

INTERIM REPORT



for the six months ended 30 September 2003

Company Registration No. 1906/000622/06

This report incorporates alternative financial statements which reflect both actual results based on South African Statements of Generally Accepted Accounting Practice and those determined on a sugar season basis which in the directors' opinion is necessary to achieve fair presentation.

The accounting policies used for the actual results in all respects conform to South African Statements of Generally Accepted Accounting Practice.

The group has adopted AC133 (Financial Instruments) 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 have been consistently applied.

The sugar industry is a seasonal agriculturally based business and the payment processes are such that cash flows throughout the season, which runs from 1 April to 31 March, are derived from the expected tonnages and prices that will be achieved for the season as a whole. The effect of this is that product sales tonnages and prices received, and raw material prices paid are provisional in nature until the conclusion of the season. For this reason it is considered that profit figures based on actual cash flows may not represent a fair presentation of the performance and the results for the period. In respect of the sugar season basis results, operational profits from cane growing and sugar production comprise the company's view of the position at 30 September 2003 as it relates to the season as a whole. All other results are based on actual performance. The amounts disclosed in respect of cane growing and sugar production operations are based on a profit forecast for the year ending 31 March 2004 which has been examined by our auditors, Deloitte & Touche. Their unqualified accountants' report is available for inspection at the company's registered office.

Review

On a sugar season basis the group experienced very disappointing results for the half year with headline earnings of R104.6 million reflecting a 47.8% decline over the same period in the previous year. Headline earnings per share of 31.4 cents represents a 47.9% decrease. Actual profits, headline earnings and earnings per share reflect a similar disappointing performance.

Group operating profits, which decreased by 26.0%, were severely impacted by the continuing strong rand in respect of both sugar and downstream exports and the translation of foreign profits, reduced cane and sugar production in South Africa, and more recently a reduction in South African local sugar prices. Net financing costs have increased by R20.3 million due to slower local and export market sugar sales in South Africa and delayed regional exports by Malawi. This has also impacted on the level of borrowings compared to forecast. Borrowings for the comparative period last year did not include those of the operations in Tanzania and Mozambique. The lower effective tax rate of 26% is due to the higher proportion of profits from Zambia and Tanzania.

The contributions to operating profit by sugar production were 60%, cane growing 32% and downstream 8%. The contributions to profit by country were South Africa 20%, Malawi 29%, Zambia 29%, Swaziland 13%, Tanzania 12%, Mozambique (1%) and the United States (2%).

In both South Africa and the United States the season to date has been characterised by dry conditions. Elsewhere in the group, growing conditions have been favourable. In general, the sugar factories have performed very well. Assuming normal growing and operating conditions for the remainder of the season group sugar production is expected to be 2.2 million tons, whilst company cane production is anticipated to be 5.65 million tons. Both these production estimates are slightly less than last year's record outputs.

Whilst export revenues have been severely affected by the strong rand, downstream production performance at the furfural, furfuryl alcohol, diacetyl, acetoin, ethyl alcohol and lactulose plants has been good. Downstream production levels, with the exception of furfural which is impacted by the reduced cane supplies due to the dry conditions in South Africa, are expected to be better than those achieved last season. The commercialisation of furfural as an agricultural chemical continues to make progress with further registrations having been obtained in South Africa.

The world sugar price has been volatile and although it has declined recently, earlier hedging of sugar sales has resulted in a better average export sugar price being achieved compared to last year. Furfural and furfuryl alcohol prices have improved in US\$ terms in recent months.

Dividend

An interim dividend of 18.0 cents per share (2002 : 26.0 cents) has been declared.

Prospects

Operations in the current year are progressing well and good production levels are anticipated. However the very much stronger rand compared to last year together with the recent local market price decrease, are expected to result in headline earnings for the financial year being substantially lower than those achieved last year. The percentage declines in profit for both the second half and the full year are expected to be similar to those achieved for the first six months on a sugar season basis. These profit forecasts have been examined by our auditors, and their unqualified accountants' report is available for inspection at the company's registered office. Borrowings at the year end are anticipated to be materially less than at the end of the previous year.

On behalf of the Board

R A Williams
Chairman

D G MacLeod
Managing Director

Durban
12 November 2003

GROUP INCOME STATEMENTS

	Notes	Actual Unaudited Six months ended 30 September		Sugar season basis Unaudited Six months ended 30 September		Change %	Actual Audited Year ended 31 March 2003
		2003 Rm	2002 Restated Rm	2003 Rm	2002 Restated Rm		Restated Rm
Revenue		<u>2 761.0</u>	<u>4 191.6</u>	<u>3 319.7</u>	<u>3 535.4</u>	(6.1)	<u>7 025.0</u>
Profit from operations		273.3	411.8	332.0	448.7	(26.0)	1 051.1
Net financing costs	1	<u>132.3</u>	<u>112.0</u>	<u>132.3</u>	<u>112.0</u>		<u>247.1</u>
Profit before abnormal items		141.0	299.8	199.7	336.7	(40.7)	804.0
Abnormal items	2	<u>2.8</u>	<u>0.2</u>	<u>2.8</u>	<u>0.2</u>		<u>(2.3)</u>
Profit before taxation		143.8	300.0	202.5	336.9	(39.9)	801.7
Taxation		<u>32.4</u>	<u>84.3</u>	<u>52.6</u>	<u>94.4</u>		<u>253.1</u>
Profit after taxation		111.4	215.7	149.9	242.5	(38.2)	548.6
Attributable to outside shareholders in subsidiary companies		<u>44.7</u>	<u>49.6</u>	<u>40.3</u>	<u>40.6</u>		<u>114.6</u>
Net profit attributable to shareholders in Illovo Sugar Limited	3	<u>66.7</u>	<u>166.1</u>	<u>109.6</u>	<u>201.9</u>	(45.7)	<u>434.0</u>
Determination of headline earnings :							
Net profit attributable to shareholders		66.7	166.1	109.6	201.9	(45.7)	434.0
Adjusted for :							
Profit on disposal of property, plant and equipment		4.4	1.4	4.4	1.4		0.8
Amortisation of goodwill		<u>0.6</u>	<u>0.3</u>	<u>0.6</u>	<u>0.3</u>		<u>(1.7)</u>
Headline earnings		<u>61.7</u>	<u>164.4</u>	<u>104.6</u>	<u>200.2</u>	(47.8)	<u>434.9</u>
Number of shares in issue (millions)		333.3	332.1	333.3	332.1		332.9
Weighted average number of shares on which headline earnings per share are based (millions)		333.1	331.9	333.1	331.9		332.3
Headline earnings per share (cents)		18.5	49.5	31.4	60.3	(47.9)	130.9
Diluted headline earnings per share (cents)		17.4	48.2	30.3	59.5		127.6
Dividend per share (cents)		18.0	26.0	18.0	26.0	(30.8)	68.0

BUSINESS SEGMENTAL ANALYSIS

	Actual		Sugar season basis				Actual
	Unaudited		Unaudited				Audited
	Six months ended		Six months ended				Year ended
	30 September		30 September				31 March
	2003	2002	2003		2002		2003
		Restated			Restated		Restated
	Rm	Rm	Rm	%	Rm	%	Rm
Revenue							
Sugar production	1 770.5	3 197.2	2 542.1	77	2 710.4	77	5 217.7
Cane growing	740.3	706.6	527.4	16	537.2	15	1 126.9
Downstream	250.2	287.8	250.2	7	287.8	8	680.4
	<u>2 761.0</u>	<u>4 191.6</u>	<u>3 319.7</u>		<u>3 535.4</u>		<u>7 025.0</u>
Profit from operations							
Sugar production	166.4	346.1	198.8	60	293.5	65	642.7
Cane growing	79.0	(15.3)	105.3	32	74.2	17	254.9
Downstream	27.9	81.0	27.9	8	81.0	18	153.5
	<u>273.3</u>	<u>411.8</u>	<u>332.0</u>		<u>448.7</u>		<u>1 051.1</u>

NOTES TO THE FINANCIAL STATEMENTS

	Unaudited		Audited
	Six months ended		Year ended
	30 September		31 March
	2003	2002	2003
	Rm	Rm	Rm
1. Net financing costs			
Interest paid	143.3	131.4	277.9
Interest received	(9.9)	(19.4)	(28.9)
Dividend income	(1.1)	-	(1.7)
Interest incurred prior to the commencement of production and capitalised as part of the cost of property, plant and equipment	-	-	(0.2)
	<u>132.3</u>	<u>112.0</u>	<u>247.1</u>
2. Abnormal items			
Profit / (loss) on disposal of property	2.8	0.2	(2.3)
Abnormal profit / (loss) before taxation	2.8	0.2	(2.3)
Taxation	-	-	0.9
Minority share of abnormal items after taxation	-	-	-
Abnormal profit / (loss) attributable to shareholders in Illovo Sugar Limited	<u>2.8</u>	<u>0.2</u>	<u>(1.4)</u>

3. Change in accounting policy - AC137

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 ;

	Actual		Sugar season basis		Actual
	Unaudited		Unaudited		Audited
	Six months ended		Six months ended		Year ended
	30 September		30 September		31 March
	2003	2002	2003	2002	2003
	Rm	Rm	Rm	Rm	Rm
Profit from operations	(26.9)	(141.0)	2.3	(17.7)	(35.3)
Taxation	(6.3)	(39.5)	0.8	(5.2)	(10.4)
Attributable to outside shareholders in subsidiary companies	<u>(5.3)</u>	<u>(16.7)</u>	<u>3.2</u>	<u>(2.6)</u>	<u>(5.2)</u>
Decrease in net profit attributable to shareholders	<u>(15.3)</u>	<u>(84.8)</u>	<u>(1.7)</u>	<u>(9.9)</u>	<u>(19.7)</u>

ABRIDGED GROUP BALANCE SHEETS

	Actual		Sugar season basis		Actual
	Unaudited 30 September 2003	2002 Restated Rm	Unaudited 30 September 2003	2002 Restated Rm	Audited 31 March 2003 Restated Rm
ASSETS					
Non-current assets	3 349.0	3 486.3	3 349.0	3 486.3	3 753.2
Property, plant and equipment	2 781.3	2 583.6	2 781.3	2 583.6	3 093.6
Cane roots	460.8	483.0	460.8	483.0	565.5
Investments	129.6	430.9	129.6	430.9	118.0
Goodwill	(22.7)	(11.2)	(22.7)	(11.2)	(23.9)
Current assets	2 685.2	2 693.3	2 685.2	2 693.3	2 178.6
Total assets	6 034.2	6 179.6	6 034.2	6 179.6	5 931.8
EQUITY AND LIABILITIES					
Capital and reserves	1 297.2	1 943.2	1 340.1	1 979.0	1 635.1
Interest of outside shareholders in subsidiaries	358.5	408.4	354.1	399.4	442.5
Deferred taxation	568.9	641.6	589.4	651.7	705.5
Net borrowings	2 285.2	1 531.3	2 285.2	1 531.3	1 777.2
Current liabilities	1 524.4	1 655.1	1 465.4	1 618.2	1 371.5
Total equity and liabilities	6 034.2	6 179.6	6 034.2	6 179.6	5 931.8

OTHER SALIENT FEATURES

Operating margin (%)	9.9	9.8	10.0	12.7	15.0
Gearing (%)	138.0	65.1	134.9	64.4	85.5
Interest cover (times)	2.1	3.7	2.5	4.0	4.3
Net asset value per share (cents)	389.2	585.1	402.1	595.9	491.2
Depreciation	117.5	116.8	117.5	116.8	214.8
Capital expenditure	97.1	126.2	97.1	126.2	216.5
- expansion	7.7	11.2	7.7	11.2	30.6
- product registration costs	3.2	7.5	3.2	7.5	12.1
- replacement	86.2	107.5	86.2	107.5	173.8
Capital commitments	222.7	156.9	222.7	156.9	435.4
- contracted	29.8	44.7	29.8	44.7	31.7
- approved but not contracted	192.9	112.2	192.9	112.2	403.7
Lease commitments	584.6	621.5	584.6	621.5	577.0
- land and buildings	518.4	530.8	518.4	530.8	498.0
- other	66.2	90.7	66.2	90.7	79.0
Contingent liabilities	8.3	397.9	8.3	397.9	16.1

ABRIDGED GROUP CASH FLOW STATEMENTS

	Actual Unaudited Six months ended 30 September 2003		Sugar season basis Unaudited Six months ended 30 September 2003		Actual Audited Year ended 31 March 2003
	Rm	Restated Rm	Rm	Restated Rm	Restated Rm
Cash flows from operating and investing activities					
Cash operating profit	523.4	662.4	582.9	575.9	1 141.8
Working capital requirements	<u>(810.8)</u>	<u>(179.9)</u>	<u>(870.3)</u>	<u>(93.4)</u>	<u>31.1</u>
Cash generated from operations	(287.4)	482.5	(287.4)	482.5	1 172.9
Replacement capital	(86.2)	(107.5)	(86.2)	(107.5)	(173.8)
Interest, taxation and dividend	(321.5)	(332.9)	(321.5)	(332.9)	(669.7)
Investment in future operations	(21.1)	(208.8)	(21.1)	(208.8)	(254.2)
Other movements	8.6	7.7	8.6	7.7	18.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (outflow) / inflow before financing activities	<u>(707.6)</u>	<u>(159.0)</u>	<u>(707.6)</u>	<u>(159.0)</u>	<u>93.4</u>

STATEMENTS OF CHANGES IN EQUITY

Share capital and share premium

Balance at beginning of the period	259.9	254.6	259.9	254.6	254.6
Movements during the period	<u>2.6</u>	<u>1.5</u>	<u>2.6</u>	<u>1.5</u>	<u>5.3</u>
Balance at end of the period	<u>262.5</u>	<u>256.1</u>	<u>262.5</u>	<u>256.1</u>	<u>259.9</u>

Non-distributable reserves

Balance at beginning of the period	91.7	466.1	91.7	466.1	466.1
Effect of foreign currency translation	(283.6)	(142.4)	(283.6)	(142.4)	(635.7)
Transfer from / (to) retained surplus	<u>286.4</u>	<u>-</u>	<u>286.4</u>	<u>-</u>	<u>261.3</u>
Balance at end of the period	<u>94.5</u>	<u>323.7</u>	<u>94.5</u>	<u>323.7</u>	<u>91.7</u>

Retained surplus

Balance at beginning of the period	1 283.5	1 065.6	1 283.5	1 065.6	1 065.6
Restatement of prior year in terms of AC137		234.6		234.6	234.6
Reserve arising on implementation of AC133	16.3		16.3		
Dividends paid	(139.9)	(102.9)	(139.9)	(102.9)	(189.4)
Transfer (to) / from non-distributable reserves	(286.4)	-	(286.4)	-	(261.3)
Net profit for the period	<u>66.7</u>	<u>166.1</u>	<u>109.6</u>	<u>201.9</u>	<u>434.0</u>

Balance at end of the period	<u>940.2</u>	<u>1 363.4</u>	<u>983.1</u>	<u>1 399.2</u>	<u>1 283.5</u>
------------------------------	--------------	----------------	--------------	----------------	----------------

Ordinary shareholders' equity	<u>1 297.2</u>	<u>1 943.2</u>	<u>1 340.1</u>	<u>1 979.0</u>	<u>1 635.1</u>
-------------------------------	----------------	----------------	----------------	----------------	----------------



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

DECLARATION OF DIVIDEND NO. 24

Notice is hereby given that an interim dividend of 18.0 cents per share has been declared on the ordinary shares of the company in respect of the six months ended 30 September 2003.

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 January 2004
Shares commence trading ex-dividend	Monday, 5 January 2004
Record date	Friday, 9 January 2004
Payment of dividend	Monday, 12 January 2004

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

By order of the Board

G D Knox Durban
Secretary 12 November 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*

Registered office :

Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal, South Africa

Postal address :

P O Box 194, Durban, 4000

Website : www.illovosugar.com

Transfer Secretaries :

Computershare Limited, 70 Marshall Street, Johannesburg, 2001

Auditors :

Deloitte & Touche

Sponsor :

Cazenove South Africa (Proprietary) Limited