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Approval of annual financial statements

for the year ended 31 March 2009

The directors of Illovo Sugar Limited are responsible for overseeing the preparation and the integrity of the annual financial statements of the group and the company and the objectivity of other information presented in this report.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The annual financial statements, prepared in terms of International Financial Reporting Standards and the Companies Act, 1973, are examined by independent auditors in conformity with International Standards on Auditing.

An audit committee of the board of directors, chaired by a non-executive independent director, meets periodically with the auditors and management to discuss internal accounting controls and auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

The annual financial statements of the group and the company which were prepared on the going concern basis and which appear on pages 63 to 103, were approved by the board of directors on 26 May 2009 and are signed on its behalf by -

R A Williams
Chairman

G J Clark
Managing Director

Auditor's report

Independent auditor's report to the members of Illovo Sugar Limited

Report on the financial statements

We have audited the annual financial statements and the group annual financial statements of Illovo Sugar Limited, which comprise the statutory information, the balance sheet and the consolidated balance sheet at 31 March 2009, the income statement and the consolidated income statement, the cash flow statement and the consolidated cash flow statement, the statement of changes in equity and the consolidated statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 103.

Directors' responsibility for the financial statements

The company's directors are responsible for overseeing the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 March 2009 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973.

Deloitte & Touche

Registered Auditors

Per C A Sagar Durban 2 Pencarrow Crescent
Partner 26 May 2009 La Lucia Ridge Office Estate, Durban

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit),
D L Kennedy (Tax & Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), C R Beukman (Finance),
T J Brown (Clients & Markets), N T Mtoba (Chairman of the Board).

Regional Leader: G C Brazier

Lodgement of returns with the Registrar of Companies

I hereby certify that for the year ended 31 March 2009, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 1973, and that all such returns are true, correct and up to date.

G D Knox Mount Edgecombe
Company Secretary 26 May 2009

Statutory information

Nature of business

The nature of business of the company and its subsidiaries is fully described under the Group profile appearing on page 2.

Review of operations

Detailed commentary is given on pages 14 to 30.

Acquisitions and disposals

During the year under review, the company sold the Umfolozi sugar mill on the north coast of KwaZulu-Natal to a grower consortium, effective 31 March 2009.

Share capital

Full details of the current authorised and issued share capital are set out in note 24 to the financial statements on page 90.

During the year under review, the issued ordinary share capital of the company increased by 1 065 102 shares to 350 923 902 shares as a result of options being exercised in terms of the Illovo Sugar 1992 Share Option Scheme.

It is intended that a rights issue be undertaken by the company to raise fresh capital to provide for current and longer term growth plans. Shareholders will be advised further as this matter is progressed, and an enabling resolution in this regard is to be considered at the forthcoming annual general meeting.

Shareholders

An analysis of shareholders and their shareholdings is given on page 104.

Pursuant to the provisions of Section 140A of the Companies Act, 1973, an analysis of the relevant disclosures by nominee shareholders as at 31 March 2009 revealed three beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital. Details are given on page 104.

Illovo Sugar 1992 Share Option Scheme

During the financial year ended 31 March 2006, the introduction of the Illovo Sugar Phantom Share Scheme, which is more fully explained on pages 63 and 64, replaced the further granting of share options in terms of the Illovo Sugar 1992 Share Option Scheme (the option scheme). The option scheme, however, continues to operate relative to share options previously granted.

The Remuneration / Nomination Committee previously approved the granting of all share options in terms of the option scheme. Vesting periods for the share options are one-third after three years, two-thirds after four years, and the full allocation after five years, with the maximum period for the exercising of options being ten years. In terms of the rules of the option scheme, all share options were granted at the closing market price of the shares on the JSE Limited on the trading day immediately preceding the day on which the relevant options were granted.

As approved at the annual general meeting of members held on 17 July 2002, a total of 33 000 000 ordinary shares were reserved and placed under the control of the

directors for the purpose of the option scheme.

Options granted to executive directors and senior managers as at 31 March 2009 comprise –

	No. of shares
Options granted and unexpired as at 1 April 2008	27 866 400
Less : Options forfeited during the year under review	(41 300)
Options granted and unexpired as at 31 March 2009	27 825 100

The option scheme, other than the future exercising of existing unexpired options, has been closed.

During the year under review, options were exercised in respect of 1 065 102 shares which were allotted and issued by the directors, bringing the aggregate number of shares allotted and issued since the inception of the option scheme to 25 281 002.

The options granted, and unexpired and unexercised as at 31 March 2009 are categorised as –

No. of shares	Expiry date	Option price (cents)
176 600	29 August 2009	562
61 200	11 July 2010	443
88 800	12 September 2010	520
251 200	6 June 2011	650
363 898	20 May 2012	805
841 700	20 May 2013	680
760 700	1 June 2014	770
2 544 098		

Details of options previously granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2009, are provided in the Remuneration Report on page 36.

Illovo Sugar Phantom Share Scheme

The board approved the adoption of the Illovo Sugar Phantom Share Scheme (the phantom scheme) in 2005, and in 2007 introduced certain performance hurdles related to the future earnings of the company.

Whilst the rules of the phantom scheme are modelled on those of the option scheme, the important difference is that options under the phantom scheme are “cash settled” rather than “equity settled”. The vesting periods remain unchanged; one-third becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date, with the maximum period for the exercising of options being ten years.

In terms of the rules of the phantom scheme, the grant price of an option is determined as being equal to the average of

the closing market prices of Illovo shares on the JSE Limited for the 30 trading days immediately preceding the grant date of the relevant option. The cash settlement amount of an option is equal to the difference between the closing market price of Illovo shares on the date upon which an option is exercised and the grant price. The participants will receive the equivalent net proceeds as under the option scheme, but without incurring broking fees which are payable under the option scheme upon the disposal of shares.

The advantages to the company in adopting the phantom scheme include –

- ◇◇ no necessity to issue new shares when options are exercised, i.e. no share dilution;
- ◇◇ ease of administration; and
- ◇◇ tax effectiveness of expense in the hands of the company (expensing of conventional options not being tax deductible).

The Remuneration / Nomination Committee approves the granting of all share options in terms of the phantom scheme.

Options granted to executive directors and senior managers as at 31 March 2009 comprise –

	No. of shares
Options granted and unexpired as at 1 April 2008	4 187 250
New options granted during the year under review	1 431 250
Less : Options forfeited during the year under review	(229 500)
Options granted and unexpired as at 31 March 2009	5 389 000

During the year under review, 198 600 options were exercised.

The options granted, and unexpired and unexercised as at 31 March 2009 are categorised as –

No. of shares	Expiry date	Option price (cents)
1 773 650	12 July 2015	829
945 500	29 October 2016	1 634
1 081 500	23 July 2017	2 364
1 389 750	9 July 2018	2 867
5 190 400		

Details of options granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2009 are provided in the Remuneration Report on page 37.

Illovo Sugar Employees' Share Purchase Scheme

The Illovo Sugar Employees' Share Purchase Scheme (the purchase scheme) was established in 1996 to give employees the opportunity of sharing directly in the profitability and growth of the company by assisting them to acquire shares in the company. Subject to exchange

control regulations, the purchase scheme is available to all permanent employees, except directors and those employees who are participants in the option scheme or the phantom scheme.

Any contribution made by an employee for the purchase of shares is enhanced by a 10% company contribution, and the company pays for any trading costs. Either by means of regular salary deductions or once-off payments, employees may acquire up to 5 000 shares in the aggregate and 1 000 shares in a continuous 12 month period.

The purchase scheme is administered by a trust, the trustees of which are appointed by the board.

During the year under review, the trustees of the purchase scheme undertook net purchases of 12 842 shares in the company thereby increasing the total number of shares held to 113 983. Of these shares, which are all registered in the name of the trustees, 113 981 are held on behalf of 384 participants. All such shares have been fully paid for by the participants.

A similar purchase scheme is operated in Malawi in respect of shares in Illovo Sugar (Malawi) Limited.

Dividends

An interim ordinary dividend (No. 34) of 41.5 cents per share was declared on 12 November 2008, and a final ordinary dividend (No. 35) of 64.5 cents per share was declared on 26 May 2009, making the total distribution for the year 106.0 cents per share.

The interim dividend was paid on 12 January 2009 and the final dividend will be paid on 13 July 2009.

Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 14 to the financial statements on page 86.

Directorate and secretary

The names of the directors in office at the date of this report are set out on page 6 and 7 of this report, whilst the name of the secretary along with the company's business and postal addresses are set out on inside the back cover.

Mrs C W N Molohe was appointed as a non-executive independent director on 16 September 2008, whilst Mrs I N Mkhize resigned and Mr J T Russell retired as directors on 31 March 2009. Mr D G MacLeod retired as Managing Director on 31 March 2009 and became a non-executive director and Deputy Chairman on 1 April 2009. Mr G J Clark was appointed as Managing Director with effect from 1 April 2009. Messrs D L Haworth and L W Riddle were appointed as executive directors with effect from 1 April 2009.

The proposal to confirm the appointments of Mrs Molohe and Messrs Haworth and Riddle is to be considered at the forthcoming annual general meeting.

Mr R A Norton will retire at the forthcoming annual general meeting, from which date Mr M J Shaw will succeed Mr Norton as Chairman of the Remuneration Committee.

In terms of the company's articles of association, Messrs G J Clark, D R Langlands, P A Lister, B M Stuart, R A Williams and Dr M I Carr retire by rotation at the forthcoming annual general meeting. All these directors are eligible and offer themselves for re-election. The executive directors, including those proposed for re-election, are employed in terms of indefinite period service contracts, with notice periods of less than one year.

The beneficial interests of the directors holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2009 were as follows –

	2009		2008	
	Direct	Indirect	Direct	Indirect
Clark G J	75 000		14 698	
Connellan B P	12 358	1 588	12 358	1 588
Hankinson M J	3 000		n/a	
MacLeod D G	300 000		300 000	
Stuart B M	62 908		62 908	
Williams R A	18 223	3 479	18 223	3 479
	471 489	5 067	408 187	5 067
Total	476 556		413 254	

No non-beneficial interests were held by any of the directors.

There have been no changes in the above interests since the end of the year under review.

The register of interests of directors and others in the shares of the company is available for inspection at the registered office.

Directors' fees

At the forthcoming annual general meeting, members will be requested to approve increases in the fees payable to non-executive directors with effect from 1 April 2009 as follows –

	Rands per annum	
	Current	Proposed
Board :		
Chairman *	1 640 000	1 820 000
Deputy Chairman *	–	1 200 000
Other members	150 000	180 000
Audit Committee :		
Chairman	118 000	135 000
Other members	70 000	78 000
Remuneration / Nomination Committee :		
Chairman	94 000	105 000
Other members	70 000	78 000
Risk Management Committee :		
Chairman	77 000	86 000
Other members	60 000	67 000

* Fees inclusive of committee membership fees and payable monthly in arrears. All other fees are paid quarterly in arrears.

Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51% interest in its issued share capital. ABF Overseas Limited is a wholly-owned subsidiary of Associated British Foods plc which is therefore the ultimate holding company of Illovo Sugar Limited. Associated British Foods plc is listed on the London Stock Exchange.

Auditors

Deloitte & Touche will continue in office in accordance with the provisions of Section 270(2) of the Companies Act, 1973.

Special resolutions passed by subsidiary companies

A number of special resolutions were passed by certain subsidiary companies during the year under review, but are not considered to deal with material matters which would affect the understanding of the group.

Post balance sheet events

On 9 April 2009, it was announced that –

- ◇◇ an agreement to sell the Pongola sugar mill to TSB Sugar RSA Limited had been concluded, subject to approval by the Competition Commission;
- ◇◇ the company had acquired a 30% shareholding in and would provide technical services to a new business entity which had purchased the Gledhow sugar mill unencumbered, previously wholly-owned by Ushukela Milling (Proprietary) Limited (Ushukela). The other shareholders in this new business entity comprise Ushukela, a consortium of supplying cane growers and Sappi Manufacturing (Proprietary) Limited;
- ◇◇ the group had, subject to approval by the Zambia Competition Commission and other regulatory authorities, acquired a majority stake in a cane growing company currently producing 325 000 tons of cane per annum with the potential to further increase output. This operation delivers its cane to the Nakambala sugar mill of Zambia Sugar Plc.

Income statements for the year ended 31 March 2009

	Notes	Group		Company	
		March 2009 Rm	March 2008 Rm	March 2009 Rm	March 2008 Rm
Revenue	4	8 601.7	6 794.1	3 762.0	3 033.9
Cost of sales		5 500.7	4 401.9	3 087.4	2 435.2
Gross profit		3 101.0	2 392.2	674.6	598.7
Distribution expenses		540.6	434.6	197.7	184.4
Administrative expenses		926.7	694.7	320.6	208.8
Other operating expenses/(income)		247.5	198.4	(13.4)	(0.1)
Operating profit	5	1 386.2	1 064.5	169.7	205.6
Dividend income		1.7	1.3	15.3	563.5
Net financing costs	6	185.4	171.7	181.6	149.4
Interest paid		230.6	208.5	203.8	155.0
Interest received		(44.5)	(37.9)	(22.2)	(5.6)
Foreign exchange (gains)/losses		(0.7)	1.1	-	-
Profit before taxation and material items		1 202.5	894.1	3.4	619.7
Material items	7	0.3	(0.1)	-	54.3
Profit before taxation		1 202.8	894.0	3.4	674.0
Taxation	8	238.9	140.7	32.5	38.4
Profit/(loss) for the year		963.9	753.3	(29.1)	635.6
Attributable to:					
Shareholders of Illovo Sugar Limited		739.1	599.8	(29.1)	635.6
Minority interest		224.8	153.5		
		963.9	753.3	(29.1)	635.6
Earnings per share (cents)*					
Basic		210.9	171.7		
Diluted		209.8	170.5		

* See note 10 for headline earnings per share.

Balance sheets at 31 March 2009

	Notes	Group		Company	
		March 2009 Rm	March 2008 Rm	March 2009 Rm	March 2008 Rm
ASSETS					
Non-current assets		5 424.2	3 931.9	2 026.0	1 960.4
Property, plant and equipment	11	4 025.9	2 968.1	673.6	656.6
Cane roots	12	1 132.3	821.7	96.6	84.9
Product registrations	13	61.8	46.4	61.8	46.4
Investment in subsidiaries	14			1 165.1	1 165.1
Investment in associates	15			–	–
Investment in joint ventures	16			0.6	1.1
Investments	17	14.8	10.1	1.6	1.2
Loans	18	135.4	80.2	26.7	5.1
Deferred taxation asset	31	54.0	5.4	–	–
Current assets		3 549.8	3 512.4	1 318.1	1 290.4
Inventories	19	513.8	407.2	137.2	119.6
Growing cane	20	1 222.9	948.5	90.2	75.5
Trade and other receivables	21	756.3	782.7	447.0	454.4
Factory overhaul costs	22	212.0	197.9	94.8	80.3
Derivative financial instruments	23	189.2	18.2	184.2	18.2
Amounts due by subsidiaries	14			213.8	66.0
Cash and cash equivalents		655.6	1 157.9	150.9	476.4
Total assets		8 974.0	7 444.3	3 344.1	3 250.8
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Illovo Sugar Limited		2 773.8	2 373.3	1 088.4	1 428.1
Share capital and premium	24	367.5	361.0	367.5	361.0
Share-based payment reserve	25	13.1	12.6	13.1	12.6
Non-distributable reserves	26	396.5	412.4	328.1	316.3
Dividend reserve	27	226.3	183.7	226.3	183.7
Retained earnings	28	1 770.4	1 403.6	153.4	554.5
Minority interest		671.2	555.6		
Total equity		3 445.0	2 928.9	1 088.4	1 428.1
Non-current liabilities		1 885.6	1 835.9	130.5	129.1
Long term borrowings	29	1 130.5	1 191.5	–	–
Deferred taxation liability	31	755.1	644.4	130.5	129.1
Current liabilities		3 643.4	2 679.5	2 125.2	1 693.6
Short term borrowings	30	1 803.4	1 052.0	1 138.8	977.3
Trade and other payables	32	1 310.9	1 194.1	615.5	461.7
Bank overdraft		132.8	82.7	0.5	–
Taxation		114.5	102.3	–	–
Provisions	33	276.6	239.8	172.8	148.2
Amounts due to subsidiaries	14			192.4	97.8
Derivative financial instruments	23	5.2	8.6	5.2	8.6
Total liabilities		5 529.0	4 515.4	2 255.7	1 822.7
Total equity and liabilities		8 974.0	7 444.3	3 344.1	3 250.8

Statement of changes in equity

	Share capital and premium Rm	Share based payment reserve Rm	Translation reserve Rm	Other non-distributable reserves Rm
Group				
Balance at 31 March 2007	354.5	10.9	39.8	106.5
Net gains and losses not recognised in the income statement:-	-	1.7	269.5	(3.4)
Change in shareholding				(3.4)
Adjustments for cash flow hedges				
Currency translation differences			269.5	
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	309.3	103.1
Net gains and losses not recognised in the income statement:-	-	0.5	(33.0)	17.1
Realised surplus - disposal of land				0.3
Change in shareholding				
Adjustments for cash flow hedges				16.8
Currency translation differences			(33.0)	
Recognition of share-based payments		0.5		
Transfer to dividend reserve				
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2009	367.5	13.1	276.3	120.2
Company				
Balance at 31 March 2007	354.5	10.9	-	320.1
Net gains and losses not recognised in the income statement:-	-	1.7	-	(3.8)
Recognition of share-based payments		1.7		
Transfer to dividend reserve				
Adjustments for cash flow hedges				(3.8)
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2008	361.0	12.6	-	316.3
Net gains and losses not recognised in the income statement:-	-	0.5	-	11.8
Recognition of share-based payments		0.5		
Transfer to dividend reserve				
Adjustments for cash flow hedges				11.8
Profit for the year				
Dividends paid				
Issue of share capital	6.5			
Balance at 31 March 2009	367.5	13.1	-	328.1

Dividend reserve Rm	Retained surplus Rm	Attributable to the shareholders of Illovo Sugar Limited Rm	Minority interest Rm	Total Rm
157.0	1 103.0	1 771.7	456.6	2 228.3
299.2	(299.2)	267.8	59.9	327.7
		–	3.1	3.1
		(3.4)		(3.4)
		269.5	56.8	326.3
		1.7		1.7
299.2	(299.2)	–		–
	599.8	599.8	153.5	753.3
(272.5)		(272.5)	(114.4)	(386.9)
		6.5		6.5
183.7	1 403.6	2 373.3	555.6	2 928.9
372.0	(372.3)	(15.7)	10.6	(5.1)
	(0.3)	–		–
		–	3.9	3.9
		16.8		16.8
		(33.0)	6.7	(26.3)
		0.5		0.5
372.0	(372.0)	–		–
	739.1	739.1	224.8	963.9
(329.4)		(329.4)	(119.8)	(449.2)
		6.5		6.5
226.3	1 770.4	2 773.8	671.2	3 445.0
157.0	218.1	1 060.6		
299.2	(299.2)	(2.1)		
299.2	(299.2)	1.7		
		–		
		(3.8)		
(272.5)	635.6	635.6		
		(272.5)		
		6.5		
183.7	554.5	1 428.1		
372.0	(372.0)	12.3		
372.0	(372.0)	0.5		
		–		
		11.8		
(329.4)	(29.1)	(29.1)		
		(329.4)		
		6.5		
226.3	153.4	1 088.4		

Cash flow statements for the year ended 31 March 2009

	Notes	Group		Company	
		March 2009 Rm	March 2008 Rm	March 2009 Rm	March 2008 Rm
Cash flows from operating activities					
Operating profit before working capital movements	a	1 206.9	1 055.0	237.3	307.5
Working capital movements	b	362.8	46.2	(24.3)	(101.7)
Cash generated from operations		1 569.7	1 101.2	213.0	205.8
Net financing costs		(185.4)	(171.7)	(181.6)	(149.4)
Taxation paid	c	(230.3)	(151.6)	(40.2)	(37.7)
Dividends income		1.7	1.3	15.3	563.5
Dividends paid	d	(449.2)	(386.9)	(329.4)	(272.5)
Net cash inflow/(outflow) from operating activities		706.5	392.3	(322.9)	309.7
Cash flows from investing activities					
Replacement of property, plant and equipment		(169.5)	(154.9)	(74.1)	(41.7)
Expansion capital expenditure		(1 496.2)	(837.0)	(1.9)	(3.6)
Expansion of area under cane		(200.3)	–	–	–
Capitalisation of product registrations		(15.4)	(11.7)	(15.4)	(11.7)
Proceeds on disposal of plant and equipment		4.0	2.3	0.7	1.5
Proceeds on disposal of properties		0.6	–	0.1	–
Research expenditure		(33.9)	(20.8)	(30.8)	(20.8)
Acquisition of investments		–	–	–	(309.7)
Acquisition of businesses	e	–	–	–	–
Proceeds on disposal of business	f	120.0	–	120.0	–
Other movements		–	(2.8)	–	–
Net movement on investments and loans		(43.0)	(12.6)	(16.6)	41.7
Net cash outflow from investing activities		(1 833.7)	(1 037.5)	(18.0)	(344.3)
Net cash outflow before financing activities		(1 127.2)	(645.2)	(340.9)	(34.6)
Cash flows from financing activities					
Long term borrowings raised		170.6	796.4	–	–
Short term borrowings raised/(repaid)		482.0	(64.5)	8.9	2.3
Capitalised finance leases repaid		–	(0.6)	–	–
Proceeds from issue of share capital	g	6.5	6.5	6.5	6.5
Net cash inflow from financing activities		659.1	737.8	15.4	8.8
Net (decrease)/increase in cash and cash equivalents		(468.1)	92.6	(325.5)	(25.8)
Cash and cash equivalents					
at beginning of the year	h	1 123.7	1 065.3	476.4	502.2
at end of the year		655.6	1 157.9	150.9	476.4

Notes to the cash flow statements

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
a Operating profit movements is calculated as follows:				
Operating profit	1 386.2	1 064.5	169.7	205.6
Material items	0.3	(0.1)	-	54.3
Total income	1 386.5	1 064.4	169.7	259.9
Add back: Depreciation	215.2	151.7	63.2	56.1
Change in fair value of cane roots	(134.3)	(80.1)	(11.7)	(7.1)
Change in fair value of growing cane	(297.2)	(101.4)	(14.7)	(24.0)
(Profit)/loss on disposal of properties	(0.3)	0.1	-	-
Loss/(profit) on disposal of plant and equipment	2.6	(2.2)	(0.5)	0.1
Research expenditure	33.9	20.8	30.8	20.8
Share-based payments expense	0.5	1.7	0.5	1.7
Operating profit before working capital movements	1 206.9	1 055.0	237.3	307.5
b Working capital movements comprise the following:				
Inventories	(122.8)	(29.8)	(17.5)	(6.6)
Trade and other receivables	(113.7)	(99.8)	(219.7)	(26.6)
Factory overhaul costs	(21.3)	(15.7)	(15.6)	(7.6)
Trade and other payables	620.6	191.5	228.5	(60.9)
Working capital movements	362.8	46.2	(24.3)	(101.7)
c Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	(77.7)	(96.0)	12.4	9.5
Translation rate adjustment	(8.7)	(7.5)	-	-
Per income statements (excluding deferred taxation)	(229.2)	(125.8)	(35.6)	(34.8)
Amounts unpaid/(overpaid) at end of year, net of overpayments	85.3	77.7	(17.0)	(12.4)
Total taxation paid	(230.3)	(151.6)	(40.2)	(37.7)
d Dividends paid are reconciled as follows:				
Dividend paid to shareholders of Illovo Sugar Limited (per note 9 to the financial statements)	(329.4)	(272.5)	(329.4)	(272.5)
Dividends paid to outside shareholders of subsidiary companies	(119.8)	(114.4)	-	-
Total dividends paid	(449.2)	(386.9)	(329.4)	(272.5)
e Acquisition of businesses				
The fair value of the assets acquired and liabilities assumed of businesses acquired were as follows:				
Property, plant and equipment	110.1	-	110.1	-
Inventories	6.7	-	6.7	-
Trade and other receivables	2.6	-	116.8	-
Factory overhaul costs	8.9	-	8.9	-
Trade and other payables	(3.2)	-	(46.7)	-
Net asset value acquired	125.1	-	195.8	-
Portion of purchase price paid by releasing the seller's obligation	(125.1)	-	(125.1)	-
Portion of purchase price settled through inter-company	-	-	(70.7)	-
Cash cost of acquisition	-	-	-	-

Notes to the cash flow statements continued

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
f Proceeds on disposal of business				
The fair value of the assets and liabilities of the business disposed of were as follows:				
Property, plant and equipment	105.6	–	105.6	–
Inventories	6.6	–	6.6	–
Factory overhaul costs	10.0	–	10.0	–
Trade and other payables	(2.2)	–	(2.2)	–
Net asset value disposed of	120.0	–	120.0	–
Profit on disposal of business	–	–	–	–
Net proceeds on disposal of business	120.0	–	120.0	–
g Proceeds from issue of share capital				
During the year the company issued 1 065 102 (2008: 991 000) new shares.	6.5	6.5	6.5	6.5
h Cash and cash equivalents at beginning of year				
Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments.				
Cash and cash equivalents at the beginning of the year				
Per the balance sheet	1 157.9	973.7	476.4	502.2
Translation adjustment on opening balance of cash and cash equivalents	(34.2)	91.6		
Per the cash flow statement	1 123.7	1 065.3	476.4	502.2

Notes to the financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. This is consistent with the prior year.

The principal accounting policies adopted are set out below.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

1.2 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised but is tested for impairment at each balance sheet date and impairments are written off in the income statement. Goodwill impairments are not reversed.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

1.3 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are not recognised unless there is a commitment or guarantee that requires further funding.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

1.4 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control: that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease.

1.7 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Currency Units, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.9 Retirement benefit costs

The group provides retirement benefits for its employees through a number of defined contribution and defined benefit plans.

Contributions to defined contribution retirement benefit plans are expensed as they fall due. Contributions made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets, are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on the straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

All plans are funded. Funding shortfalls arising in defined benefit plans are met by group companies through lump sum payments or increased future contributions.

Additional severance liabilities in terms of legislative regulations are assessed annually and provided against.

Historically, qualifying employees have been granted certain post-retirement medical benefits. Although the post-retirement medical benefit option is now closed, a liability still exists in respect of current and retired employees to whom the benefit was granted. These costs are provided on the accrual basis, determined actuarially.

1.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy.

Depreciation is charged so as to write off the cost of assets to their residual value over their estimated useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use and is calculated at rates appropriate in terms of management's current assessment of useful lives and residual values. Land is not depreciated.

Management reviews the residual values annually, considering market conditions and projected disposal values. In the annual assessment of useful lives, maintenance programmes and technological innovations are considered.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.12 Cane roots and growing cane

Cane roots and growing cane are valued at fair value determined on the following bases:

Cane roots - the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.

Growing cane - the estimated sucrose content at 31 March valued at the estimated sucrose price for the following season, less the estimated costs of harvesting and transport.

1.13 Factory overhaul costs

Factory overhaul costs represent expenditure actually incurred on plant and equipment for the overhaul of the factory in preparation for the new sugar season commencing after the year end. This expenditure is written off in full over its expected useful life being the duration of one sugar season.

1.14 Research and development expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

1.15 Product registrations

Expenditure incurred in obtaining the registration of a product to enable sales to be made in specific markets, is capitalised and amortised over the expected useful life of the registration on the straight-line basis.

Subsequent expenditure, which increases the life of the registration or increases future economic benefits, is capitalised in the year in which it is incurred. Expenditure to maintain the registration is expensed in the year in which it is incurred.

1.16 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except in the case of downstream products where the first in first out basis is used. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Redundant and slow moving inventories are identified and written down to their net realisable values.

1.18 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the value of the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The significant interest rate risk arises from bank loans. When appropriate the group converts a proportion of its floating rate debt to fixed rates. The group designates these as cash flow hedges of interest rate risk.

The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The group's policy with regard to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts are accounted for as insurance contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

1.19 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.20 Share-based payments

The group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

1.21 Segmental analysis

Segment reporting is presented in respect of the group's business and geographic segments. The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics. Inter-segment pricing is determined on an arm's length basis.

Segments results; assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segmental capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

The group is comprised of the following business segments:

Cane growing - the processing of sugar cane for use in the sugar production process,

Sugar production – the manufacture of sugar from cane, and

Downstream operations – the manufacture and sale of downstream products including syrup, furfural and alcohol.

The secondary format presents the revenues, profits and assets for the countries in which the group operates.

2 INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE, BUT NOT YET EFFECTIVE

At the date of approval of these financial statements, the following relevant Standards and Interpretations were in issue, but not yet effective:

- ◇◇ IFRS 2 Share-based payment - Amendment relating to vesting conditions and cancellations.
- ◇◇ IFRS 3 Business combinations - Consequential amendments arising from amendments to IAS 27, IAS 28 and IAS 31.
- ◇◇ IFRS 8 - Operating segments
- ◇◇ IAS 1 - Presentation of financial statements
- ◇◇ IAS 23 - Borrowing costs
- ◇◇ IAS 32 - Financial instruments: presentation
- ◇◇ IAS 39 - Financial instruments: recognition and measurement
- ◇◇ IFRIC 16 - Hedges of a net investment in foreign operation
- ◇◇ IFRIC 17 - Distribution of non-cash assets to owners

The group is in the process of evaluating the effects of these new standards and, whilst they are not expected to have a significant impact on the group's results, additional disclosures may be required.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical accounting judgements made by management

In the process of applying the group's accounting policies, management has made the following judgement, apart from those involving estimations, that affect the amounts recognised in the financial statements and related disclosure:

- **Impairment of assets**

In making its judgement, management has assessed at each balance sheet date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

3.2 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date:

- **Property, plant and equipment residual values and useful lives**

These assets are written down to their estimated residual values over their anticipated useful lives using the straight-line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 11 to the financial statements.

- **Cane roots valuation**

The escalated average cost of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The key assumptions and carrying value of cane roots are disclosed in note 12 to the financial statements.

- **Growing cane valuation**

Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programs. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates. The key assumptions and carrying value of growing cane are disclosed in note 20 to the financial statements.

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the balance sheet date, that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 REVENUE

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Revenue represents the proceeds from:				
- Sugar production	6 250.7	4 859.9	3 040.1	2 406.4
- Cane growing	1 712.4	1 358.2	111.7	97.4
- Downstream	638.6	576.0	610.2	530.1
	8 601.7	6 794.1	3 762.0	3 033.9
Includes revenue from exports outside country of origin of:	2 535.1	2 323.6	1 153.9	866.7

Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.

5 OPERATING PROFIT

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Operating profit has been determined after taking into account the following items:				
Depreciation	215.2	151.7	63.2	56.1
– buildings	10.1	6.4	5.4	4.6
– leasehold properties	15.8	8.4	–	–
– plant, machinery and other	189.3	136.9	57.8	51.5
Loss/(profit) on disposal of plant and equipment	2.6	(2.2)	(0.5)	0.1
Amortisation of factory overhaul costs	206.8	168.3	89.2	72.7
Fair value adjustments				
– cane roots	134.3	72.6	11.7	7.1
– growing cane	297.2	91.2	14.7	24.0
Operating lease charges				
– property	55.5	47.2	50.4	45.3
– plant and equipment	37.1	33.7	8.9	9.7
Auditors' remuneration	13.0	16.0	5.7	4.7
– audit fees	8.2	6.8	3.5	3.0
– fees for other services	4.0	8.8	2.0	1.6
– expenses	0.8	0.4	0.2	0.1
Research costs	33.9	20.8	30.8	20.8
Share-based payment costs	0.5	1.7	0.5	1.7
Retirement benefit costs	73.1	55.5	29.1	26.2
Staff costs	1 481.3	1 111.0	644.0	455.0

6 NET FINANCING COSTS

Interest paid on –

Long term borrowings	155.7	57.6	–	–
Bank and short term borrowings	318.4	180.7	180.6	139.0
Other	14.9	12.1	23.2	16.0
Total interest paid	489.0	250.4	203.8	155.0
Less capitalised	(258.4)	(41.9)	–	–
	230.6	208.5	203.8	155.0
Interest received on loans and deposits	(44.5)	(37.9)	(22.2)	(5.6)
Foreign exchange (gains)/losses	(0.7)	1.1	–	–
	185.4	171.7	181.6	149.4

Notes to the financial statements continued

7 MATERIAL ITEMS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Profit/(loss) arising on disposal of properties	0.3	(0.1)	-	-
Profit on disposal on investment in subsidiary			-	54.3
Per income statement	0.3	(0.1)	-	54.3
Taxation	-	-	-	-
	0.3	(0.1)	-	54.3

8 TAXATION

South African normal taxation				
Current tax				
– current year	10.9	10.4	2.8	3.9
– prior year	(0.1)	(0.4)	(0.1)	(0.4)
Deferred tax				
– current year	0.4	14.4	(2.5)	16.4
– prior year	(0.6)	(8.7)	(0.6)	(8.7)
– rate change	-	(4.0)	-	(4.0)
Secondary tax on companies	32.9	31.2	32.9	31.2
Foreign taxation				
Current tax				
– current year	185.7	85.8		
– prior year	(0.2)	(1.2)		
Deferred tax				
– current year	95.4	31.1		
– prior year	23.6	(4.8)		
– rate change	(109.1)	(13.1)		
	238.9	140.7	32.5	38.4

Reconciliation of rate of taxation

	%	%	%	%
South African normal rate of taxation	28.0	29.0	28.0	29.0
Less (decrease)/increase in charge for year due to:	(8.1)	(13.3)	927.9	(22.8)
Adjustment from prior years	1.9	(1.8)	(20.6)	(1.5)
Adjustment in respect of material items	-	-	-	-
Exempt income	(1.5)	(1.4)	(151.1)	(26.8)
Disallowable expenditure	2.8	1.9	207.1	1.0
Secondary tax on companies	2.7	3.5	967.6	5.0
Timing differences not provided for	-	0.1	-	-
Taxation rate differentials - foreign subsidiaries	(1.3)	(11.7)	-	-
Capital allowances	(5.3)	(5.0)	-	-
Other	(7.4)	1.1	(75.1)	(0.5)
Effective rate of taxation	19.9	15.7	955.9	6.2
	Rm	Rm	Rm	Rm
The estimated tax losses at the end of the year aggregate:	275.3	111.5	-	-

9 DIVIDENDS PAID

		Group and Company	
		2009	2008
		Rm	Rm
Dividend no. 31 of 45.0 cents per share (final 2007)	- paid 9 July 2007		157.0
Dividend no. 32 of 33.0 cents per share (interim 2008)	- paid 7 January 2008		115.5
Dividend no. 33 of 52.5 cents per share (final 2008)	- paid 14 July 2008	183.9	
Dividend no. 34 of 41.5 cents per share (interim 2009)	- paid 12 January 2009	145.5	
		329.4	272.5

In respect of the current year, the directors declared a final dividend of 64.5 cents per share on 26 May 2009 which will be paid to shareholders on 13 July 2009. No liability has been raised for this dividend nor the related secondary tax on companies charge, in these financial statements.

The total estimated dividend to be paid of R226.3 million has been transferred out of retained earnings to a separate dividend reserve (refer note 27).

10 EARNINGS AND HEADLINE EARNINGS PER SHARE

		Group	
Earnings			
Earnings for the purposes of basic earnings per share		739.1	599.8
Dilutive effect of potential ordinary shares			
– Share options		1.6	2.2
Earnings for the purposes of diluted earnings per share		740.7	602.0
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share		350 514 219	349 424 128
Dilutive effect of potential ordinary shares			
– Share options		2 544 098	3 650 500
Weighted average number of ordinary shares for the purposes of diluted earnings per share		353 058 317	353 074 628
Reconciliation of headline earnings:-			
Net profit attributable to shareholders of Illovo Sugar Limited		739.1	599.8
Adjusted for –			
(Profit)/loss arising on disposal of properties		(0.3)	0.1
Loss/(profit) on disposal of plant and equipment		3.0	(0.3)
Headline earnings		741.8	599.6
Headline earnings per share			
Basic (cents)		211.6	171.6
Diluted (cents)		210.6	170.5

Notes to the financial statements continued

11 PROPERTY, PLANT AND EQUIPMENT

	2009		2008	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
Group				
Freehold land and buildings	418.2	86.5	410.9	76.4
Leasehold properties	931.3	93.9	421.8	81.1
Plant, machinery and other	4 532.6	1 676.5	3 797.4	1 505.3
Capitalised leased plant (refer note 29)	1.5	0.8	1.4	0.6
	5 883.6	1 857.7	4 631.5	1 663.4
Net book value	4 025.9		2 968.1	
Company				
Freehold land and buildings	261.8	55.8	261.9	51.4
Plant, machinery and other	1 152.7	685.1	1 081.4	635.3
	1 414.5	740.9	1 343.3	686.7
Net book value	673.6		656.6	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R17 713 million (2008: R16 698 million). Motor vehicles are insured at market value.

Property, plant and equipment of Zambia Sugar Plc with a book value of R1 883 million (2008: R1 144 million) has been pledged by way of mortgage debenture as security for the long term borrowings referred to in note 29.

The group's properties are wide-ranging, amounting to approximately 106 685 hectares (2008: 106 683) in extent comprising largely the land on which the group's sugar milling and cane growing activities are situated. As the number of individual properties is extensive, a list is not published with these statements, but registers of land and buildings are available for inspection at the relevant registered offices of the group by members of the company or their representatives.

Group

The movement of the group's property, plant and equipment comprises:

	Freehold land and buildings Rm	Leasehold properties Rm	Plant machinery and other Rm	2009 Total Rm	2008 Total Rm
Net book value at beginning of year	334.5	340.7	2 292.9	2 968.1	1 806.3
Acquisition of business	49.7	–	60.4	110.1	–
Additions	5.4	612.5	1 047.8	1 665.7	991.9
Disposal of business	(49.4)	–	(56.2)	(105.6)	–
Disposals	(0.3)	–	(6.6)	(6.9)	(1.5)
Exchange differences	1.9	(100.0)	(292.2)	(390.3)	323.1
	341.8	853.2	3 046.1	4 241.1	3 119.8
Depreciation	(10.1)	(15.8)	(189.3)	(215.2)	(151.7)
Net book value at end of year	331.7	837.4	2 856.8	4 025.9	2 968.1

11 PROPERTY, PLANT AND EQUIPMENT *continued*

Company

The carrying amount of the company's property, plant and equipment comprises:

	Freehold land and buildings Rm	Plant machinery and other Rm	2009 Total Rm	2008 Total Rm
Net book value at beginning of year	210.5	446.1	656.6	668.7
Acquisition of business	49.7	60.4	110.1	–
Additions	0.7	75.3	76.0	45.2
Disposal of business	(49.4)	(56.2)	(105.6)	–
Disposals	(0.1)	(0.2)	(0.3)	(1.2)
	211.4	525.4	736.8	712.7
Depreciation	(5.4)	(57.8)	(63.2)	(56.1)
Net book value at end of year	206.0	467.6	673.6	656.6

12 CANE ROOTS

The carrying value of cane roots comprises:

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Carrying value at beginning of year	821.7	661.6	84.9	77.8
Change in fair value	134.3	72.6	11.7	7.1
Expansion of area under cane	200.3	–	–	–
Acquisition of farms	–	7.5	–	–
Exchange rate translation	(24.0)	80.0	–	–
Carrying value at end of year	1 132.3	821.7	96.6	84.9
Area under cane at 31 March (hectares) –				
South Africa	9 665	9 615	9 665	9 615
Malawi	19 934	19 139		
Zambia	14 334	11 053		
Swaziland	8 171	7 950		
Tanzania	8 515	8 415		
Mozambique	5 263	5 260		
	65 882	61 432		

The average remaining expected lives of cane roots, for both the current and the previous years, are: 10 years in South Africa; 7 years in Zambia; and 8 years in each of the other countries of operation.

13 PRODUCT REGISTRATIONS

Intangible assets comprise product registrations which represent registered rights to exclusively sell licensed products in specific countries.

Balance at the beginning of the year	46.4	34.7	46.4	34.7
Current year movements – expenditure	15.4	11.7	15.4	11.7
Balance at the end of the year	61.8	46.4	61.8	46.4

No amortisation was provided for in the current year as the balance of product registrations have yet to be brought into use.

Notes to the financial statements continued

14 INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Illovo Sugar Limited are as follows –

2009

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
Illovo Distributors (Pty) Limited	–	100	0.4	–	(17.4)
Illprop (Pty) Limited	1.3	100	0.2	–	–
Reynolds Brothers Limited	–	100	–	3.4	–
Illovo Project Services Limited	–	100	–	7.7	–
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
Glendale Sugar Limited	5.6	100	20.9	–	(20.0)
East African Supply (Pty) Limited	–	100	–	–	(25.8)
Ubombo Sugar Limited	49.5	60	–	4.3	(127.1)
Illovo Sugar (Malawi) Limited	53.1	76	–	52.8	(0.6)
Zambia Sugar Plc	4.7	90	–	66.2	–
Maragra Açúcar SARL	350.9	72	–	18.8	–
Kilombero Sugar Company Limited	1.8	55	–	10.5	–
Illovo Group Holdings Limited - ordinary	–	100	–	30.0	–
Illovo Group Holdings Limited - preference	1 589.6	100	1 125.2	–	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.2	–
Monitor Holdings Limited	250.0	100	17.5	1.6	–
Sucoma Holdings Limited	597.7	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	16.7	–
Illovo Sugar España, S.L.	–	100	–	1.6	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
			1 165.1	213.8	(192.4)

2008

Illovo Distributors (Pty) Limited	–	100	0.4	–	(14.8)
Illprop (Pty) Limited	1.3	100	0.2	–	–
Reynolds Brothers Limited	–	100	–	3.9	–
Eureka Trading Limited	–	100	–	–	(0.6)
Illovo Project Services Limited	–	100	–	6.9	–
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
Glendale Sugar Limited	5.6	100	20.9	–	(19.7)
East African Supply (Pty) Limited	–	100	–	28.4	–
Ubombo Sugar Limited	49.5	60	–	2.6	(59.9)
Illovo Sugar (Malawi) Limited	48.8	76	–	2.8	–
Zambia Sugar Plc	6.0	90	–	2.5	–
Maragra Açúcar SARL	300.4	73	–	2.0	–
Kilombero Sugar Company Limited	0.1	55	–	1.9	–
Illovo Group Holdings Limited - ordinary	–	100	–	13.3	–
Illovo Group Holdings Limited - preference	1 361.1	100	1 125.2	–	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	0.1	–
Monitor Holdings Limited	250.0	100	17.5	–	(0.5)
Sucoma Holdings Limited	511.8	100	–	–	(0.8)
Illovo Tanzania Limited	–	100	–	–	–
Illovo Sugar Ireland	–	100	–	–	–
Illovo Sugar España, S.L.	–	100	–	1.6	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
			1 165.1	66.0	(97.8)

A full list of subsidiaries is available on request from the Company Secretary.

15 INVESTMENT IN ASSOCIATES

Principal associates of the group	Year end	Nature of business	Group	
			2009 % holding	2008 % holding
Southern Cross Sugar Exports (Pty) Limited	31 March	Sugar export agents	-	33.3%
Kilombero Sugar Distributors Limited	31 October	Distribution agents	20.0%	20.0%
Investment in associate companies			Rm	Rm
Cost of investment in associate			-	-
Share of post acquisition profit net of dividend received			-	-
Directors' valuation of -				
Shares and loans in unlisted associate companies			-	-

16 INVESTMENT IN JOINT VENTURES

Principal joint ventures of the group	Year end	Nature of business	Group	
			2009 % holding	2008 % holding
Glendale Distilling Company	31 March	Alcohol distillers	50.0%	50.0%
Lacsa (Pty) Limited	31 March	Lactulose producer	50.0%	50.0%
Relax Limited	31 March	Lactulose agents	50.0%	50.0%

The income statements and balance sheets of the above joint ventures are proportionately consolidated into the group's financial statements.

Glendale Distilling Company had the following capital commitments which have been included in note 36:

- contracted
- approved but not contracted

	Rm	Rm
	-	-
	-	2.0
	-	2.0

17 INVESTMENTS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Investments	14.8	10.1	1.6	1.2
	14.8	10.1	1.6	1.2

Notes to the financial statements continued

18 LOANS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Long term promissory note receivable	20.9	20.5	–	–
Other loans	114.5	59.7	26.7	5.1
	135.4	80.2	26.7	5.1

The long term promissory note receivable is unsecured and is denominated in US Dollars with the interest calculated at 6% per annum, payable monthly in arrears. The principal is payable in equal monthly instalments with the final payment due on 1 October 2014.

The other loans bear interest at varying rates and have varying terms of repayment.

19 INVENTORIES

Finished goods	140.6	102.2	46.0	34.8
Consumables and components	373.2	305.0	91.2	84.8
	513.8	407.2	137.2	119.6

20 GROWING CANE

The carrying value of growing cane comprises:

Carrying value at the beginning of the year	948.5	743.1	75.5	51.5
Change in fair value	297.2	91.2	14.7	24.0
Acquisition of farms	–	10.2	–	–
Exchange rate translation	(22.8)	104.0		
Carrying value at the end of the year	1 222.9	948.5	90.2	75.5

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March 2009:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
2009						
Expected area to harvest (hectares)	5 588.0	19 499.0	14 044.0	7 703.0	8 515.0	5 175.0
Estimated yield (tons cane/hectare)	74.0	111.2	135.4	102.6	74.1	93.0
Average maturity of cane at 31 March	62.00%	66.67%	66.67%	66.67%	50.00%	66.67%
2008						
Expected area to harvest (hectares)	5 491.0	18 704.0	10 659.0	7 582.0	8 427.0	5 147.0
Estimated yield (tons cane/hectare)	76.0	109.7	120.8	104.9	83.6	91.0
Average maturity of cane at 31 March	63.00%	66.67%	66.67%	66.67%	50.00%	66.67%

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Trade debtors	430.5	422.5	287.6	244.9
Prepayments	55.9	35.7	37.4	19.3
Taxation	29.2	24.6	17.0	12.4
Other accounts receivable	240.7	299.9	105.0	177.8
	756.3	782.7	447.0	454.4

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

An allowance has been made for impairment of receivables amounting to R21.0 million (2008: R8.4 million).

22 FACTORY OVERHAUL COSTS

Balance at the beginning of year	197.9	168.3	80.3	72.7
Capitalised during the year	228.1	184.0	104.8	80.3
Acquisition of business	8.9	–	8.9	–
Amortised during the year	(206.8)	(168.3)	(89.2)	(72.7)
Disposal of business	(10.0)	–	(10.0)	–
Exchange rate translation	(6.1)	13.9		
Balance at the end of year	212.0	197.9	94.8	80.3

23 DERIVATIVE FINANCIAL INSTRUMENTS

Forward exchange contracts - imports (refer note 40)	0.6	2.6	(0.4)	2.6
Forward exchange contracts - exports (refer note 40)	24.4	(11.0)	20.4	(11.0)
Sugar commodities futures contracts	–	(0.2)	–	(0.2)
Cross currency interest rate swap (refer note 40)	159.0	18.2	159.0	18.2
	184.0	9.6	179.0	9.6
Comprising:				
Assets	189.2	18.2	184.2	18.2
Liabilities	(5.2)	(8.6)	(5.2)	(8.6)
	184.0	9.6	179.0	9.6

Notes to the financial statements continued

24 SHARE CAPITAL AND PREMIUM

	Group and Company	
	2009	2008
	Rm	Rm
Authorised: 900 000 000 (2008: 900 000 000) ordinary shares of 4 cents each	36.0	36.0
Issued and fully paid: 350 923 902 (2008: 349 858 800) ordinary shares of 4 cents each	14.0	14.0
Share premium account	353.5	347.0
	367.5	361.0
The movement on the share capital and share premium accounts for the year was as follows:		
– Balance at beginning of year	361.0	354.5
– Share options exercised	6.5	6.5
– Balance at end of year	367.5	361.0

25 SHARE-BASED PAYMENTS RESERVE

Balance at beginning of year	12.6	10.9
Share-based payments expense	0.5	1.7
Balance at end of year	13.1	12.6

26 NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Comprises:				
Realised surpluses on sales of land and investments	68.0	67.7	282.4	282.4
Capital redemption reserve fund	37.1	37.1	35.6	35.6
Hedging reserve	15.1	(1.7)	10.1	(1.7)
Foreign currency translation reserve	276.3	309.3		
Total non-distributable reserves	396.5	412.4	328.1	316.3
Movement for the year:				
Balance at beginning of year	412.4	146.3	316.3	320.1
Transfer to retained earnings - realised surpluses on sale of land (note 28)	0.3	-	-	-
Adjustments for cash flow hedges	16.8	(3.4)	11.8	(3.8)
Currency translation differences	(33.0)	269.5		
Balance at end of year	396.5	412.4	328.1	316.3

27 DIVIDEND RESERVE

Balance at beginning of year	183.7	157.0	183.7	157.0
Transfer from retained earnings (note 28)	372.0	299.2	372.0	299.2
Less dividends paid	(329.4)	(272.5)	(329.4)	(272.5)
Balance at end of year	226.3	183.7	226.3	183.7

28 RETAINED EARNINGS

Balance at beginning of year	1 403.6	1 103.0	554.5	218.1
Profit/(loss) for the year attributable to shareholders of Illovo Sugar Limited	739.1	599.8	(29.1)	635.6
Transfer to non-distributable reserves - realised surpluses on sale of land (note 26)	(0.3)	-	-	-
Transfer to dividend reserve (note 27)	(372.0)	(299.2)	(372.0)	(299.2)
Balance at end of year	1 770.4	1 403.6	153.4	554.5

Notes to the financial statements continued

29 LONG TERM BORROWINGS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
South African borrowings	-	-	-	-
Foreign currency borrowings	1 348.2	1 266.2	-	-
Total borrowings	1 348.2	1 266.2	-	-
Less: Current portion redeemable and repayable within one year (refer note 30)	217.7	74.7	-	-
	1 130.5	1 191.5	-	-
The above borrowings are due for repayment in the following years ending 31 March				
2009		74.7	-	-
2010	217.7	273.4	-	-
2011	641.6	599.8	-	-
2012	360.2	306.6	-	-
2013 and thereafter	128.7	11.7	-	-
	1 348.2	1 266.2	-	-

	Foreign currency millions	Years of redemption/ payment	Interest rate %	Group	
				2009 Rm	2008 Rm
South African borrowings					
Liabilities under capitalised finance leases (refer note 11)				-	-
Total South African borrowings				-	-
Foreign borrowings					
Unsecured loans					
- Euro	8.2	2009 - 2015	3.0 - 7.1	58.7	73.6
Secured loans					
- US Dollar *	21.3	2009 - 2012	6.6 - 7.8	202.1	183.2
- Zambian Kwacha**	604 800.0	2009 - 2013	13.4 - 17.4	1 087.4	1 009.4
Total foreign borrowings				1 348.2	1 266.2
Total borrowings				1 348.2	1 266.2

* These loans are secured by guarantee from Illovo Sugar Limited

** These loans are secured by property, plant and equipment of Zambia Sugar Plc.

30 SHORT TERM BORROWINGS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Amounts due to bankers	446.9	–	–	–
Loan from holding company	1 138.8	977.3	1 138.8	977.3
Current portion of long term borrowings (refer note 29)	217.7	74.7	–	–
	1 803.4	1 052.0	1 138.8	977.3

The amounts due to bankers have no fixed terms of repayment and bear interest at variable market related interest rates.

The US\$120 million loan from the holding company is unsecured, bears interest at a variable rate of LIBOR plus 45 basis points and is repayable on 6 October 2009. The company has entered into cross currency interest rate swaps to minimise the interest rate and foreign currency risk associated with the loan (refer note 40).

31 DEFERRED TAXATION

Balance at beginning of year	639.0	574.3	129.1	126.9
Provision on financial instrument taken to equity	4.5	(1.4)	4.5	(1.4)
Changes during the year:				
– Exchange rate translation difference	47.9	51.2		
– Rate change	(109.1)	(17.2)	–	(4.0)
Charged to income:				
– Temporary differences	118.8	32.1	(3.1)	7.6
Balance at end of year	701.1	639.0	130.5	129.1
Analysis of provision				
– Property, plant and equipment	392.3	301.8	77.8	89.4
– Growing cane and cane roots	582.7	439.6	52.3	44.9
– Tax losses	(275.3)	(111.5)	–	–
– Other	1.4	9.1	0.4	(5.2)
Balance at end of year	701.1	639.0	130.5	129.1
– Asset	(54.0)	(5.4)	–	–
– Liability	755.1	644.4	130.5	129.1

32 TRADE AND OTHER PAYABLES

Trade creditors	527.8	476.7	276.7	206.4
Accruals and other payables	783.1	717.4	338.8	255.3
	1 310.9	1 194.1	615.5	461.7

Trade creditors and accruals principally comprise amounts outstanding for trade purchase and ongoing costs. The directors consider that the carrying amount of trade payables approximate their fair value.

Notes to the financial statements continued

33 PROVISIONS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Leave pay				
Balance at beginning of year	47.9	43.4	26.3	24.0
Raised during the year	5.4	2.5	4.0	2.3
Foreign currency translation movement	(0.2)	2.0		
Balance at end of year	53.1	47.9	30.3	26.3
Post retirement benefits				
Balance at beginning of year	136.3	138.3	98.3	94.6
Utilised during the year	(10.9)	(5.0)	(10.1)	–
Raised during the year	18.7	0.3	9.1	3.7
Foreign currency translation movement	3.6	2.7		
Balance at end of year	147.7	136.3	97.3	98.3
Other				
Balance at beginning of year	55.6	35.0	23.6	9.5
Raised during the year	20.2	20.6	21.6	14.1
Balance at end of year	75.8	55.6	45.2	23.6
Total provisions				
Balance at beginning of year	239.8	216.7	148.2	128.1
Utilised during the year	(10.9)	(5.0)	(10.1)	–
Raised during the year	44.3	23.4	34.7	20.1
Foreign currency translation movement	3.4	4.7		
Balance at end of year	276.6	239.8	172.8	148.2

34 RETIREMENT BENEFITS

A total of three defined benefit pension funds and eleven defined contribution funds cover the large majority of employees, other than those covered by membership of various service-based retirement arrangements.

During the year, an amount of R67.4 million (2008: R51.8 million) was expensed in respect of defined contribution plans and R5.7 million (2008: R3.7 million) in respect of defined benefit plans.

South Africa

All South African plans are funded, with their assets held in administered trust funds which are governed by the Pensions Fund Act, 1956. Plan assets primarily consist of listed shares, fixed income securities and investments in the money market.

Following the conversion in 1998, on a voluntary basis, of a large number of members from defined benefit plans to defined contribution plans, the remaining defined benefit plans operate as closed funds and cover 141 employees (2008: 154).

The defined benefit plans are actuarially valued at intervals of not more than three years. Any deficits that are identified, are funded by the companies concerned by way of increased future contributions or by the payment of an actuarially determined lump sum.

In terms of the requirements of IAS 19, a valuation using the projected unit credit method was last performed on the two defined benefit plans at 31 March 2009. These were found to be in a sound financial condition by an independent consulting actuary. In arriving at his finding, the actuary took into account a discount rate and expected rate of return on the assets of 9.00% (2008: 9.75%), an expected rate of salary increase of 6.75% (2008: 7.25%), an expected rate of pension increase of 4.01% (2008: 4.25%) and an expected rate of inflation of 5.75% (2008: 6.25%). The assumptions and methods used are consistent with the requirements of the revised statement IAS 19, and not necessarily consistent with the assumptions and

methods used in the statutory actuarial valuation used for assessing funding requirements. At the latest valuation date, the combined fair value of the benefit plan assets amounted to R854.9 million (2008: R907.4 million), whilst the actuarial present value of promised retirement benefits totalled R587.1 million (2008: R511.2 million).

The Financial Services Board (FSB) approved the surplus apportionment scheme (the scheme) as at 31 December 2002, submitted by the Illovo Sugar Pension Fund in terms of the Pension Funds Second Amendment Act, 2001 (the Act). No amount of the surplus arising from the scheme was allocated to the company as the employer. As the rules of the Fund have not been changed to specify the future allocation of surplus, the actuarial surplus per the statutory valuation as at 31 December 2005 amounting to R124.7 million has not been recognised as an asset in the financial statements. This is in accordance with the limitations on pension fund assets imposed by the accounting standards.

The FSB has approved the surplus apportionment scheme (the scheme) as at 31 December 2002, submitted by the Illovo Sugar Retirement Benefit Fund. An amount of R5.3 million of the surplus arising from the scheme was allocated to the company as the employer. Following the apportionment of the surplus, the results of the statutory valuation as at 31 December 2005 indicate that the value of the Fund's assets equalled the value of the Fund's liabilities.

A total of R2.1 million (2008: R3.7 million) has been recognised as an expense in the financial period in respect of the two defined benefit plans. The current year company contribution to the three defined contribution plans totalled R27.0 million (2008: R22.5 million).

The obligation of the company to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 1 December 1995. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit for current employees is dependent upon the employees remaining in service until retirement age and completing a minimum service period.

Malawi

Pensions are provided for all senior employees through the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund. The assets are held in independently administered funds. The pension cost charge is recognised in the year in which it is incurred.

Retirement benefits for other staff are provided for by the Employment Act regulations.

Zambia

Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme and statutory severance pay schemes. Contributions to the defined contribution pension scheme are recognised in the year in which the related services are rendered by the employees. An amount of R13.4 million (2008: R8.3 million) was expensed during the year in respect of the defined contribution pension scheme.

Membership of the National Pension Authority is compulsory for all employees with the exception of expatriate employees. Monthly contributions are made by both the employer and the employee, and in the current year the employer's contribution totalled R11.4 million (2008: R8.7 million).

Swaziland

The group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions to these funds are treated as an expense in the financial period.

A defined benefit fund exists consisting of employees who retired prior to October 2004. The fund was actuarially valued as at 31 January 2009. The fair value of the benefit plan assets amounted to R8.4 million (2008: R7.8 million) whilst the actuarial present value of promised retirement benefits totalled R12.0 million (2008: R11.0 million) resulting in a deficit of R3.6 million (2008: R3.2 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of 8.00% (2008: 8.00%) and an expected rate of pension increase of 6.00% (2008: nil). The actuarial deficit has been recognised as an expense in full in the financial period.

Arrangements exist in respect of employees not entitled to pension benefits by which retirement gratuities are granted to eligible employees based on length of permanent employment service. An actuarial valuation carried out by independent consulting actuaries as at 31 March 2009 indicated that the provision in respect of these benefits and the statutory benefits was fairly stated at R30.6 million (2008: R26.9 million). In arriving at the valuation, the actuary took into account a discount rate and expected rate of return of 9.00% (2008: 8.75%), and expected rate of salary increase of 5.50% (2008: 5.75%) and an expected rate of inflation of 5.25% (2008: 5.50%).

Tanzania and Mozambique

There are no group retirement plans in Tanzania and Mozambique, however, employees are covered for retirement purposes by statutory social security arrangements established by the respective governments. The group contributes a percentage of the payroll in terms of the statutory requirements, and in the current year R8.6 million (2008: R6.0 million) was expensed in respect of these arrangements.

Post-retirement medical benefits

The group provides for post-retirement medical benefits on the accrual basis, determined actuarially. At 31 March 2009, the total provision amounted to R97.3 million (2008: R98.2 million). During the current year, R0.9 million was released (2008: R3.7 million expensed) to the income statement whilst there were no foreign currency translations in the current year to reduce the provision.

A valuation of this provision was performed as at 31 March 2009. In arriving at his finding, the actuary took into account a discount rate of 9.00% (2008: 7.75%), an expected rate of health care inflation of 8.25% (2008: 7.75%) and an expected retirement age of 58 (2008: 58).

35 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The company has a share option scheme for certain employees of the group. Options are exercisable at a price equal to the closing price of the company's shares on the JSE Limited on the day preceding the date of grant. Vesting periods for the share options are one-third after three years, two-thirds after four years, and the full allocation after five years.

Details of the share options movements during the year are as follows:

	2009		2008	
	Number of share options	Weighted average option price Rand	Number of share options	Weighted average option price Rand
Outstanding at beginning of year	3 650 500		4 649 600	
Forfeited	(41 300)	7.40	(8 100)	6.80
Exercised	(1 065 102)	6.15	(991 000)	6.57
Outstanding at end of year	2 544 098		3 650 500	
Exercisable at end of year	2 290 531		2 433 900	

In accordance with the transitional provisions of IFRS 2, the standard has been applied to all option grants issued after 7 November 2002 that were unvested as at 1 January 2005.

During the year, the group recognised total expenses of R0.5 million (2008: R1.7 million) related to equity-settled share-based payment transactions.

The actuaries made use of the following assumptions in arriving at their valuation:

Grant date	Vesting date	Expected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
21/05/2003	20/05/2006	4	33.91	5.7	9.42
21/05/2003	21/05/2007	5	33.14	5.7	9.42
21/05/2003	20/05/2008	6	33.14	5.7	9.44
02/06/2004	02/06/2007	4	33.91	5.94	9.88
02/06/2004	02/06/2008	5	33.14	5.94	9.88
02/06/2004	02/06/2009	6	33.14	5.94	9.91

Cash-settled equity instrument scheme

During the year, the group issued cash-settled equity instruments to certain employees that require the group to pay the intrinsic value of the cash-settled equity instrument at the date of exercise. At 31 March 2009, the group has recorded liabilities of R45.2 million (2008: R23.7 million) and has expensed an amount of R21.5 million (2008: R14.2 million) during the year.

The fair value of the cash-settled equity instruments has been determined actuarially.

The actuaries made use of the following assumptions in arriving at their valuation:

Grant date	Vesting date	Expected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
13/07/2005	13/07/2008	1	38.65	3.36	6.41
13/07/2005	13/07/2009	1	38.65	3.36	6.41
13/07/2005	13/07/2010	2	34.73	3.36	6.51
30/10/2006	30/10/2009	2	34.73	3.36	6.51
30/10/2006	30/10/2010	3	31.67	3.36	7.06
30/10/2006	30/10/2011	4	29.84	3.36	7.79
24/07/2007	24/07/2010	2	34.73	3.36	6.51
24/07/2007	24/07/2011	3	31.67	3.36	7.06
24/07/2007	24/07/2012	4	29.84	3.36	7.79
10/07/2008	10/07/2011	3	31.67	3.36	7.06
10/07/2008	10/07/2012	4	29.84	3.36	7.79
10/07/2008	10/07/2013	5	29.21	3.36	8.18

Illovo Sugar Employees Share Purchase Scheme

Under the Illovo Sugar Employees Share Purchase Scheme, all employees, except directors and employees who are participants in the option scheme or the phantom scheme, may purchase the company's shares. Contributions made by employees are enhanced by a 10% contribution from the company, and the company pays for the trading costs. Employees may acquire up to 5 000 shares in the aggregate and 1 000 shares in a continuous 12 month period.

36 CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
South Africa				
- contracted	15.1	11.4	15.1	11.4
- approved but not contracted	112.9	103.4	112.9	103.4
Malawi				
- contracted	18.1	20.5		
- approved but not contracted	86.8	150.5		
Zambia				
- contracted	197.3	728.9		
- approved but not contracted	36.2	218.4		
Swaziland				
- contracted	3.4	15.6		
- approved but not contracted	63.2	56.5		
Tanzania				
- contracted	6.2	16.6		
- approved but not contracted	38.1	29.8		
Mozambique				
- contracted	31.9	0.8		
- approved but not contracted	214.8	268.5		
Mali				
- contracted	4.2	4.4		
- approved but not contracted	1 460.4	1 484.4		
Corporate				
- contracted	-	-	-	-
- approved but not contracted	41.9	30.7	41.9	30.7
Contracted	276.2	798.2	15.1	11.4
Approved but not contracted	2 054.3	2 342.2	154.8	134.1
	2 330.5	3 140.4	169.9	145.5

With the exception of Mali, the capital expenditure will be financed from cash resources and facilities negotiated and not yet utilised. In respect of Mali, negotiations for financing facilities are at an advanced stage.

Notes to the financial statements continued

37 CONTINGENT LIABILITIES

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Guarantees in respect of liabilities of third parties and claims against the group	13.5	5.0	–	–
Guarantees in respect of liabilities of subsidiary companies			546.7	305.3
	13.5	5.0	546.7	305.3

38 OPERATING LEASE COMMITMENTS

The group's commitments in respect of operating leases are as follows:

	2010	2011	2012	2013	2014	2009 Rm	2008 Rm
	Rm	Rm	Rm	Rm	onwards Rm		
Property	33.8	7.3	7.4	8.1	12.4	69.0	100.8
Plant and equipment	16.8	15.0	7.8	7.9	7.6	55.1	95.9
Total lease commitments	50.6	22.3	15.2	16.0	20.0	124.1	196.7

39 RELATED PARTY TRANSACTIONS

39.1 Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2009 has been disclosed in the remuneration report on pages 34 to 35.

39.2 Subsidiaries, associates and joint ventures

Details of investments in principal subsidiaries, associates and joint ventures are disclosed in notes 14, 15 and 16 respectively.

39.3 Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 104.

39.4 Interests of directors in contracts

All directors of the company have confirmed that they were not materially interested in any contract of significance with the company or any of its subsidiary companies which could have resulted in a conflict of interest during the year.

39.5 Shareholders and related interests of directors and officers in share capital

Details have been included in the statutory information on page 65.

39.6 Recovery of management services

Management fees are charged to all operating subsidiaries in order to recover the company's management time and effort.

40 FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash deposits with banks, accounts receivable and payable, derivatives, and loans to and from associates and others. Financial instruments, are carried at fair value or amounts that approximate fair value.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Categories of financial instruments				
Financial assets				
Loans and receivables	1 547.3	2 020.8	624.6	935.9
Investments	14.8	10.1	1.6	1.2
Derivative financial instruments recognised in profit and loss	160.6	7.4	160.6	7.4
Derivative financial instruments designated as cash flow hedges	28.6	10.8	23.6	10.8
Financial liabilities				
Derivative financial instruments designated as cash flow hedges	5.2	8.6	5.2	8.6
Financial liabilities measured at amortised cost	4 718.4	3 806.3	1 981.1	1 622.7
Reconciliation to balance sheet				
Loans	135.4	80.2	26.7	5.1
Trade and other receivables	756.3	782.7	447.0	454.4
Cash and cash equivalents	655.6	1 157.9	150.9	476.4
Loans and receivables	1 547.3	2 020.8	624.6	935.9
Trade and other payables	1 310.9	1 194.1	615.5	461.7
Taxation payable	114.5	102.3	-	-
Long term borrowings	1 130.5	1 191.5	-	-
Short term borrowings	1 936.2	1 134.7	1 139.3	977.3
Shareholders for dividends	226.3	183.7	226.3	183.7
Financial liabilities measured at amortised cost	4 718.4	3 806.3	1 981.1	1 622.7

40.1 Treasury risk management

A treasury risk management committee, consisting of senior executives in the group, meets periodically to analyse currency and interest rate exposures and formulates treasury management strategies in light of prevailing market conditions and current economic forecasts. This committee operates within group policies approved by the board.

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange, price and interest rate risks), comprise interest rate swaps, forward rate agreements, cross currency interest rate swaps, forward exchange contracts and sugar commodity futures. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group, and forecast future transactions in line with the group's risk management policies.

It is the policy of the group not to trade in derivative financial instruments for speculative purposes.

40.2 Interest rate risk management

Taking cognisance of the seasonality of the group's cash flow and long term interest rate forecasts, the risk management committee positions the group's interest rate exposures according to expected movements in interest rates internationally as well as in the countries in which the group operates.

The interest rate profile at 31 March 2009 is as follows:

	Floating rate	1-6 months	Greater than 6 months	Long term borrowings	Current portion long term borrowings	Total borrowings
Borrowings (Rm)	132.8	446.9	1 138.8	1 130.5	217.7	3 066.7
% total borrowings	4%	15%	37%	37%	7%	100%

Notes to the financial statements continued

40 FINANCIAL RISK MANAGEMENT continued

40.2 Interest rate risk management (continued)

In order to minimise the risk on a US\$120 million loan from the holding company, the company has entered into a three-year cross currency interest rate swap which fixes the exchange rate on the capital and swaps out the floating US Dollar interest rate for a floating Rand rate and a fixed Rand interest rate (refer note 23).

The interest rate swap contract which exchanges floating rate interest amounts for fixed interest amounts is designated as a cash flow hedge in order to reduce the group's cash flow exposure resulting from the variable interest rate borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit and loss over the period that the floating rate interest payments on debt impact profit or loss.

Interest rate sensitivity

The group is exposed to interest rate cash flow risk in respect of its variable rate loans and short term cash investments, which can impact on the cash flows of these instruments. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year.

If interest rates had been 50 basis points higher/lower and all other variables held constant, the group's profit before tax for the year would increase/decrease by:

2009 Rm	2008 Rm
14.1	6.7

40.3 Commodity price risk management

Commodity price risk arises from fluctuations in the world sugar price and the impact this may have on current or future earnings. In order to minimise this risk, management attempt to maximise the sale of sugar into each operating country's domestic market as well as the regional, European and American markets which ensures a premium to the world sugar price. The South African operation however does not have access to the preferential European markets and its excess sugar is sold on the world market. The sale of sugar on the world market, as well as the related hedging activities, is undertaken by the South African Sugar Association (SASA). The company partakes in all decisions made by SASA relative to its pricing and hedging activities.

Management regularly monitors the volumes of sugar sold into the various markets to ensure that the group realises the best possible price.

40.4 Currency risk management

In the normal course of business, the group enters into transaction denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts in respect of receivables and liabilities.

The carrying amount of the group's unhedged and uncovered foreign currency denominated monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
US Dollars	255.9	174.4	239.6	354.0
Euros	18.9	86.4	34.9	47.1
Other	0.2	0.7	3.4	36.0

40.4 Currency risk management (continued)

Unhedged and uncovered foreign currency monetary items which are repayable within twelve months comprise:

	Group		Group	
	2009		2008	
	Foreign currency million	Amount in Rm	Foreign currency million	Amount in Rm
Assets				
US Dollars	26.2	249.1	11.9	97.3
Euros	1.5	18.9	6.7	86.4
Other		0.2		0.7
		268.2		184.4
Liabilities				
US Dollars	10.3	98.0	0.7	5.4
Euros	0.9	11.5	3.6	47.1
Other		3.4		36.0
		112.9		88.5

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and the Euro. The following table details the group's sensitivity to a 10% increase and decrease in the Rand against the Dollar and Euro for the net foreign assets and liabilities of the group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax and other equity where the Rand strengthens by 10% against the relevant currency. For a 10% weakening of the Rand against the relevant currency, there would be an equal and opposite impact on profit before tax and other equity, and the balances below would be negative.

	US Dollar		Euro	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
10% foreign currency sensitivity	1.6	4.4	(1.6)	3.9

In order to minimise risk on the US\$120 million loan from the holding company, the company has entered into a three-year cross currency interest rate swap which fixes the exchange rate on the capital and swaps out the floating US Dollar interest rate for a floating Rand rate and a fixed Rand interest rate (refer note 23).

The group has entered into certain forward exchange contracts which relate to specific items appearing on the balance sheet or were entered into to cover forecast foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2009 financial year.

	Group			Group		
	Foreign currency million	2009 Average rate	Amount in Rm	Foreign currency million	2008 Average rate	Amount in Rm
Foreign currency sold						
US Dollars	15.5	11.02	170.9	8.2	7.77	64.0
Euros	18.2	12.84	233.7	2.8	12.90	36.1
Foreign currency purchased						
US Dollars	0.5	10.63	5.7	–	–	–
Euros	3.4	12.47	42.4	–	–	–
Mauritian Rupee	7.1	3.52	25.0	–	–	–

Notes to the financial statements continued

40 FINANCIAL RISK MANAGEMENT continued

40.5 Credit risk management

Credit risk consists mainly of short term cash deposits and cash equivalent investments, trade debtors and loans. The group only deposits short term cash with major banks of high quality credit standing and limits the amount of credit exposure to any one counter-party. Trade debtors and loans comprise a widespread base, and group companies undertake ongoing credit evaluations of the financial condition of the other parties. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2009, the group does not consider there to be any material credit risk that has not been insured or adequately provided against.

The group grants various credit terms to its customers. The analysis of trade receivables which are past due at reporting date is as follows:

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Not past due	401.4	379.9	261.7	237.5
Past due by 30 days	33.4	28.8	31.0	11.0
Past due by 60 days	13.6	7.8	11.6	1.6
Past due by 90 days	1.6	1.6	0.6	0.5
Past due by 120 days and over	1.5	12.8	1.5	–
	451.5	430.9	306.4	250.6
Less: allowance for doubtful debts	(21.0)	(8.4)	(18.8)	(5.7)
Total trade receivables	430.5	422.5	287.6	244.9

No specific trade receivables have been placed under liquidation in either the current or the prior years.

Provision for doubtful debts

Set out below is a summary of the movement in the provision for doubtful debts for the year:

Balance at beginning of the year	8.4	7.9	5.7	5.3
Amounts written off during the year	(0.1)	(0.7)	–	–
Amounts recovered during the year	(0.4)	–	(0.4)	–
Increase in allowance	13.7	0.6	13.5	0.4
Exchange rate translation difference	(0.6)	0.6		
Balance at end of the year	21.0	8.4	18.8	5.7

40.6 Liquidity risk management

In terms of the company's Articles of Association, the directors may from time to time, at their discretion, raise or borrow for the purpose of the company as they think fit.

The group treasury has access to the following local and foreign banking facilities at 31 March 2009:

	Rm
Local, fixed and flexible term, general banking facilities	3 729.0
Foreign, fixed and flexible term, general banking facilities	1 550.0
	5 279.0

40.7 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents and equity.

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm	Depreciation Rm
Business segments					
Year to 31 March 2009					
Sugar production	6 250.7	716.1	4 250.3	1 373.4	150.7
Cane growing	1 712.4	503.5	3 476.6	476.3	54.1
Downstream	638.6	166.6	348.3	16.3	10.4
	8 601.7	1 386.2	8 075.2	1 866.0	215.2
Year to 31 March 2008					
Sugar production	4 859.9	602.4	3 301.1	687.9	109.0
Cane growing	1 358.2	317.0	2 669.8	300.5	32.3
Downstream	576.0	145.1	291.9	3.5	10.4
	6 794.1	1 064.5	6 262.8	991.9	151.7
Geographical segments					
Year to 31 March 2009					
South Africa	3 868.8	256.6	1 769.8	76.9	
Malawi	1 739.6	634.0	1 697.4	138.4	
Zambia	1 150.0	168.3	2 808.7	1 517.3	
Swaziland	790.1	127.7	550.2	63.3	
Tanzania	666.3	118.6	630.7	31.3	
Mozambique	386.9	81.0	618.4	38.8	
	8 601.7	1 386.2	8 075.2	1 866.0	
Year to 31 March 2008					
South Africa	3 104.1	263.4	1 643.2	47.6	
Malawi	1 162.7	434.0	1 298.3	84.0	
Zambia	1 076.1	125.1	1 815.7	781.6	
Swaziland	693.0	98.2	462.0	24.5	
Tanzania	482.8	94.2	530.3	32.9	
Mozambique	275.4	49.6	513.3	21.3	
	6 794.1	1 064.5	6 262.8	991.9	

Note: Total assets excludes financial instruments

Analysis of shareholders

	Number of ordinary shares held	% of shares issued	Number of shareholders
An analysis of the register of members as at 31 March 2009 revealed the following categories of membership -			
1 – 1 000	923 177	0.3	2 954
1 001 – 10 000	4 120 092	1.2	1 204
10 001 – 100 000	10 479 630	3.0	296
100 001 – 1 000 000	54 589 298	15.5	172
Over 1 000 000	280 811 705	80.0	33
	350 923 902	100.0	4 659

Of the total number of shareholders, 3 692 hold their shares in dematerialised form whilst 967 remain as certificated holders. Of the total number of shares in issue, 48.5% have been dematerialised. The holding company has elected to hold its shares in certificated form.

A further analysis of the register reveals the following categories of members -

◇◇ Pension funds	63 826 133	18.2	142
◇◇ Unit trusts	59 473 096	16.9	73
◇◇ Banks	19 762 157	5.6	54
◇◇ Individuals	6 744 974	1.9	4 223
◇◇ Insurance companies	6 144 590	1.8	26
◇◇ Other corporate bodies	194 972 952	55.6	141
	350 923 902	100.0	4 659

Disclosures by nominee shareholders

Pursuant to the provisions of Section 140A of the Companies Act, 1973, the following beneficial shareholdings equal to or exceeding 5% of the total issued shares in the company have been determined from an analysis of the statutory disclosures submitted by nominee companies -

◇◇ ABF Overseas Limited	180 298 980	51.4
◇◇ Allan Gray Limited	80 066 987	22.8
◇◇ Public Investment Commissioner	19 900 970	5.7

It should be noted that beneficial shareholders which are investment managers, will hold shares on behalf of clients, and may or may not hold the relevant voting rights.

Shareholder spread

Non-public shareholders -

◇◇ Holding company	180 298 980		1
◇◇ Directors	476 556		6
◇◇ Employees and former employees holding shares in terms of the Illovo Sugar 1992 Share Option Scheme	1 041 270		43
◇◇ Trustees of the Illovo Sugar Employees' Share Purchase Trust	113 983		1
	181 930 789	51.8	51
Public shareholders	168 993 113	48.2	4 608
	350 923 902	100.0	4 659