

PROFIT AND DIVIDEND ANNOUNCEMENT



Audited results for the year ended 31 March 2005

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

- Reduction in borrowings and gearing
- 2 major BEE transactions
- Disposal of Monitor Sugar

Review

During the past year the group experienced disappointing financial results despite good operational performances by the agricultural estates and the factories. The group achieved turnover of R5.1 billion, operating profit of R405.6 million and headline earnings of R142.8 million. Compared to the previous year revenue declined by 21% and operating profit by 44%. Headline earnings per share of 42.6 cents were 40% below those achieved in the previous year. 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 strength of the local currencies compared to the US dollar in the operations outside South Africa also reduced profits in those local currencies. In addition lower sugar production and related downstream production in South Africa had a negative effect.

Financing costs decreased significantly from R256.4 million to R153.5 million, whilst the effective tax rate excluding abnormal items was 23%. Cash generation was strong with group borrowings of R794.7 million reflecting a material decrease of R571.6 million, whilst gearing of 49.4% shows a significant improvement.

The contributions to operating profit by sugar production were 68%, cane growing 16% and downstream 16%, and by country were South Africa 13%, Malawi 34%, Zambia 38%, Swaziland 5%, Tanzania 17%, Mozambique (1)% and the United States (6)%.

Group sugar and cane production of 1.78 million tons and 5.3 million tons respectively was much lower than that of last year partly as a result of the sale of the Gledhow sugar mill and cane estates and the sale of the Monitor sugar factory, and partly due to the adverse weather conditions experienced in South Africa. At the other cane estates of the group growing conditions were reasonable with good cane and sucrose yields resulting in sugar production being similar to that achieved in the 2003/04 season. On the production side the sugar and downstream plants performed well and numerous performance related records were attained. In addition the ethyl alcohol operation achieved record output.

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 67% to total revenue, whilst exports to 93 countries contributed the balance. A strength of the group is that 70% of sugar production by volume and 85% by value was sold into stable domestic or premium priced export markets. It is pleasing that domestic sales of sugar have shown an improvement across the group due to various marketing and distribution initiatives. Governments in most countries where the group operates have responded positively to stem the flow of illegal imports. This is vitally important to both the group and the rural economies of the region. However, it is disappointing that in Tanzania the protection granted by government to domestic producers of refined sugar remains at a level that results in industrial users continuing to import world market sugar.

The world sugar price continues to be volatile. The past season saw a welcome upward adjustment with the nearby futures price rising from just over US7.0 cents/lb in March 2004 to over US9.0 cents/lb in March 2005. The world sugar production deficit for 2004/05 is currently estimated to be 3.5 million tons. The most significant factors causing the deficit after a long period of surpluses have been the change by India from being a net exporter to a net importer and material decreases in production in Thailand and Cuba.

World trade negotiations continue and the group is monitoring the impact of these on its sugar markets. In particular the access tonnages and prices earned for sugar in the European Union are valuable to the group. Increased access for Least Developed Countries (LDC's) at remunerative prices would improve expansion opportunities for many of the group's operations and local growers. However, the EU investigations to reform its sugar regulations have been protracted and the recent ruling by the World Trade Organisation that several million tons of European subsidised sugar exports are illegal could impact negatively on price proposals and future increased access to developing countries. The company is actively participating in the process and providing technical input to the countries concerned. It is anticipated that legislative proposals will be tabled during June 2005 with finalisation expected by the end of November 2005.

Both the Gledhow sugar factory and cane growing estates and the Umfolozi sugar factory were sold to Black Economic Empowerment (BEE) companies. In addition the Monitor Sugar operation in the United States was sold prior to the beginning of the new sugar campaign. A further BEE farm sale was made during the year. The proceeds from the disposal of these assets were utilised to reduce debt.

Within the South African operations a number of actions were undertaken in the year under review to improve long term profitability. The factory and field operations together with centralised services were restructured. The company's outbound distribution operations were outsourced to Barloworld Logistics and following the sale of the Gledhow and Umfolozi operations, the refining and packing operations of the company have been consolidated at two mills. These actions will result in meaningful cost savings to the group.

R134.1 million was spent on the replacement of plant and equipment to ensure that the group's operating assets are kept in a sound condition, that strategic plant is adequately protected against breakdown and that product quality is of the highest standard. In addition R25.8 million was invested in expansion projects and on product registrations. The company also acquired the operating leases in respect of various buildings amounting to R172.2 million.

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 2005 Annual Report which is to be issued in the third week of June 2005.

Directorate

Messrs P M Madi and A R Mpungwe have been appointed as members of the Remuneration / Nomination Committee and the Risk Management Committee respectively.

Outlook

The results for the forthcoming year will be considerably impacted by the level of the rand compared to other currencies, particularly the US dollar. Cane and downstream production is anticipated to exceed the levels achieved in the previous year, whilst sugar production is expected to be slightly higher than last year, despite the sale of Umfolozi. World sugar prices have recovered from previous low levels and notwithstanding the decline in prices from their recent highs, world and regional market sales should earn better prices on average than those attained in the past year. Real growth in earnings is anticipated at current exchange rates.

Dividend

A final dividend of 13.5 cents (2004 : 28.0 cents) has been declared which gives a total distribution of 25.5 cents (2004 : 46.0 cents) for the full year.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Mount Edgecombe
20 May 2005

GROUP INCOME STATEMENTS

	Notes	Year ended 31 March		Change %
		2005 Rm	2004 Restated Rm	
Revenue		5 143.0	6 488.2	(21)
Profit from operations		405.6	726.6	(44)
Net financing costs	1	153.5	256.4	
Profit before abnormal items		252.1	470.2	(46)
Abnormal items	2	(79.2)	1.9	
Profit before taxation		172.9	472.1	(63)
Taxation		82.9	141.4	
Profit after taxation		90.0	330.7	(73)
Attributable to outside shareholders in subsidiary companies		49.3	90.2	
Net profit attributable to shareholders in Illovo Sugar Limited		40.7	240.5	(83)
Determination of headline earnings :				
Net profit attributable to shareholders		40.7	240.5	(83)
Adjusted for :				
Net loss on sale of businesses		97.0	-	
Loss/(profit) on disposal of property, plant and equipment		5.1	(3.0)	
Amortisation of goodwill		-	(1.1)	
Reorganisation of long term debt		-	1.2	
Headline earnings		142.8	237.6	(40)
Number of shares in issue (millions)		337.2	333.8	
Weighted average number of shares on which headline earnings per share are based (millions)		335.0	333.4	
Headline earnings per share (cents)		42.6	71.3	(40)
Diluted headline earnings per share (cents)		42.2	69.7	
Dividend per share (cents)		25.5	46.0	(45)

The group adopted AC501 (Accounting for Secondary Tax on Companies (STC)) with effect from 1 April 2004. As required by AC501, it has been retrospectively applied, with the comparative figures from the previous year being restated accordingly. The effect of this application on headline earnings in the current year is an increase of R9.7 million and a reduction of R18.9 million for the year ended 31 March 2004.

In addition, the group has adopted AC140 (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.

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 2005 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

NOTES TO THE INCOME STATEMENTS

	Year ended 31 March	
	2005	2004 Restated
	Rm	Rm
1. Net financing costs		
Interest paid	188.3	286.7
Interest received	(32.2)	(27.7)
Dividend income	(2.6)	(2.6)
	<u>153.5</u>	<u>256.4</u>
2. Abnormal items		
Net loss on sale of businesses	(72.7)	-
(Loss)/profit on disposal of property	(6.5)	1.9
	<u>(79.2)</u>	<u>1.9</u>
Abnormal (loss)/profit before taxation	(79.2)	1.9
Taxation	(24.3)	(0.2)
Abnormal (loss)/profit attributable to shareholders in Illovo Sugar Limited	<u>(103.5)</u>	<u>1.7</u>

3. Discontinuance of United States operation

Effective 30 September 2004, the group disposed of its investment in Monitor Sugar Company. The consideration net of costs represented a net loss of R242.5 million. In addition to the proceeds received, the borrowings in Monitor Sugar were taken over by the purchaser. At 31 March 2004 these amounted to US\$48.7 million.

The results of the operations of Monitor Sugar Company were as follows :

	Six months ended 30 September 2004 Rm	Year ended 31 March 2004 Rm
Revenue	<u>334.5</u>	<u>727.3</u>
Loss from operations	(22.8)	(10.6)
Net financing costs	(2.9)	(7.3)
Loss before taxation	(25.7)	(17.9)
Taxation	7.7	6.1
Loss after taxation	<u>(18.0)</u>	<u>(11.8)</u>

The net cash flow attributable to Monitor Sugar Company 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	<u>(2.3)</u>	<u>(8.6)</u>

ABRIDGED GROUP BALANCE SHEETS

	31 March	
	2005	2004
	Rm	Restated Rm
ASSETS		
Non-current assets	2 484.2	3 159.2
Property, plant and equipment	1 853.6	2 581.2
Cane roots	543.7	518.4
Investments	86.9	80.6
Goodwill	-	(21.0)
Current assets	1 540.2	1 802.1
Total assets	4 024.4	4 961.3
EQUITY AND LIABILITIES		
Capital and reserves	1 200.3	1 295.0
Interest of outside shareholders in subsidiaries	408.4	409.9
Deferred taxation	494.2	608.5
Net borrowings	794.7	1 366.3
Current liabilities	1 126.8	1 281.6
Total equity and liabilities	4 024.4	4 961.3

OTHER SALIENT FEATURES

Operating margin (%)	7.9	11.2
Gearing (%)	49.4	80.1
Interest cover (times)	2.6	2.8
Net asset value per share (cents)	356.0	387.1
Depreciation	180.2	236.2
Capital expenditure	332.1	198.5
- expansion	18.5	27.1
- product registration costs	7.3	12.5
- operating leases	172.2	-
- replacement	134.1	158.9
Capital commitments	245.4	242.1
- contracted	11.6	19.4
- approved but not contracted	233.8	222.7
Lease commitments	182.1	495.3
- land and buildings	115.2	429.7
- other	66.9	65.6
Contingent liabilities	14.4	16.0

ABRIDGED GROUP CASH FLOW STATEMENTS

	Year ended 31 March	
	2005	2004
		Restated
	Rm	Rm
Cash flows from operating and investing activities		
Cash operating profit	531.1	816.7
Working capital requirements	137.5	42.3
Cash flow from operations	668.6	859.0
Replacement capital	(306.3)	(158.9)
Finance costs, taxation and dividend	(389.6)	(600.4)
Net investment in future operations	(35.9)	(46.4)
Cash flow from businesses sold	429.9	-
Other movements	19.3	41.7
Net cash inflow before financing activities	386.0	95.0

STATEMENT OF CHANGES IN EQUITY

Share capital and share premium		
Balance at beginning of the period	264.3	259.9
Issue of new shares	18.2	4.4
Balance at end of the period	282.5	264.3
Non-distributable reserves		
Balance at beginning of the period	109.4	91.7
Effect of foreign currency translation	(32.8)	(390.9)
Effect of cash flow hedges	(9.7)	4.2
Transfer from retained surplus - FCTR	31.3	404.4
Balance at end of the period	98.2	109.4
Retained surplus		
Balance at beginning of the period	921.3	1 264.6
Realised profit on disposal of land	1.5	-
Restatement of prior year in terms of AC501	-	21.8
Reserve arising out of AC133	0.2	(1.3)
Derecognition of negative goodwill	21.0	-
Dividends paid	(133.8)	(199.9)
Transfer to non-distributable reserves - FCTR	(31.3)	(404.4)
Net profit for the period	40.7	240.5
Balance at end of the period	819.6	921.3
Ordinary shareholders' equity	1 200.3	1 295.0

BUSINESS SEGMENTAL ANALYSIS

	Year ended 31 March			
	2005		2004	
	Rm	%	Restated Rm	%
Revenue				
Sugar production	3 740.3	73	4 892.1	75
Cane growing	893.6	17	1 040.7	16
Downstream	509.1	10	555.4	9
	<u>5 143.0</u>		<u>6 488.2</u>	
Profit from operations				
Sugar production	274.8	68	424.7	58
Cane growing	63.8	16	236.8	33
Downstream	67.0	16	65.1	9
	<u>405.6</u>		<u>726.6</u>	
Total assets				
Sugar production	2 159.4	54	3 030.4	61
Cane growing	1 606.3	40	1 676.4	34
Downstream	258.7	6	254.5	5
	<u>4 024.4</u>		<u>4 961.3</u>	



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Share code ILV
ISIN ZAE000003547

DECLARATION OF DIVIDEND NO. 27

Notice is hereby given that a final dividend of 13.5 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2005. This dividend, together with the interim dividend of 12.0 cents per share which was declared on 17 November 2004, makes a total distribution in respect of the year ended 31 March 2005 of 25.5 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, 1 July 2005
Shares commence trading ex-dividend	Monday, 4 July 2005
Record date	Friday, 8 July 2005
Payment of dividend	Monday, 11 July 2005

Share certificates may not be dematerialised / rematerialised between Monday, 4 July 2005 and Friday, 8 July 2005, both days inclusive.

By order of the Board

G D Knox	Mount Edgecombe
<i>Company Secretary</i>	20 May 2005

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), 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 :

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P O Box 4844, Johannesburg, 2000

Auditors :

Deloitte & Touche

Sponsor :

JP Morgan Equities Limited