

# PROFIT AND DIVIDEND ANNOUNCEMENT



Audited results for the year ended 31 March 2009

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

- Operating profit increased by 30%
- Headline earnings per share increased by 23%
- Dividend increased by 24%
- Strong operational cash generation
- Ongoing major capacity expansions / funding arrangements

## Review

The group achieved sound results for the year ended 31 March 2009 with headline earnings increasing by 24% to R741.8 million, whilst headline earnings per share rose by 23% to 211.6 cents. Group operating profit increased by 30% to R1 386 million. The group's profits benefited from a number of factors, most notably, improved domestic market sales, higher world and regional market sugar prices, weaker exchange rates and good results from downstream operations. Lower sugar production in Zambia, Swaziland and Tanzania partly offset these benefits.

Net financing costs of R183.7 million reflect a small increase compared to the previous year, whilst taxation at R238.9 million remained relatively low mainly due to the Zambian subsidiary being granted expansion-related tax allowances. The group's effective tax rate was 19.9% (2008: 15.7%).

The contributions to operating profit were sugar production 52%, cane growing 36% and downstream 12%. By country, contributions were South Africa 19%, Malawi 45%, Zambia 12%, Swaziland 9%, Tanzania 9% and Mozambique 6%.

Strong cash operating profit of R1 207 million was achieved. However, group borrowings increased substantially from R1 168 million to R2 411 million as a result of the expansion projects during the year, with the debt : equity ratio rising from 40% to 70%.

The agricultural operations generally performed satisfactorily with cane production in the 2008/09 season amounting to 5.1 million tons. Adverse weather conditions in Swaziland and Tanzania impacted negatively on output in those countries, whilst in Zambia the difficulties experienced during phase 1 of the factory expansion resulted in a significant tonnage of cane being carried over to the next season. Group sugar production of 1.824 million tons was 2% above the previous season despite a 40 000 ton reduction in sugar production compared to the previous year in Zambia following the delayed start to the season and the disappointing mechanical performance of the plant after phase 1 of the factory expansion. Phase 2 of the project was completed as planned in April 2009. The performance levels of the other factories throughout the group were generally good. The downstream plants have operated well, with output being similar to last year. World prices of furfural and lactulose were strong during the year.

Domestic market sugar sales across the group were encouraging with all operations achieving an improvement in offtake. Marketing initiatives and improved distribution, particularly in the rural areas, together with efforts of the authorities to control illegal imports were the main factors affecting the growth in sales. Exports into premium-priced markets are very important to the group's business and sugar sales into these markets were around 220 000 tons. Demand from the group's regional markets remained at a satisfactory level although slightly less than the prior year.

The world sugar price, although continuing to be very volatile, adjusted upwards during the past year. The improvement in this price also resulted in a firming of sugar revenue realisations in the regional markets supplied by Illovo. The world price rose in the early part of the year as a result of a forecast deficit in production, but then weakened in line with other commodities. However, in recent months the price has increased strongly, driven by a significant production decline in India, the success of the European Union (EU) Sugar Regime reform in reducing output in that region, and capital constraints within the sugar industry in Brazil. These factors have resulted in a material global deficit in production being anticipated, thereby creating a platform for higher sugar prices.

Reform of the EU Sugar Regime has been completed via a process of structural reform which has seen the reduction of EU export subsidies and the lowering of domestic farm support for European beet farmers. Annual domestic sugar production in the EU has reduced by nearly six million tons as a result of these measures which were also accompanied by a restructuring grant to affected EU producers. The price payable to suppliers of sugar into the EU was also reduced as part of the reform.

The net result of the reform will be to move the European sugar market from surplus into deficit. This will enable traditional exporters of sugar to the EU, mainly Least Developed Countries (LDCs) and member states of the African, Caribbean and Pacific (ACP) trade group, to continue to export to the EU on preferential terms such that the EU sugar market maintains equilibrium. Imports into the EU from these traditional suppliers are projected to reach 3.5 to 4.0 million tons by 2015, with new market access arrangements coming into force from 1 October 2009. These arrangements provide duty-free, quota-free access to the EU sugar market for qualifying LDC/ACP suppliers on the basis of unrestricted access for LDCs, with ACP access being limited by a safeguard ceiling of 3.5 million tons. Previous quality restrictions which limited imports to bulk raw sugar for refining will also be relaxed from 1 October 2009, and exporters to the EU will in future be entitled to supply sugar of various qualities as required by different customers. The new EU sugar arrangements have been incorporated into the terms of new Economic Partnership Agreements (EPAs) currently being negotiated between the EU and the supplying regions. These market access changes are positive for the Illovo group, although the lower prices received in these markets have impacted on export revenues. The company has concluded an investment in a United Kingdom-based joint venture with British Sugar which will provide an effective route to the EU market for Illovo's export sugars from 1 October 2009.

Illovo has embarked on a major drive to significantly increase its cane and sugar productive capacity. The first step was the Zambian expansion project, with phase 2 of the project being completed as planned on 1 April 2009. The project increases the capacity of the Nakambala sugar mill to 450 000 tons sugar per annum. The expanded factory is settling down and is operating at design capacity. The group has, 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 cane per annum with the potential to further increase output. This operation delivers its cane to the Nakambala sugar mill. A rights offer has been announced by Zambia Sugar Plc, the group's Zambian subsidiary, to secure the future financing requirements of the Zambian business.

The Mali project continues to progress, albeit slowly, particularly in respect of the social and environmental impact studies which are required in respect of the concessional funding for the agricultural development. The commercial planting of sugar cane is expected to commence in the first quarter of 2010, with sugar production anticipated to start in December 2011.

The expansion of the group's sugar factory at Maragra in Mozambique, which will result in output from that operation doubling to 150 000 tons sugar per annum over the next three years, is progressing well with phase 1 completed in April 2009. The group has entered into a joint venture with the local community at Maragra to develop 4 000 hectares of land to cane over the next two years at a site located on the east bank of the Inkomati River approximately 40 kilometres from the mill. The joint venture will produce 400 000 tons cane per annum and the project is linked to the factory expansion. The company has also acquired an option to purchase a 90% shareholding in the Búzi sugar estate situated near Beira, which provides the opportunity to erect a sugar factory capable of producing 150 000 tons sugar per annum in the future.

In Malawi the marginal factory expansion and increase in cane land area at Nchalo was successfully completed prior to the commencement of the new sugar season.

In South Africa, the company has undertaken a number of disposals and investments which will result in a more streamlined business. The sale of the Umfolozi sugar mill to a grower consortium was completed on 31 March 2009, with payment received in full. An agreement to sell the Pongola sugar mill to TSB Sugar RSA Limited has been concluded, subject to approval by the Competition Commission. The company has acquired a 30% shareholding in and will provide technical services to a new business entity which has purchased the Gledhow sugar mill which was previously wholly-owned by Ushukela Milling (Pty) Limited (Ushukela). The other shareholders in this new business entity comprise Ushukela, a consortium of supplying cane growers and Sappi Manufacturing (Pty) Limited.

In order to meet the ongoing financing requirements of the group, existing facilities have been renewed. In addition 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. This initiative has the full backing of the holding company which has indicated a willingness to support a rights offer to shareholders at or around the prevailing share price. Shareholders will be advised further as this matter is progressed.

### **Directorate**

Don MacLeod, who was Managing Director of Illovo since 1992, retired from this position on 31 March 2009. He, however, remains a member of the board as a non-executive director, and assumed the role of Deputy Chairman from 1 April 2009.

Graham Clark, previously the Operations Director, succeeded Mr MacLeod as Managing Director on 1 April 2009.

John Russell, previously New Projects Director, retired on 31 March 2009. In line with the company's succession plan, David Haworth and Larry Riddle were appointed executive directors with effect from 1 April 2009.

Imogen Mkhize, who has been a non-executive director of the company since November 2005, resigned from the board with effect from 31 March 2009, due to other increasing demands on her time.

### **Dividend**

The final dividend has been increased to 64.5 cents per share (2008: 52.5 cents per share) resulting in a total distribution of 106.0 cents per share (2008: 85.5 cents per share) for the full year, which continues in line with the objective of dividends being twice covered by earnings.

### **Outlook**

In the current year, own cane and sugar production are anticipated to exceed the levels achieved in the last season, whilst downstream production is expected to be at similar levels to those of last year. World sugar prices are anticipated to remain above last year's average levels but to continue to be volatile. Provided they remain at current levels, it will be favourable for revenues from both world and regional markets. Domestic market offtake is expected to remain positive. The results for the current year will however be affected by the level of the rand, which has strengthened this year, compared to other currencies. Financing costs, as a result of increased borrowings related to the major expansion projects, are anticipated to increase significantly. The effective tax rate is expected to normalise at around 30%.

On behalf of the Board

**R A Williams**  
*Chairman*

**G J Clark**  
*Managing Director*

Mount Edgecombe  
26 May 2009

## ABRIDGED GROUP INCOME STATEMENT

	Notes	Year ended 31 March		Change %
		2009 Rm	2008 Rm	
<b>Revenue</b>		<b>8 601.7</b>	6 794.1	27
<b>Operating profit</b>		<b>1 386.2</b>	1 064.5	30
Net financing costs	2	<b>183.7</b>	170.4	
<b>Profit before material items</b>		<b>1 202.5</b>	894.1	
Material items	3	<b>0.3</b>	( 0.1)	
<b>Profit before taxation</b>		<b>1 202.8</b>	894.0	
Taxation		<b>238.9</b>	140.7	
<b>Profit after taxation</b>		<b>963.9</b>	753.3	
Attributable to outside shareholders in subsidiary companies		<b>224.8</b>	153.5	
<b>Net profit attributable to shareholders in Illovo Sugar Limited</b>		<b>739.1</b>	599.8	23
<b>Determination of headline earnings :</b>				
Net profit attributable to shareholders		<b>739.1</b>	599.8	
Adjusted for :				
(Profit)/loss on disposal of properties	3	<b>( 0.3)</b>	0.1	
Loss/(profit) on disposal of plant and equipment		<b>3.0</b>	( 0.3)	
<b>Headline earnings</b>		<b>741.8</b>	599.6	24
Number of shares in issue (millions)		<b>350.9</b>	349.9	
Weighted average number of shares on which headline earnings per share are based (millions)		<b>350.5</b>	349.4	
<b>Headline earnings per share (cents)</b>		<b>211.6</b>	171.6	23
Basic earnings per share (cents)		<b>210.9</b>	171.7	
Diluted basic earnings per share (cents)		<b>209.8</b>	170.5	
Diluted headline earnings per share (cents)		<b>210.6</b>	170.5	
Dividend per share (cents)		<b>106.0</b>	85.5	24

The independent auditors, Deloitte & Touche, have issued their opinion on the group's annual financial statements for the year ended 31 March 2009. Their audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These abridged financial statements have been derived from and are consistent in all material respects with the group's annual financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

This abridged report has been prepared using accounting policies that comply with International Financial Reporting Standards, and complies with IAS 34, Schedule 4 of the Companies Act, 1973, and the disclosure requirements of the Listings Requirements of the JSE Limited. The accounting policies adopted are consistent with those applied in the previous financial year.

	Year ended 31 March	
	2009	2008
	Rm	Rm
<b>2. Net financing costs</b>		
Interest paid	489.0	250.4
Less : Capitalised	(258.4)	(41.9)
	<u>230.6</u>	<u>208.5</u>
Interest received	(44.5)	(37.9)
Foreign exchange (gains)/losses	(0.7)	1.1
Dividend income	(1.7)	(1.3)
	<u>183.7</u>	<u>170.4</u>
<b>3. Material items</b>		
Profit/(loss) on disposal of properties	0.3	(0.1)
<b>Material profit/(loss) before taxation</b>	<u>0.3</u>	<u>(0.1)</u>
Taxation	-	-
<b>Material profit/(loss) attributable to shareholders in Illovo Sugar Limited</b>	<u>0.3</u>	<u>(0.1)</u>

**ABRIDGED GROUP BALANCE SHEET**31 March  
2009 2008  
Rm Rm**ASSETS**

<b>Non-current assets</b>	<b>5 370.2</b>	3 926.5
Property, plant and equipment	4 087.7	3 014.5
Cane roots	1 132.3	821.7
Investments	150.2	90.3
<b>Current assets</b>	<b>2 894.2</b>	2 354.5
Inventories	725.8	605.1
Growing cane	1 222.9	948.5
Accounts receivable	756.3	782.7
Financial instruments	189.2	18.2
<b>Total assets</b>	<b>8 264.4</b>	6 281.0

**EQUITY AND LIABILITIES**

<b>Total equity</b>	<b>3 445.0</b>	2 928.9
Equity holders' interest	2 773.8	2 373.3
Minority shareholders' interest	671.2	555.6
<b>Non-current liabilities</b>	<b>3 112.2</b>	1 807.3
Deferred taxation	701.1	639.0
Net borrowings	2 411.1	1 168.3
<b>Current liabilities</b>	<b>1 707.2</b>	1 544.8
Accounts payable and provisions	1 702.0	1 536.2
Financial instruments	5.2	8.6
<b>Total equity and liabilities</b>	<b>8 264.4</b>	6 281.0

**OTHER SALIENT FEATURES**

Operating margin (%)	16.1	15.7
Effective tax rate (%)	19.9	15.7
Debt : equity ratio	70.0	39.9
Interest cover (times)	7.5	6.2
Return on net assets (%)	22.0	24.1
Net asset value per share (cents)	981.7	837.2
Depreciation	215.2	151.7
Capital expenditure	1 881.4	1 003.6
- expansion	1 696.5	837.0
- product registration costs	15.4	11.7
- replacement	169.5	154.9
Capital commitments	2 330.5	3 140.4
- contracted	276.2	798.2
- approved but not contracted	2 054.3	2 342.2
Lease commitments	124.1	196.7
- land and buildings	69.0	100.8
- other	55.1	95.9
Contingent liabilities	13.5	5.0

## ABRIDGED GROUP CASH FLOW STATEMENT

	Year ended 31 March	
	2009	2008
	Rm	Rm
<b>Cash flows from operating and investing activities</b>		
Cash operating profit	1 206.9	1 055.0
Working capital requirements	362.8	46.2
Cash generated from operations	1 569.7	1 101.2
Replacement capital expenditure	( 169.5)	( 154.9)
Financing costs, taxation and dividend	( 863.2)	( 708.9)
Net investment in future operations	(1 745.8)	( 869.5)
Other movements	81.6	( 13.1)
<b>Net cash outflow before financing activities</b>	<b>(1 127.2)</b>	<b>( 645.2)</b>
Net cash inflow from financing activities	659.1	737.8
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>( 468.1)</b>	<b>92.6</b>

## STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2009	2008
	Rm	Rm
<b>Share capital and share premium</b>		
Balance at beginning of the year	361.0	354.5
Issue of new shares	6.5	6.5
Balance at end of the year	<u>367.5</u>	<u>361.0</u>
<b>Share-based payments reserve</b>		
Balance at beginning of the year	12.6	10.9
Share-based payment expense	0.5	1.7
Balance at end of the year	<u>13.1</u>	<u>12.6</u>
<b>Non-distributable reserves</b>		
Balance at beginning of the year	412.4	146.3
Realised profit on disposal of land	0.3	-
Effect of foreign currency translation	(33.0)	269.5
Effect of cash flow hedges	16.8	(3.4)
Balance at end of the year	<u>396.5</u>	<u>412.4</u>
<b>Retained surplus</b>		
Balance at beginning of the year	1 403.6	1 103.0
Realised profit on disposal of land	(0.3)	-
Transfer to dividend reserve	(372.0)	(299.2)
Net profit for the year	739.1	599.8
Balance at end of the year	<u>1 770.4</u>	<u>1 403.6</u>
<b>Dividend reserve</b>		
Balance at beginning of the year	183.7	157.0
Transfer from retained surplus	372.0	299.2
Dividends paid	(329.4)	(272.5)
Balance at end of the year	<u>226.3</u>	<u>183.7</u>
<b>Equity holders' interest</b>	<u>2 773.8</u>	<u>2 373.3</u>
<b>Minority shareholders' interest</b>		
Balance at beginning of the year	555.6	456.6
Effect of foreign currency translation	6.7	56.8
Dividends paid	(119.8)	(114.4)
Increase in shareholding	3.9	3.1
Net profit for the year	224.8	153.5
Balance at end of the year	<u>671.2</u>	<u>555.6</u>
<b>Total equity</b>	<u>3 445.0</u>	<u>2 928.9</u>

## SEGMENTAL ANALYSIS

	Year ended 31 March			
	2009		2008	
	Rm	%	Rm	%
<b>BUSINESS SEGMENTS</b>				
<b>Revenue</b>				
Sugar production	6 250.7	73	4 859.9	72
Cane growing	1 712.4	20	1 358.2	20
Downstream	638.6	7	576.0	8
	<b>8 601.7</b>		<b>6 794.1</b>	
<b>Operating profit</b>				
Sugar production	716.1	52	602.4	57
Cane growing	503.5	36	317.0	30
Downstream	166.6	12	145.1	13
	<b>1 386.2</b>		<b>1 064.5</b>	
<b>Total assets (excluding financial instruments)</b>				
Sugar production	4 250.3	53	3 301.1	53
Cane growing	3 476.6	43	2 669.8	42
Downstream	348.3	4	291.9	5
	<b>8 075.2</b>		<b>6 262.8</b>	
<b>GEOGRAPHICAL SEGMENTS</b>				
<b>Revenue</b>				
South Africa	3 868.8	46	3 104.1	46
Malawi	1 739.6	20	1 162.7	17
Zambia	1 150.0	13	1 076.1	16
Swaziland	790.1	9	693.0	10
Tanzania	666.3	8	482.8	7
Mozambique	386.9	4	275.4	4
	<b>8 601.7</b>		<b>6 794.1</b>	
<b>Operating profit</b>				
South Africa	256.6	19	263.4	25
Malawi	634.0	45	434.0	41
Zambia	168.3	12	125.1	12
Swaziland	127.7	9	98.2	9
Tanzania	118.6	9	94.2	9
Mozambique	81.0	6	49.6	4
	<b>1 386.2</b>		<b>1 064.5</b>	



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

## DECLARATION OF DIVIDEND NO. 35

Notice is hereby given that a final dividend of 64.5 cents per share has been declared on the ordinary shares of the company in respect of the year ended 31 March 2009. This dividend, together with the interim dividend of 41.5 cents per share which was declared on 12 November 2008, makes a total distribution in respect of the year ended 31 March 2009 of 106.0 cents per share.

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

Last day to trade cum-dividend	Friday, 3 July 2009
Shares commence trading ex-dividend	Monday, 6 July 2009
Record date	Friday, 10 July 2009
Payment of dividend	Monday, 13 July 2009

Share certificates may not be dematerialised / rematerialised between Monday, 6 July 2009 and Friday, 10 July 2009, both days inclusive.

By order of the Board

G D Knox	Mount Edgecombe
<i>Company Secretary</i>	26 May 2009

### Directors :

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

# British \* *Non-executive*

### Registered office :

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

### Postal address :

P O Box 194, Durban, 4000

Website : [www.illovosugar.com](http://www.illovosugar.com)

### Transfer Secretaries :

Link Market Services South Africa (Proprietary) Limited : 11 Diagonal Street, Johannesburg, 2001  
P O Box 4844, Johannesburg, 2000

### Auditors :

Deloitte & Touche

### Sponsor :

J P Morgan Equities Limited