

AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 MARCH 2010



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

- Operating profit increased by 8%
- Good domestic market sales growth
- Strong operational cash generation
- Rand strength negatively impacts earnings
- Ongoing major capacity expansions
- Successful Rights Issues

Review

During the past year, group operating profit increased by 8% to R1 499 million with the operating margin rising from 16% to 18%.

The results benefited from the positive impact of improved world and regional market sugar prices, increased sugar production in Zambia following the major expansion at Nakambala and good growth in domestic market sugar sales across the group. However, the value of the rand which was significantly stronger compared to the previous year impacted negatively on export revenue in respect of both sugar and downstream products as well as the conversion of foreign subsidiary profits into rands. In addition, adverse weather conditions in Zambia and South Africa reduced anticipated sugar and downstream production, whilst lower prices for sugar exports into the European Union became effective from 1 October 2009. Net financing costs have reduced to R139 million following the receipt of the rights issue proceeds. The effective rate of tax has normalised at around 30% compared to 20% last year and this has resulted in headline earnings of R703 million showing a decline of 5%. As a result of the dilution impact of the rights issue, headline earnings per share fell in total by 19% to 171.2 cents.

The contributions to operating profit were sugar production 59%, cane growing 34% and downstream 7%. By country, contributions were Malawi 42%, Zambia 18%, South Africa 17%, Tanzania 11%, Swaziland 8% and Mozambique 4%.

Strong cash operating profit of R1 443 million was achieved. The rights issue to raise R3 billion in fresh capital was successfully concluded in September 2009, with a take-up of 99.4%. Consequently, the group has moved from a substantial borrowings position to a net positive cash position of R213 million at year-end, despite expansion projects and the acquisition of businesses amounting to in excess of R1.1 billion being undertaken during the year.

The agricultural operations generally performed satisfactorily with cane production in the 2009/10 season amounting to 6.1 million tons, an increase of one million tons compared to the previous year. The season was affected by variable weather conditions. South Africa, Tanzania and Mozambique had a very dry winter which was favourable for harvesting the cane crop. South Africa then had a very wet end to the season, which impacted negatively on anticipated cane deliveries, but since then it has been extremely dry. Adverse weather conditions in Zambia, where heavy and unseasonal rainfall severely disrupted cane deliveries, resulted in 3 250 hectares of cane being carried-over to be harvested in the coming year. The performance levels of the factories throughout the group were generally good with improved recoveries of sugar from cane and better operational efficiency levels. The Zambian factory, following the completion of the major expansion, reached rated capacity during the season and achieved reasonable performance.

Group sugar production of 1.685 million tons exceeded the previous season's output by in excess of 100 000 tons, excluding the production of the Umfolozi and Pongola mills which have been sold. The downstream plants operated well. Ethyl alcohol production was similar to last year, but the output of furfural and its derivatives fell by around 10% commensurately with the reduced cane supplies to the Sezela factory.

Domestic market sugar sales and prices were positive, with all operations achieving similar or improved offtake compared to the previous year. In South Africa, imports continued to have a negative impact on sales volumes, although the quantity has reduced as a result of the higher world sugar prices during the year. However, the South African Customs Union market provided a growth in sales largely due to a reduced presence of Zimbabwe sugar in the region.

The world sugar price was very strong during the year with the price rising to a 28-year high. The improved world price had a positive knock-on effect for regional prices. The world price increase was driven by a significant production decline in India and capital constraints within the sugar industry in Brazil together with inclement weather during the harvest in that country. The material global deficit in production created the platform for the significant rise in price. However, the price has come under intense pressure since the beginning of February 2010 and is currently more than 50% lower than the high achieved just a few months earlier. Negative macro economic factors generally triggered the decline in the price which was sustained by fund liquidation and speculative selling. Market sentiment is now very fragile, although there is still a global physical supply deficit and prices are now at levels below the cost of production of most major producers. It should be noted that only the South African business is directly exposed to the world sugar market.

The rights issue was undertaken to enable the group to pursue major investments outside South Africa which meet its investment criteria. The drive to significantly increase the group's cane and sugar production capacity outside of South Africa continues, together with the group objective to become self-sufficient in respect of power requirements for its operations as well as supplying power into the national electricity grids in the various countries in which it operates. The first step in the major growth phase was the Zambian expansion project which was completed for the beginning of the 2009/10 season. The expansion resulted in factory capacity increasing to a level which enables sugar production to rise to 450 000 tons per annum. The plant has been settling down and is demonstrating its increased production capability. The Zambian operation also acquired a large cane growing company, Nanga Farms PLC, currently producing 325 000 tons cane per annum with the potential to further increase output. The Zambian business completed a rights issue which raised US\$50 million in August 2009, resulting in Illovo's interest in Zambia Sugar Plc reducing from 89.7% to 81.6%, this being supportive of the Government policy to increase local participation in businesses in that country. The proceeds have been utilised to reduce borrowings related to the acquisition of the Nanga operation and the expansion project. The Maragra expansion project in Mozambique, which has increased the factory capacity to around 150 000 tons sugar per annum was completed for the start of the forthcoming season. Linked to this, the company is currently involved in projects to increase cane supplies from both its own estate and local growers.

The Ubombo factory and co-generation project in Swaziland has commenced. The project provides for an increase in annual sugar production from 220 000 tons to over 300 000 tons, together with an increase in power generation capacity utilising biomass as supplementary fuel for the factory boilers. The power plant will enable the factory and estates to become self-sufficient in electricity consumption. In addition, agreement in principle has been reached with the Swaziland Electricity Company to supply power into the national grid for 48 weeks of the year. The project is linked to the completion of a major new dam and canal system sponsored by the Swaziland Government which will facilitate the development of some 5 000 hectares of new cane land in the medium-term. Development of the first 880 hectares of land is nearing completion and this area will be harvested in 2011. A further 600 hectares is planned for development during the current calendar year.

The proposed greenfields project in Mali continues to be progressed, and the various pre-project activities are at an advanced stage. Subject to the Government of Mali meeting certain requirements, the necessary approvals for the funding of the project are likely to be progressed and finalised in the second half of the calendar year. This would facilitate the commencement of cane development, with factory commissioning taking place around two years later.

The sale of the Pongola sugar factory in South Africa to TSB Sugar RSA Limited was approved by the Competition Commission during the year. The disposal was part of a process to consolidate Illovo's business in South Africa. The transfer of the South African business, which remains the largest sugar producer in South Africa, into a wholly-owned subsidiary was completed with effect from 1 April 2010.

Directorate

We are pleased to welcome Ami Mpungwe back to the Board as an independent, non-executive director. Mr Mpungwe served on the Board from 2001 to 2006 and was previously the Tanzanian High Commissioner to South Africa. He has a wealth of commercial experience on the African continent. We also welcome Trevor Munday as an independent, non-executive director. Mr Munday has considerable experience in the corporate sector and is a director of other listed companies.

Richard Pike has joined the Board as a non-executive director and replaces David Langlands. Richard joined the British Sugar Group as finance director following the resignation of David from that position. We welcome Richard to our Board and thank David for his contribution during his tenure as a director.

Tony Norton retired at the last annual general meeting in July 2009, and Brian Connellan and Martin Shaw will both retire at the annual general meeting in July 2010. We would like to record our thanks and appreciation to all of them for their valuable contribution and wise counsel over the long period they have been members of the Board. David Haworth will be retiring at the end of May 2010.

Capital reduction distribution out of share premium in lieu of dividend

The Board has decided to declare a final capital reduction distribution out of share premium of 54.0 cents per share, in lieu of a dividend, on the ordinary shares of the company, subject to shareholder approval, in respect of the year ended 31 March 2010. This distribution, together with the interim dividend of 32.0 cents per share which was declared on 18 November 2009, makes a total distribution in respect of the year ended 31 March 2010 of 86.0 cents per share.

In accordance with the settlement procedures of Strate, the company has determined the following salient dates for the payment of the capital distribution :

Last day to trade cum the capital distribution	Friday, 30 July 2010
Shares commence trading ex the capital distribution	Monday, 2 August 2010
Record date	Friday, 6 August 2010
Payment of final capital distribution	Tuesday, 10 August 2010

Share certificates may not be dematerialised / rematerialised between Monday, 2 August 2010 and Friday, 6 August 2010, both days inclusive.

An ordinary resolution for approval of the capital reduction distribution will be submitted for consideration at the annual general meeting of the members of the company, to be held on Wednesday, 21 July 2010. The 2010 Annual Report, incorporating the notice of the meeting, will be posted to shareholders on or about Tuesday, 22 June 2010. A more detailed announcement relating to the capital reduction will be issued concurrently herewith.

Prospects

In the current 2010/11 year, own cane, sugar and downstream production are all anticipated to exceed the levels achieved in the last season, with output in Zambia expected to increase by more than 25%. World sugar prices are extremely volatile and futures prices are currently below last year's average prices. Although the world sugar market is forecast to remain in deficit, if prices remain at present levels this would be negative for sugar revenues. Domestic market offtake is expected to remain positive. The results for the current year will again be affected by the level of the rand compared to other currencies. In addition, the value of the Euro impacts on downstream sales and sugar export earnings from sales to the European Union. Sugar exports into the European Union are anticipated to grow following increased market access. Whilst this will be of long term benefit to the group, the current financial crisis in the Euro zone and its impact on currency values is likely to have a negative impact on results in the current financial year. Financing costs are expected to be similar to last year. The effective tax rate is expected to remain at around 30%. Overall, the current year is expected to be a difficult one for the company.

On behalf of the Board

R A Williams
Chairman

G J Clark
Managing Director

Mount Edgecombe
28 May 2010

Directors :

R A Williams (Chairman)*, D G MacLeod (Deputy Chairman)*, G J Clark (Managing Director) (Australian), M I Carr##, B P Connellan*, M J Hankinson*, D L Haworth#, D Konar*, P A Lister##, P M Madi*, C W N Molope*, A R Mpungwe (Tanzanian)*, T S Munday*, R N Pike##, L W Riddle, M J Shaw*, B M Stuart, K Zarnack

British * Non-executive

The auditors, Deloitte & Touche, have issued their opinion on the group's annual financial statements for the year ended 31 March 2010. 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 abridged financial statements have been derived from and are consistent in all material respects with the group's annual financial statements.

ABRIDGED GROUP INCOME STATEMENT

	Notes	Year ended 31 March		Change %
		2010 Rm	2009 Rm	
Revenue		<u>8 467.9</u>	<u>8 601.7</u>	(2)
Operating profit		1 498.6	1 386.2	8
Dividend income		3.9	1.7	
Net financing costs	2	<u>139.0</u>	<u>185.4</u>	
Profit before non-trading items		1 363.5	1 202.5	
Share of loss from associates		(8.4)	-	
Material items	3	<u>(52.4)</u>	<u>0.3</u>	
Profit before taxation		1 302.7	1 202.8	
Taxation		<u>411.5</u>	<u>238.9</u>	
Profit for the year		<u>891.2</u>	<u>963.9</u>	
Attributable to:				
Shareholders of Illovo Sugar Limited		662.0	739.1	(10)
Non-controlling interest		<u>229.2</u>	<u>224.8</u>	
		<u>891.2</u>	<u>963.9</u>	
Determination of headline earnings:				
Profit attributable to shareholders		662.0	739.1	(10)
Adjusted for:				
Loss on disposal of business	3	37.3	-	
Impairment of investment in agricultural joint venture	3	15.0	-	
Loss/(profit) arising on disposal of property	3	0.1	(0.3)	
(Profit)/loss on disposal of plant and equipment		(2.9)	2.6	
Total tax effect of adjustments		(10.0)	0.4	
Total non-controlling interest effect of adjustments		1.0	-	
Headline earnings		<u>702.5</u>	<u>741.8</u>	(5)
Number of shares in issue (millions)		460.2	350.9	
Weighted average number of shares on which headline earnings per share are based (millions)		410.3	350.5	
Headline earnings per share (cents)		171.2	211.6	(19)
Diluted headline earnings per share (cents)		170.7	210.6	
Basic earnings per share (cents)		161.4	210.9	
Diluted basic earnings per share (cents)		160.9	209.8	
Distribution per share (interim - paid; final - declared) (cents)	4	86.0	106.0	(19)

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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

This abridged report has been prepared using accounting policies that comply with International Financial Reporting Standards, and complies with IAS 34 Interim Financial Reporting, Schedule 4 of the Companies Act, 1973, and the disclosure requirements of the Listings Requirements of the JSE Limited. The accounting policies adopted are consistent with those applied in the previous financial year with the exception of the revised IAS 1 Presentation of Financial Statements and IFRS 8 Operating Segments which were adopted during the year. The adoption of these new and revised standards has resulted in certain disclosure reclassifications, but has not resulted in any changes in accounting policy.

	Year ended 31 March	
	2010	2009
	Rm	Rm
2. Net financing costs		
Interest paid	307.6	489.0
Less: capitalised	(14.2)	(258.4)
	<u>293.4</u>	<u>230.6</u>
Interest received	(30.5)	(44.5)
Foreign exchange gains	(123.9)	(0.7)
	<u>139.0</u>	<u>185.4</u>
3. Material items		
Loss on disposal of business	(37.3)	-
Impairment of investment in agricultural joint venture	(15.0)	-
(Loss)/profit arising on disposal of property	(0.1)	0.3
Material (loss)/profit before taxation	<u>(52.4)</u>	<u>0.3</u>
Taxation	10.2	-
Material (loss)/profit attributable to shareholders of Illovo Sugar Limited	<u>(42.2)</u>	<u>0.3</u>
4. Distribution per share		
The distribution per share of 86.0 cents includes an interim dividend of 32.0 cents paid out of distributable reserves and a final capital distribution of 54.0 cents declared out of share premium.		
5. Net debt : equity ratio		
The net debt : equity ratio is calculated as interest-bearing liabilities, net of cash and cash equivalents, divided by total equity. A negative net debt : equity ratio indicates that the group is in a net cash position.		
6. Acquisition of business		
On 1 June 2009, the group acquired an 85.7% interest in Nanga Farms PLC, a large cane growing company in Zambia, for a cash consideration of R249.9 million. The acquisition provides security over the cane supply for the Zambian operation for which an intangible asset of R109.8 million was recognised. The acquisition increased total assets by R405.0 million and total liabilities by R113.2 million. The non-controlling interest's share in the net assets acquired was R41.9 million.		

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	31 March	
Note	2010 Rm	2009 Rm
ASSETS		
Non-current assets	5 722.8	5 370.2
Property, plant and equipment	4 262.7	4 025.9
Cane roots	1 100.2	1 132.3
Intangible assets	179.1	61.8
Investments	180.8	150.2
Current assets	3 925.1	3 549.8
Inventories	679.1	725.8
Growing cane	1 260.7	1 222.9
Trade and other receivables	639.0	756.3
Financial instruments	0.9	189.2
Cash and cash equivalents	1 345.4	655.6
Total assets	9 647.9	8 920.0
EQUITY AND LIABILITIES		
Total equity	6 314.7	3 445.0
Equity holders' interest	5 502.6	2 773.8
Non-controlling interest	812.1	671.2
Non-current liabilities	1 818.0	3 767.8
Deferred taxation	685.8	701.1
Borrowings	1 132.2	3 066.7
Current liabilities	1 515.2	1 707.2
Trade and other payables	1 513.4	1 702.0
Financial instruments	1.8	5.2
Total equity and liabilities	9 647.9	8 920.0

OTHER SALIENT FEATURES

Operating margin (%)	17.7	16.1
Interest cover (times)	10.8	7.5
Effective tax rate (%)	30.2	19.9
Net debt : equity ratio	5 (3.4)	70.0
Return on net assets (%)	21.9	22.0
Net asset value per share (cents)	1 372.3	981.7
Depreciation	250.4	215.2
Capital expenditure	1 328.6	1 881.4
- expansion capital	845.6	1 496.2
- replacement capital	181.1	169.5
	1 026.7	1 665.7
- acquisition of business	249.9	-
- expansion of area under cane	40.9	200.3
- product registration costs	11.1	15.4
Capital commitments	3 414.5	2 330.5
- contracted	640.5	276.2
- approved but not contracted	2 774.0	2 054.3
Lease commitments	241.2	124.1
- land and buildings	151.1	69.0
- other	90.1	55.1
Contingent liabilities	48.7	13.5

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2010	2009
	Note	Rm
		Rm
Cash flows from operating and investing activities		
Cash operating profit	1 443.1	1 206.9
Working capital requirements	(183.2)	362.8
Cash generated from operations	1 259.9	1 569.7
Replacement capital expenditure	(181.1)	(169.5)
Financing costs, taxation and distributions	(929.5)	(863.2)
Net investment in future operations	(897.6)	(1 711.9)
Research expenditure	(23.2)	(33.9)
Acquisition of business	6 (249.9)	-
Other movements	36.1	81.6
Net cash outflow before financing activities	(985.3)	(1 127.2)
Proceeds from rights issue, net of associated costs	2 950.5	-
Borrowings (repaid)/raised	(1 426.6)	652.6
Other financing activities	262.0	6.5
Net increase/(decrease) in cash and cash equivalents	800.6	(468.1)

STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit for the year	891.2	963.9
Other comprehensive income		
Adjustments in respect of cash flow hedges	(17.2)	16.8
Actuarial losses on post-retirement obligations	(2.7)	-
Foreign currency translation differences	(748.4)	(26.3)
Total comprehensive income for the year	122.9	954.4
Attributable to:		
Shareholders of Illovo Sugar Limited	24.6	722.9
Non-controlling interest	98.3	231.5
	122.9	954.4

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2010	2009
Note	Rm	Rm
Share capital and share premium		
Balance at beginning of the year	367.5	361.0
Issue of new shares	2 956.7	6.5
Transfer to distribution reserve	(248.5)	-
Balance at end of the year	<u>3 075.7</u>	<u>367.5</u>
Share-based payments reserve		
Balance at beginning of the year	13.1	12.6
Share-based payment expense	-	0.5
Balance at end of the year	<u>13.1</u>	<u>13.1</u>
Non-distributable reserves		
Balance at beginning of the year	396.5	412.4
Realised (loss)/profit on disposal of property	(0.1)	0.3
Transfer of debit foreign currency translation reserve	341.8	-
Transactions with non-controlling shareholders	121.2	-
Total comprehensive income:		
- Foreign currency translation	(618.1)	(33.0)
- Cash flow hedges	(16.6)	16.8
Balance at end of the year	<u>224.7</u>	<u>396.5</u>
Retained surplus		
Balance at beginning of the year	1 770.4	1 403.6
Realised loss/(profit) on disposal of property	0.1	(0.3)
Transfer of debit foreign currency translation reserve	(341.8)	-
Transfer to distribution reserve	(147.4)	(372.0)
Total comprehensive income:		
- Profit for the year	662.0	739.1
- Actuarial loss on post-retirement obligations	(2.7)	-
Balance at end of the year	<u>1 940.6</u>	<u>1 770.4</u>
Distribution reserve		
Balance at beginning of the year	226.3	183.7
Transfer from share premium	248.5	-
Transfer from retained surplus	147.4	372.0
Distributions paid	(373.7)	(329.4)
Balance at end of the year	<u>248.5</u>	<u>226.3</u>
Equity holders' interest	<u>5 502.6</u>	<u>2 773.8</u>
Non-controlling interest		
Balance at beginning of the year	671.2	555.6
Distributions paid	(116.5)	(119.8)
Acquisition of business	41.9	-
Change in shareholding	117.2	3.9
Total comprehensive income:		
- Foreign currency translation	(130.3)	6.7
- Cash flow hedges	(0.6)	-
- Profit for the year	229.2	224.8
Balance at end of the year	<u>812.1</u>	<u>671.2</u>
Total equity	<u>6 314.7</u>	<u>3 445.0</u>

SEGMENTAL ANALYSIS

	Year ended 31 March			
	2010		2009	
	Rm	%	Rm	%
BUSINESS SEGMENTS				
Revenue				
Sugar production	5 962.2	70	6 250.7	73
Cane growing	1 910.8	23	1 712.4	20
Downstream	594.9	7	638.6	7
	<u>8 467.9</u>		<u>8 601.7</u>	
Operating profit				
Sugar production	890.3	59	716.1	52
Cane growing	505.2	34	503.5	36
Downstream	103.1	7	166.6	12
	<u>1 498.6</u>		<u>1 386.2</u>	
Total assets				
Sugar production	4 037.9	49	4 250.3	53
Cane growing	3 949.9	47	3 476.6	43
Downstream	313.8	4	348.3	4
	<u>8 301.6</u>		<u>8 075.2</u>	

Note: Total assets excludes cash and cash equivalents and financial instruments.

GEOGRAPHICAL SEGMENTS

Revenue				
Malawi	1 711.3	20	1 739.6	20
Zambia	1 468.1	17	1 150.0	13
South Africa	3 447.0	41	3 868.8	46
Tanzania	682.1	8	666.3	8
Swaziland	799.5	10	790.1	9
Mozambique	359.9	4	386.9	4
	<u>8 467.9</u>		<u>8 601.7</u>	
Operating profit				
Malawi	637.5	42	634.0	45
Zambia	264.3	18	168.3	12
South Africa	255.3	17	256.6	19
Tanzania	166.8	11	118.6	9
Swaziland	119.7	8	127.7	9
Mozambique	55.0	4	81.0	6
	<u>1 498.6</u>		<u>1 386.2</u>	