | 5 217.7 | 74 |
| Cane growing | 1 040.7 | 16 | 1 126.9 | 16 |
| Downstream | 555.4 | 9 | 680.4 | 10 |
| | 6 488.2 | | 7 025.0 | |
| Profit from operations | | | | |
| Sugar production | 424.7 | 58 | 645.0 | 61 |
| Cane growing | 236.8 | 33 | 258.8 | 24 |
| Downstream | 65.1 | 9 | 153.5 | 15 |
| | 726.6 | | 1 057.3 | |

NOTES TO THE INCOME STATEMENTS

1. Net financing costs

| | | |
|-------------------|--------|--------|
| Interest paid | 286.7 | 277.9 |
| Interest received | (27.7) | (28.9) |
| Dividend income | (2.6) | (1.7) |

Interest incurred prior to the commencement of production and capitalised as part of the cost of property, plant and equipment

| | |
|--------------|--------------|
| - | (0.2) |
| 256.4 | 247.1 |

2. Abnormal items

| | | |
|--|------------|--------------|
| Profit/(loss) on disposal of property | 1.9 | (2.3) |
| Abnormal profit/(loss) before taxation | 1.9 | (2.3) |
| Taxation | (0.2) | 0.9 |
| Abnormal profit/(loss) attributable to shareholders in Illovo Sugar Limited | 1.7 | (1.4) |

3. Change in accounting policy

All comparative figures in this report have been restated for the change in policy as a result of adopting AC137 (Agriculture), and the impact on net profit attributable to shareholders is as follows :

| | | |
|--|------|--------|
| Profit from operations | 15.1 | (30.7) |
| Taxation | 5.0 | (9.0) |
| Attributable to outside shareholders in subsidiary companies | 0.4 | (4.6) |
| Increase/(decrease) in net profit attributable to shareholders | 9.7 | (17.1) |

ABRIDGED GROUP BALANCE SHEETS

| | 31 March | |
|--|----------------|----------------|
| | 2004 | 2003 |
| | Rm | Restated Rm |
| ASSETS | | |
| Non-current assets | 3 159.2 | 3 758.4 |
| Property, plant and equipment | 2 581.2 | 3 093.6 |
| Cane roots | 518.4 | 568.9 |
| Investments | 80.6 | 118.0 |
| Goodwill | (21.0) | (22.1) |
| Current assets | 1 802.1 | 2 180.9 |
| Total assets | 4 961.3 | 5 939.3 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 1 292.1 | 1 616.2 |
| Interest of outside shareholders in subsidiaries | 409.9 | 444.1 |
| Deferred taxation | 611.5 | 697.2 |
| Net borrowings | 1 366.3 | 1 777.2 |
| Current liabilities | 1 281.5 | 1 404.6 |
| Total equity and liabilities | 4 961.3 | 5 939.3 |

OTHER SALIENT FEATURES

| | | |
|-----------------------------------|--------------|-------|
| Operating margin (%) | 11.2 | 15.1 |
| Gearing (%) | 80.3 | 86.3 |
| Interest cover (times) | 2.8 | 4.3 |
| Net asset value per share (cents) | 387.1 | 485.5 |
| Depreciation | 236.2 | 214.8 |
| Capital expenditure | 198.5 | 216.5 |
| - expansion | 27.1 | 30.6 |
| - product registration costs | 12.5 | 12.1 |
| - replacement | 158.9 | 173.8 |
| Capital commitments | 242.1 | 435.4 |
| - contracted | 19.4 | 31.7 |
| - approved but not contracted | 222.7 | 403.7 |
| Lease commitments | 495.3 | 577.0 |
| - land and buildings | 429.7 | 498.0 |
| - other | 65.6 | 79.0 |
| Contingent liabilities | 16.0 | 16.1 |

ABRIDGED GROUP CASH FLOW STATEMENTS

| | Year ended 31 March | |
|---|---------------------|----------|
| | 2004 | 2003 |
| | | Restated |
| | Rm | Rm |
| Cash flows from operating and investing activities | | |
| Cash operating profit | 816.7 | 1 143.3 |
| Working capital requirements | 42.3 | 29.6 |
| Cash flow from operations | 859.0 | 1 172.9 |
| Replacement capital | (158.9) | (173.8) |
| Finance costs, taxation and dividend | (600.4) | (669.7) |
| Investment in future operations | (46.4) | (254.2) |
| Other movements | 41.7 | 18.2 |
| Net cash inflow before financing activities | 95.0 | 93.4 |

STATEMENT OF CHANGES IN EQUITY

Share capital and share premium

| | | |
|------------------------------------|-------|-------|
| Balance at beginning of the period | 259.9 | 254.6 |
| Movements during the period | 4.4 | 5.3 |
| Balance at end of the period | 264.3 | 259.9 |

Non-distributable reserves

| | | |
|--|---------|---------|
| Balance at beginning of the period | 91.7 | 466.1 |
| Effect of foreign currency translation | (390.9) | (636.8) |
| Effect of cash flow hedges | 4.2 | - |
| Transfer from retained surplus - FCTR | 404.4 | 262.4 |
| Balance at end of the period | 109.4 | 91.7 |

Retained surplus

| | | |
|---|----------|----------|
| Balance at beginning of the period | 1 264.6 | 1 065.6 |
| Restatement of prior year in terms of AC137 | - | 237.3 |
| Restatement of provision for post retirement medical benefits | - | (24.3) |
| Reserve arising on implementation of AC133 | (1.3) | - |
| Dividends paid | (199.9) | (189.4) |
| Transfer to non-distributable reserves - FCTR | (404.4) | (262.4) |
| Net profit for the period | 259.4 | 437.8 |
| Balance at end of the period | 918.4 | 1 264.6 |

Ordinary shareholders' equity

| | |
|---------|---------|
| 1 292.1 | 1 616.2 |
|---------|---------|



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

DECLARATION OF DIVIDEND NO. 25

Notice is hereby given that a final dividend of 28.0 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2004. This dividend, together with the interim dividend of 18.0 cents per share which was declared on 12 November 2003, makes a total distribution in respect of the year ended 31 March 2004 of 46.0 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, 2 July 2004 |
| Shares commence trading ex-dividend | Monday, 5 July 2004 |
| Record date | Friday, 9 July 2004 |
| Payment of dividend | Monday, 12 July 2004 |

Share certificates may not be dematerialised / rematerialised between Monday, 5 July 2004 and Friday, 9 July 2004, both days inclusive.

By order of the Board

G D Knox Mount Edgecombe
Company Secretary 19 May 2004

Directors :

R A Williams (Chairman)*, D G MacLeod (Managing Director), G J Clark (Australian), B P Connellan*, R D Hamilton*, N M Hawley, M I Hlatshwayo (Swazi), DKonar*, P M Madi*, AR Mpungwe (Tanzanian)*, RA Norton*, J T Russell, M J Shaw*, B M Stuart

* *Non-executive*

Registered office :

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Transfer Secretaries :

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Auditors :

Deloitte & Touche

Sponsor :

Cazenove South Africa (Proprietary) Limited