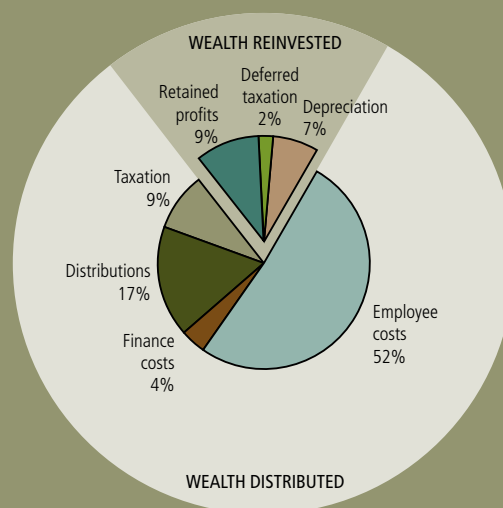


# Economic Impact

The value added statement shows the wealth the company has been able to create through manufacturing, trading and investment and its subsequent distribution and reinvestment in the business.

During the period under review, R2 693 million was created. Of this amount, R2 205 million was distributed to employees, providers of capital and to governments. Of the wealth created, 52% was paid to employees.

The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the development of operations.



# Value Added Statement

Rm	March 2011	March 2010
<b>Wealth created</b>		
Revenue	8 108	8 468
Dividend income	2	4
Paid to growers for cane purchases	(2 519)	(2 510)
Manufacturing costs	(2 898)	(2 848)
	<b>2 693</b>	3 114
<b>Wealth distributed</b>		
To employees as salaries, wages and other benefits	1 399	1 380
To lenders of capital as interest	96	139
To shareholders as distributions	456	490
To governments as taxation	254	352
	<b>2 205</b>	2 361
<b>Wealth reinvested</b>		
Retained profits in holding and subsidiary companies	258	401
Depreciation	188	250
Deferred taxation	42	102
	<b>2 693</b>	3 114
Analysis of taxes paid to and collected on behalf of governments		
<b>Central and local governments</b>		
Current taxation (including secondary tax on companies)	206	309
Rates and taxes paid to local authorities	6	5
Customs duties, import surcharges and excise taxes	42	38
Net contribution to central and local governments	<b>254</b>	352
<b>The above amount contributed excludes the following:</b>		
Employees' taxation deducted from remuneration paid	218	172
Net VAT amount collected on behalf of governments	102	160
Withholding taxation	58	25
	<b>378</b>	357

# Five Year Review

Rm	*	2011	2010	2009	2008	2007
<b>Consolidated income statement</b>						
Revenue	6	<b>8 107.9</b>	8 467.9	8 601.7	6 794.1	6 263.6
Operating profit	6	<b>1 029.3</b>	1 498.6	1 386.2	1 064.5	1 034.3
Net financing costs		<b>95.5</b>	139.0	185.4	171.7	97.8
Profit before taxation and non-trading items		<b>935.9</b>	1 363.5	1 202.5	894.1	937.9
Profit attributable to ordinary shareholders		<b>546.2</b>	662.0	739.1	599.8	516.5
Headline earnings	9	<b>516.1</b>	702.5	741.8	599.6	515.3
<b>Reconciliation of headline earnings</b>						
Profit attributable to ordinary shareholders		<b>546.2</b>	662.0	739.1	599.8	516.5
Adjusted for:						
(Profit)/loss on disposal of property, plant and equipment		<b>(10.3)</b>	(1.7)	2.7	(0.2)	(1.2)
(Profit)/loss on disposal of business		<b>(19.8)</b>	27.9	–	–	–
Impairment of investment in agricultural joint venture		–	14.3	–	–	–
Headline earnings		<b>516.1</b>	702.5	741.8	599.6	515.3
<b>Consolidated statement of financial position</b>						
Property, plant and equipment		<b>4 984.5</b>	4 262.7	4 025.9	2 968.1	1 806.3
Intangibles assets		<b>174.0</b>	179.1	61.8	46.4	34.7
Cane roots		<b>1 087.9</b>	1 100.2	1 132.3	821.7	661.6
Investments and loans		<b>163.0</b>	180.8	150.2	90.3	74.2
Current assets		<b>2 678.5</b>	2 579.7	2 894.2	2 336.3	1 891.4
Cash and cash equivalents		<b>717.8</b>	1 345.4	655.6	1 157.9	973.7
Total assets		<b>9 805.7</b>	9 647.9	8 920.0	7 420.7	5 441.9
Equity attributable to shareholders of Illovo Sugar		<b>5 191.2</b>	5 502.6	2 773.8	2 373.3	1 771.7
Non-controlling interest		<b>784.1</b>	812.1	671.2	555.6	456.6
Total equity		<b>5 975.3</b>	6 314.7	3 445.0	2 928.9	2 228.3
Deferred taxation		<b>687.6</b>	685.8	701.1	639.0	574.3
Borrowings		<b>1 230.0</b>	1 132.2	3 066.7	2 326.2	1 245.4
Interest-free liabilities		<b>1 912.8</b>	1 515.2	1 707.2	1 526.6	1 393.9
Total equity and liabilities		<b>9 805.7</b>	9 647.9	8 920.0	7 420.7	5 441.9

\* Ten-year compound annual growth % 2001 to 2010

## FIVE YEAR REVIEW continued

Rm	Notes	2011	2010	2009	2008	2007
<b>Consolidated statement of cash flows</b>						
Operating profit before working capital movements		<b>1 132.9</b>	1 419.9	1 173.0	1 034.2	1 041.5
Working capital movements		<b>146.3</b>	(183.2)	362.8	46.2	(61.0)
Cash generated from operations		<b>1 279.2</b>	1 236.7	1 535.8	1 080.4	980.5
Net financing costs		<b>(95.5)</b>	(139.0)	(185.4)	(171.7)	(85.2)
Taxation paid		<b>(186.4)</b>	(304.2)	(230.3)	(151.6)	(190.4)
Dividend and deferred income		<b>42.1</b>	3.9	1.7	1.3	1.4
Distributions/dividends paid		<b>(455.9)</b>	(490.2)	(449.2)	(386.9)	(334.2)
<b>Net cash inflows from operating activities</b>		<b>583.5</b>	307.2	672.6	371.5	372.1
Investment in future operations		<b>(1 274.5)</b>	(897.6)	(1 711.9)	(848.7)	(96.0)
Replacement of property, plant and equipment		<b>(199.8)</b>	(181.1)	(169.5)	(154.9)	(124.7)
Acquisition of business		<b>-</b>	(249.9)	-	-	-
Proceeds on disposal of businesses		<b>130.9</b>	118.7	120.0	-	-
Other movements		<b>(78.6)</b>	(82.6)	(38.4)	(13.1)	30.4
<b>Net cash outflows from investing activities</b>		<b>(1 422.0)</b>	(1 292.5)	(1 799.8)	(1 016.7)	(190.3)
<b>Net cash (outflows)/inflows before financing activities</b>		<b>(838.5)</b>	(985.3)	(1 127.2)	(645.2)	181.8
Long-term borrowings (repaid)/raised		<b>(366.9)</b>	(200.0)	170.6	796.4	(16.4)
Short-term borrowings raised/(repaid) (Repurchase)/issue of share capital net of associated costs		<b>(26.7)</b>	2 956.7	6.5	6.5	56.1
Other financing activities		<b>-</b>	255.8	-	(0.6)	(0.8)
<b>Net cash inflows from financing activities</b>		<b>236.3</b>	1 785.9	659.1	737.8	169.1
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(602.2)</b>	800.6	(468.1)	92.6	350.9
<b>Earnings and distribution/dividend per share</b>						
Earnings	1 cents	<b>118.8</b>	161.4	210.9	171.7	149.5
Headline earnings	2 cents	<b>112.2</b>	171.2	211.6	171.6	149.1
Distribution/dividend (interim: paid; final: declared)	3 cents	<b>56.0</b>	86.0	106.0	85.5	75.0
Distribution/dividend cover on headline earnings	4 times	<b>2.0</b>	2.0	2.0	2.0	2.0

## FIVE YEAR REVIEW continued

	Notes	2011	2010	2009	2008	2007
<b>Profitability and asset management</b>						
Operating margin	%	12.7	17.7	16.1	15.7	16.5
Return on average shareholders' equity	5 %	10.1	14.8	28.6	29.9	32.0
Return on net assets	6 %	13.8	21.9	22.0	24.1	28.5
Return on total assets	7 %	11.1	16.8	17.1	18.6	21.3
Working capital per rand of revenue	8 cents	9.8	12.6	11.7	11.8	9.4
<b>Liquidity and borrowings</b>						
Net debt : equity ratio	9	8.6	(3.4)	70.0	39.9	12.2
Gearing	10 %	7.9	(3.5)	41.2	28.5	10.9
Total liabilities to total equity	11 %	64.6	53.2	160.5	154.2	144.6
Current ratio	12 times	1.2	1.8	1.0	1.3	1.2
Interest cover	13 times	10.8	10.8	7.5	6.2	10.7
<b>Employee statistics</b>						
Total number of employees at year-end	14	12 159	12 031	12 457	12 266	12 617
Average number of employees		12 189	12 338	12 362	12 441	12 752
Revenue per average number of industrial employees	R000	1 275.0	1 251.8	1 249.6	991.9	894.9
Net assets per average number of employees	R000	490.2	511.8	278.7	235.4	174.7
Headline earnings per average number of employees	R000	42.3	56.9	60.0	48.2	40.4
<b>JSE Limited statistics</b>						
Ordinary shares in issue	'000	459 763	460 160	350 924	349 859	348 868
Weighted average number of shares	'000	459 787	410 279	350 514	349 424	345 545
Net asset value per share	15 cents	1 299.6	1 372.3	981.7	837.2	638.7
Total volume of shares traded	'000	86 462	119 117	79 492	80 160	379 040
Total value of shares traded	Rm	2 347.2	3 650.4	2 126.9	1 970.2	7 503.5
Ratio of shares traded to issued shares	times	18.8	25.9	22.7	22.9	108.6
Headline earnings yield at year-end	16 %	4.2	5.8	7.4	5.8	7.8
Distribution/dividend yield at year-end	17 %	2.1	2.9	3.7	2.9	3.9
Price: headline earnings ratio at year-end	18 times	23.9	17.3	13.5	17.3	12.7
Market price per share						
– year-end	cents	2 685	2 970	2 849	2 964	1 900
– highest	cents	3 270	3 700	3 500	3 115	2 100
– lowest	cents	2 420	2 499	1 710	1 850	1 531

Note: Agricultural employees are excluded from the calculation of revenue per average number of employees.

# Notes to the Five Year Review

1.	<b>Earnings per share</b> Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.
2.	<b>Headline earnings per share</b> Headline earnings divided by the weighted average number of ordinary shares in issue.
3.	<b>Distribution/dividend per share</b> The 2010 and 2011 distribution/dividend per share includes capital distributions out of share premium. For all other years presented, the distributions have been declared and paid out of distributable reserves.
4.	<b>Distribution/dividend cover on headline earnings</b> Headline earnings per share divided by distribution/dividend per share (interim: paid; final: declared).
5.	<b>Return on average shareholders' equity</b> Profit attributable to ordinary shareholders expressed as a percentage of average shareholders' equity.
6.	<b>Return on net assets</b> Operating profit expressed as a percentage of average net operating assets.
7.	<b>Return on total assets</b> Operating profit expressed as a percentage of total average assets excluding cash and cash equivalents.
8.	<b>Working capital per rand of revenue</b> Average of inventories and trade and other receivables less trade and other payables, divided by revenue.
9.	<b>Net debt:equity ratio</b> 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.
10.	<b>Gearing</b> Interest-bearing liabilities (net of cash and cash equivalents) expressed as a percentage of total equity and interest-bearing liabilities (net of cash and cash equivalents). A negative gearing ratio indicates that the group is in a net cash position.
11.	<b>Total liabilities to total equity</b> Interest-bearing liabilities and other liabilities expressed as a percentage of total equity.
12.	<b>Current ratio</b> Current assets divided by current liabilities.
13.	<b>Interest cover</b> Operating profit divided by net financing costs.
14.	<b>Total number of employees at year-end</b> The total number of employees excludes those employed by associate companies.
15.	<b>Net asset value per share</b> Total assets less total liabilities divided by the number of shares in issue.
16.	<b>Headline earnings yield at year-end</b> Headline earnings per share as a percentage of year-end market price.
17.	<b>Distribution/dividend yield at year-end</b> Distribution/dividend per share (interim: paid; final: declared) as a percentage of year-end market price.
18.	<b>Price:headline earnings ratio at year-end</b> Year-end market price divided by headline earnings per share.
19.	<b>Change in accounting policy</b> Where a change of accounting policy is implemented with retrospective application, the previous year is restated but all other years are not restated in the five year review.

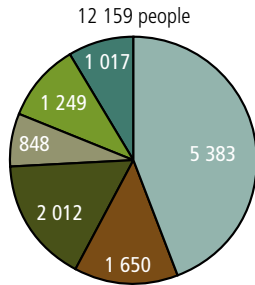
## LOCAL ECONOMIES

In line with Illovo's Strategic Intent to be cognisant of the rural locations of its operations and its corporate governance objective of being socially responsible, the group strives to support the advancement of all the communities where its operations are located. Sustainable community development is achieved *inter alia* through the group's substantial employment, procurement and supply chain development.

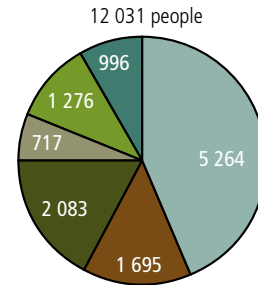
### Employment

Illovo provides considerable employment within the six countries in which it operates, with the group's aggregate permanent manpower complement as at 31 March 2011 standing at 12 159. This was marginally up on the previous year (2010: 12 031) reflecting good productivity improvement given the significant expansion projects undertaken in Zambia and Swaziland over the past two years. Vacancies are generally advertised in the country of operation first to ensure precedence to local candidates. External secondees are considered only if sourcing of local candidates proves unsuccessful.

**PERMANENT COMPLEMENT 2011**



**PERMANENT COMPLEMENT 2010**



Over and above the permanent complement and given that the group's operations function largely on a seasonal basis, some additional 17 000 employees are employed in various activities over these periods.

### South Africa

Drought conditions in KwaZulu-Natal during the 2010/11 season lead to significantly reduced sugar cane supplies resulting in a decision to temporarily close the Umzimkulu mill for the season. Through consultation with labour unions and management, the group facilitated the placement of all 252 staff employed at the mill within suitable positions, either at Umzimkulu itself, or at alternative Illovo operations. These counter-measures not only prevented retrenchment of employees, but also ensured the retention of quality skills within the group.

### Procurement

Illovo actively supports procurement from previously disadvantaged suppliers in South Africa. Spend against these preferential suppliers is registered and reported on an annual basis. Preference is given to those suppliers whose product quality and price meet the procurement and technical requirements of Illovo. In the countries of operation outside South Africa, preference is given to local suppliers, where price and quality meet Illovo's requirements. In addition, where possible, Illovo is assisting to develop local suppliers. Where local suppliers are not available, through its central purchasing office in South Africa, the group further supports preferential suppliers in South Africa by sourcing products for its operations outside South Africa.

### Private grower development and revenue

Development programmes for small-scale and medium-scale growers are encouraged by the group, as revenue generated by these growers promotes direct economic development and provides opportunities for further enterprise development within the communities concerned. This assists in poverty alleviation in rural areas and reduces the financial risk of such communities.

In South Africa, several investment grants were allocated to Illovo by the government for small-scale grower development schemes within the group's cane supply regions. These included the establishment of small-scale grower farms, seed-cane nurseries and the provision of assistance with the procurement of key inputs such as fertiliser and ripeners. In a separate initiative, funding of R60 million from The Standard Bank of South Africa Limited was secured for the 'Sizanayo' project which, co-ordinated and implemented by Illovo, local grower bodies and the provincial KwaZulu-Natal government, will assist in the rehabilitation of 2 000 hectares of small-scale grower land and the development of a further 2 000 hectares to sugar cane in the Sezela cane supply region.

Outside South Africa, Illovo initiated various community development farm projects, focused on utilising the value chain to provide opportunities for sustainable development within the communities surrounding Illovo's operations. The projects aim to develop profitable community-owned cane farms, which in supplying cane to Illovo mills will generate sufficient income to finance necessary community development initiatives. To date, successful community farms have been initiated in Malawi and Zambia. In Swaziland, Illovo is assisting the government of Swaziland with the Lower Usuthu Smallholder Irrigation Project, which is ultimately intended to facilitate the development of 8 000 hectares under cane for small-scale growers. Already in its initial phases of development, the project has created almost 1 500 jobs and is ultimately expected to provide economic benefits to 28 000 people.