

PROFIT AND DIVIDEND ANNOUNCEMENT



Audited results for the year ended 31 March 2007

Company registration no. 1906/000622/06
Share code ILV ISIN ZAE000083846

- Operating profit exceeds R1 billion
- Headline earnings exceed R500 million
- Headline earnings per share increase by 43%
- Further reduction in borrowings and gearing
- Major expansion in Zambia

Review

During the past year, the group achieved good results with headline earnings increasing by 46% to R515.3 million and headline earnings per share increasing by 43% to 149.1 cents. This was attained through much improved world and regional sugar prices, higher downstream product export prices, strong domestic market sales, cost savings and the weaker rand. These factors more than offset the negative impact of lower sugar production, primarily in South Africa and Tanzania.

The group achieved turnover of R6.3 billion and operating profits of R1 034.3 million. Compared to the previous year, turnover increased by 15%, whilst operating profit increased by 38%, enabling the operating margin to grow from 13.7% to 16.5%. Net financing costs decreased slightly from R100.9 million to R96.4 million which resulted in interest cover improving to 10.7 times. The effective tax rate, excluding material items, was 30.6%. Cash generation was positive with group borrowings decreasing by R169.3 million to R271.7 million, resulting in a gearing of 12.2%.

The contributions to operating profit were: sugar production 59%, cane growing 33% and downstream 8%. By country contributions were: South Africa 21%, Malawi 39%, Zambia 22%, Swaziland 7%, Tanzania 9% and Mozambique 2%.

Group cane production of 5.44 million tons was similar to that achieved in the previous season, whilst sugar production of 1.72 million tons was significantly lower due to adverse weather conditions in South Africa and Tanzania. The rest of the group experienced more normal weather, which, with effective irrigation and above-average sunshine hours, was conducive to good cane growth. Record cane production was achieved in Malawi.

Factory performance in general was satisfactory with high levels of mechanical and operational efficiency being achieved. The operation in Mozambique performed well and a number of records were established, whilst record sugar production was attained by the operations in Malawi. The recovery of sugar from cane was in general lower than in the previous year, partly as a result of poorer cane quality. The downstream operations performed well, with record output of ethyl alcohol, diacetyl and lactulose.

The group supplies sugar and downstream products to domestic, regional and world markets. Domestic sales are very important to the business, and it is encouraging that they have shown an improvement across the group. Sales into domestic markets contributed 64% to total revenue, whilst exports to 110 countries contributed the balance. A strength of the group is that 74% of sugar production by volume and 80% by value was sold into the domestic or premium-priced export markets.

The world sugar price, although continuing to be volatile, trended downwards from a peak in February 2006. Increased sugar output by producers around the globe, particularly India, Brazil, China and Thailand, resulted in the global production deficits of the previous two years switching to a surplus in the 2006/07 international sugar season which ends in September 2007. This combined with other factors, such as the lower than anticipated production quota reductions forecast for 2007/08 in the European Union (EU), resulted in sugar prices coming under pressure from May 2006 onwards and were around the US10 cents/lb level at the end of the financial year. Nevertheless, the group benefited from the much improved prices available during the season, thereby improving revenues from both world and regional markets. Improved refined premiums were also achieved. The near to medium-term outlook will be dependent on a number of factors, including how much of India's increased production will be exported, the size of the Brazilian cane crop and the amount of cane which is utilised for fuel-alcohol production, the demand for fuel-alcohol in general, and the level of sugar imports. Normal world consumption growth for sugar is around 2% per annum, but last year with higher sugar prices, it is estimated that consumption increased by only 1.8%, whereas at current lower prices, estimates are that the increase in consumption will be greater than normal. In the longer-term, prices will be influenced by growth in sugar consumption, the demand for fuel-alcohol, the impact of the changes to the EU sugar regime and the ability of producers to meet the increase in requirements. The cost of installing and the operating costs of new production capacity, and the exchange rate in Brazil will be major drivers in the price required by producers to meet future demand for both sugar and fuel-alcohol.

The changes to the EU sugar regime have only partially achieved the objective of reducing domestic sugar production, and the European Commission is preparing to amend the domestic quota restructuring scheme in the light of experience to date. The inadequate take-up of the scheme would result in surplus production for both the current and future years, and this has affected market stability. The new proposals are expected to make voluntary quota renunciations more attractive to growers and manufacturers. These amendments are aimed at re-establishing market equilibrium within the EU prior to 2009, when increased imports from Least Developed Countries (LDC's) are expected. On the basis of reduced EU domestic sugar production, increased access for African, Caribbean and Pacific (ACP) countries and LDC's is also being provided. The consequent removal or positive modifications to quota and tariff limitations has been tabled by the European Commission for inclusion in the Economic Partnership Agreement negotiations. These changes will not apply to South Africa, which is currently not a beneficiary under the ACP Sugar Protocol.

The Board has approved a major expansion of sugar and cane production in Zambia. An additional 10 500 hectares of irrigated cane will be developed by the company and its growers, representing a 50% increase in area. The factory at Nakambala is being expanded from 410 tons of cane per hour to 640 tons of cane per hour, which will enable it to produce 440 000 tons of sugar per annum, an increase of around 200 000 tons compared to the past year. The project, which commenced in April 2007, will be undertaken over two years and will cost R1.4 billion. The first phase of the expansion to 465 tons of cane per hour will be completed in time for the commencement of the 2008/09 sugar season. The long-lead time items of plant have been ordered, and the installation of the irrigation infrastructure for the company's cane development and for certain growers' needs will be undertaken during the current season. The project has had good support from the Zambian Government which has granted a number of investment incentives in terms of prevailing legislation. Smaller factory expansions in both Malawi, at Dwangwa, and in Tanzania are planned during the current financial year. In addition, extra areas will be planted to cane in Malawi and Tanzania.

During the year R124.7 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 R96.0 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, and the Listings Requirements of the JSE Limited are disclosed in the 2007 Annual Report which is to be issued in the third week of June 2007.

Dividend

The final dividend has been increased to 45.0 cents per share (2006: 42.5 cents) which results in a total distribution of 75.0 cents (2006: 62.5 cents) for the full year, which is in line with the objective of dividends being twice covered by earnings.

Outlook

In the current year, own cane, sugar and downstream production are anticipated to exceed the levels achieved in the past year. World prices have declined from last year's levels which will impact on revenues from both world and regional markets. The results for the current year will again be impacted by the level of the rand compared to other currencies, particularly the US dollar. In recent weeks, the rand has strengthened considerably which will impact negatively on profits. Overall, it is anticipated that growth in earnings in real terms will be achieved in the year ahead.

Illovo's existing factory and field operations have significant growth potential and the major expansion in Zambia is the first step in this process. Further investments in Africa continue to be pursued.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Mount Edgecombe
21 May 2007

GROUP INCOME STATEMENT

	Notes	Year ended 31 March		Change %
		2007	2006	
		Rm	Rm	
Revenue		6 263.6	5 468.8	15
Operating profit		1 034.3	751.5	38
Net financing costs	2	96.4	100.9	
Profit before material items		937.9	650.6	
Material items	3	4.2	3.5	
Profit before taxation		942.1	654.1	
Taxation		288.3	197.3	
Profit after taxation		653.8	456.8	
Attributable to outside shareholders in subsidiary companies		137.3	99.1	
Net profit attributable to shareholders in Illovo Sugar Limited		516.5	357.7	44
Determination of headline earnings :				
Net profit attributable to shareholders		516.5	357.7	44
Adjusted for :				
Profit on disposal of property	3	(3.7)	(3.3)	
Loss/(profit) on disposal of plant and equipment		2.5	(2.0)	
Headline earnings		515.3	352.4	46
Number of shares in issue (millions)		348.9	340.1	
Weighted average number of shares on which headline earnings per share are based (millions)		345.5	338.2	
Headline earnings per share (cents)		149.1	104.2	43
Diluted headline earnings per share (cents)		147.7	101.4	
Dividend per share (cents)		75.0	62.5	20

The auditors, Deloitte & Touche, have issued their opinion on the group's annual financial statements for the year ended 31 March 2007. Their audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These condensed financial statements have been derived from and are consistent in all material respects with the group's annual financial statements.

ABRIDGED GROUP BALANCE SHEET

31 March

2007
Rm2006
Rm**ASSETS**

Non-current assets	2 576.8	2 362.6
Property, plant and equipment	1 841.0	1 704.9
Cane roots	661.6	589.1
Investments	74.2	68.6
Current assets	1 891.4	1 633.5
Inventories	510.1	470.8
Growing cane	743.1	657.9
Accounts receivable	638.2	504.8
Total assets	4 468.2	3 996.1

EQUITY AND LIABILITIES

Total equity	2 228.3	1 813.5
Equity holders' interest	1 771.7	1 425.5
Minority shareholders' interest	456.6	388.0
Non-current liabilities	846.0	922.5
Deferred taxation	574.3	481.5
Net borrowings	271.7	441.0
Current liabilities	1 393.9	1 260.1
Accounts payable and provisions	1 303.3	1 170.7
Financial instruments	90.6	89.4
Total equity and liabilities	4 468.2	3 996.1

OTHER SALIENT FEATURES

Operating margin (%)	16.5	13.7
Gearing (%)	12.2	24.3
Interest cover (times)	10.7	7.4
Return on net assets (%)	28.5	25.2
Net asset value per share (cents)	638.7	533.2
Depreciation	140.4	127.7
Capital expenditure	220.7	205.0
- expansion	90.5	75.4
- product registration costs	5.5	8.8
- replacement	124.7	120.8
Capital commitments	1 799.0	284.2
- contracted	29.2	28.1
- approved but not contracted	1 769.8	256.1
Lease commitments	92.9	115.2
- land and buildings	30.6	46.8
- other	62.3	68.4
Contingent liabilities	5.2	10.5

ABRIDGED GROUP CASH FLOW STATEMENT

	Year ended 31 March	
	2007	2006
	Rm	Rm
Cash flows from operating and investing activities		
Cash operating profit	1 058.7	710.5
Working capital requirements	(61.0)	117.2
Cash generated from operations	997.7	827.7
Replacement capital expenditure	(124.7)	(120.8)
Financing costs, taxation and dividend	(608.4)	(341.3)
Net investment in future operations	(113.2)	(98.7)
Other movements	30.4	43.9
Net cash inflow before financing activities	181.8	310.8

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STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2007	2006
	Rm	Rm
Share capital and share premium		
Balance at beginning of the period	298.4	282.5
Issue of new shares	56.1	15.9
Balance at end of the period	<u>354.5</u>	<u>298.4</u>
Share-based payments reserve		
Balance at beginning of the period	8.1	4.4
Share-based payment expense	2.8	3.7
Balance at end of the period	<u>10.9</u>	<u>8.1</u>
Non-distributable reserves		
Balance at beginning of the period	122.1	95.4
Realised profit on disposal of land	3.7	0.2
Effect of foreign currency translation	13.2	26.6
Effect of cash flow hedges	7.3	(0.1)
Balance at end of the period	<u>146.3</u>	<u>122.1</u>
Retained surplus		
Balance at beginning of the period	852.3	707.2
Realised profit on disposal of land	(3.7)	(0.2)
Transfer to dividend reserve	(262.1)	(212.4)
Net profit for the period	516.5	357.7
Balance at end of the period	<u>1 103.0</u>	<u>852.3</u>
Dividend reserve		
Balance at beginning of the period	144.6	45.5
Transfer from retained surplus	262.1	212.4
Dividends paid	(249.7)	(113.3)
Balance at end of the period	<u>157.0</u>	<u>144.6</u>
Equity holders' interest	<u>1 771.7</u>	<u>1 425.5</u>
Minority shareholders' interest		
Balance at beginning of the period	388.0	330.9
Effect of foreign currency translation	13.1	(6.7)
Dividends paid	(84.5)	(37.6)
Increase in shareholding	2.7	2.3
Net profit for the period	137.3	99.1
Balance at end of the period	<u>456.6</u>	<u>388.0</u>
Total equity	<u>2 228.3</u>	<u>1 813.5</u>

SEGMENTAL ANALYSIS

	Year ended 31 March			
	2007		2006	
	Rm	%	Rm	%
BUSINESS SEGMENTS				
Revenue				
Sugar production	4 410.7	70	3 883.2	71
Cane growing	1 344.8	22	1 081.5	20
Downstream	508.1	8	504.1	9
	6 263.6		5 468.8	
Operating profit				
Sugar production	612.4	59	463.9	62
Cane growing	340.8	33	235.3	31
Downstream	81.1	8	52.3	7
	1 034.3		751.5	
Total assets				
Sugar production	2 253.1	51	2 060.8	51
Cane growing	1 930.9	43	1 701.9	43
Downstream	284.2	6	233.4	6
	4 468.2		3 996.1	
GEOGRAPHICAL SEGMENTS				
Revenue				
South Africa	2 824.1	45	2 631.1	48
Malawi	1 137.5	18	938.0	17
Zambia	1 053.1	17	784.9	14
Swaziland	612.8	10	586.1	11
Tanzania	423.3	7	353.9	7
Mozambique	212.8	3	174.8	3
	6 263.6		5 468.8	
Operating profit				
South Africa	213.1	21	156.8	21
Malawi	408.5	39	293.3	39
Zambia	232.3	22	153.2	20
Swaziland	68.9	7	73.0	10
Tanzania	93.6	9	68.6	9
Mozambique	17.9	2	6.6	1
	1 034.3		751.5	

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The audited results for the year ended 31 March 2007 have been prepared using accounting policies that comply with International Financial Reporting Standards and are consistent with those of the previous financial period.

	Year ended 31 March	
	2007	2006
	Rm	Rm
2. Net financing costs		
Interest paid	153.4	159.6
Interest received	(27.8)	(46.0)
Foreign exchange gains	(27.8)	(11.7)
Dividend income	(1.4)	(1.0)
	<u>96.4</u>	<u>100.9</u>
3. Material items		
Profit on disposal of property	<u>4.2</u>	<u>3.5</u>
Material profit before taxation	4.2	3.5
Taxation	<u>(0.5)</u>	<u>(0.2)</u>
Material profit attributable to shareholders in Illovo Sugar Limited	<u>3.7</u>	<u>3.3</u>

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Company registration no. 1906/000622/06
Share code ILV
ISIN ZAE000083846

DECLARATION OF DIVIDEND NO. 31

Notice is hereby given that a final dividend of 45.0 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2007. This dividend, together with the interim dividend of 30.0 cents per share which was declared on 16 November 2006, makes a total distribution in respect of the year ended 31 March 2007 of 75.0 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, 29 June 2007
Shares commence trading ex-dividend	Monday, 2 July 2007
Record date	Friday, 6 July 2007
Payment of dividend	Monday, 9 July 2007

Share certificates may not be dematerialised / rematerialised between Monday, 2 July 2007 and Friday, 6 July 2007, both days inclusive.

By order of the Board

G D Knox	Mount Edgecombe
<i>Company Secretary</i>	21 May 2007

Directors :

R A Williams (Chairman)*, D G MacLeod (Managing Director), M I Carr##, G J Clark (Australian), B P Connellan*, D Konar*, D R Langlands##, P A Lister##, P M Madi*, I N Mkhize*, R A Norton*, J T Russell, M J Shaw*, B M Stuart, K Zarnack

British * *Non-executive*

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Transfer Secretaries :

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P O Box 4844, Johannesburg, 2000

Auditors :

Deloitte & Touche

Sponsor :

J P Morgan Equities Limited