

More than sugar



Integrated Annual Report
For the year ended 31 March 2012

Group profile

Illovo is a leading sugar producer and a significant manufacturer of downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The group produces raw and refined sugar for local, regional, EU, USA and world markets from sugar cane supplied by its own agricultural operations and from independent outgrowers who supply cane to Illovo's factories. High-value products manufactured downstream of the sugar production process are sold internationally into niche markets. Installed electricity generating capacity, fuelled by renewable resources, provides 89% of the group's energy requirements. Illovo is listed on the JSE Limited and is a subsidiary of Associated British Foods plc which holds 51% of the issued share capital.

Vision

The vision of the group is to be a world-class, low-cost and highly efficient organisation, operating on the African continent, adding value to its core products of fibre, sugar and molasses. We seek to enhance shareholder wealth and optimise growth, achieving a sustainable, balanced and integrated economic, social and environmental performance, whilst taking cognisance of the interests of our stakeholders.

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Surrounded by raw, brown massecuite, the perfect sugar crystal emerges out of today's modern manufacturing process to provide Illovo with its 120-year prowess in brown and refined sugar production. But, more than this, we have also evolved to make use of every downstream product from this process; producing ethanol from molasses, furfural and its derivatives from bagasse and electricity from a combination of both bagasse and biomass. This, in a complex and challenging 21st Century, provides us with the ultimate key for long-term economic, environmental and social sustainability. More than sugar...

Scope of report

We are pleased to present Illovo's Integrated Report to stakeholders, reporting on the Illovo group's financial and non-financial performance for the year ended 31 March 2012. It incorporates the ongoing business activities of the cane, sugar and downstream operations of the company's subsidiaries located across six African countries: Malawi, Zambia, Tanzania, South Africa, Swaziland and Mozambique. There has been no change to the structure of the business during the past 12 months and therefore, the contents of this report further build on that previously reported in the 2011 Annual Report and the group's Sustainable Development Review 2010/11, and are comparable.

Information describing our agricultural, manufacturing and marketing activities has been provided on the basis of promoting understanding of the group's primary processes and providing an informed assessment of the group's ability to create and sustain value among our key stakeholders, including shareholders, investors, employees, trade unions, regulators including the JSE Limited, customers, raw material suppliers, most notably providers of sugar cane, other suppliers and service providers, governments, and communities and civil society. This report is also available on our website at www.illovosugar.com.

Whilst considerable care and attention has been paid to the compilation of this report, we acknowledge that our integrated reporting journey has just commenced and with time and experience, our goal is to make steadfast progress towards best practice in this area of reporting.

In compiling the report, we have considered the following:

- the Companies Act, 2008, which repealed the Companies Act, 1973, with effect from 1 May 2011;

- the Listings Requirements of the JSE Limited;
- the King Report on Governance for South Africa 2009 and, in particular, the principles contained in the King Code of Governance for South Africa 2009 (King III); and
- in addition to all of the above, and aligned to the group's aim to strengthen its integrated business approach, the Global Reporting Initiative's (GRI) G3 Guidelines, the Integrated Reporting Committee and the JSE's Socially Responsible Investment (SRI) Index 2011. An index of the GRI sustainability performance indicators is located on our website.

In respect of the annual financial statements, assurance has been provided by the independent external auditors, Deloitte & Touche. The sustainability section of the report has been externally assured by SustainabilityServices.co.za (see www.illovosugar.com), whilst individual components of other sections of the report, such as Illovo's Broad-based Black Economic Empowerment rating, have been audited by relevant accredited external verification agencies.

Approval of integrated report

The board acknowledges its responsibility to ensure the integrity of this report. The directors have collectively assessed the content and believe the report addresses all material issues and presents fairly the integrated performance of our group. The board has authorised the release of this report for 2012.

D G MacLeod
Chairman

G J Clark
Managing Director

24 May 2012

Forward looking statement

We continue to make steady progress towards our objective of increasing annual sugar production to more than two million tons by 2017. Our base business now enjoys greater sugar production capacity and further development of the downstream operations, thereby strengthening Illovo's long-term economic sustainability. Commissioning of the major expansion project at Ubombo in Swaziland in April 2011, following the successful expansion of the Nakambala factory in Zambia, establishes two of the region's largest and most efficient sugar mills. In South Africa, Illovo has developed a growth strategy to augment cane supplies which will lead to greater asset utilisation and improved opportunities for the diverse downstream operations. We recognise the need for maximum asset utilisation through increased cane supplies and enhanced factory performance. We have developed the necessary plans to achieve these goals in an environment of continuous improvement.

Incremental increases in sugar output provide the foundation for further development of our downstream operations. The power co-generation model at Ubombo has proven a viable proposition for replication at other sites, providing sufficient electricity from bio-renewable sources for all agricultural and factory requirements at the same time as supplying reliable power exports to the Swaziland grid on a commercial basis. Our interest in the production of bio-ethanol from molasses continues with the construction of a distillery adjacent to the Kilombero factory in Tanzania having commenced during the 2011/12 season, and with further progress made with investigations into producing ethanol for potable use or fuel blending programmes in Malawi and Zambia. Further advances in our furfural business have yielded positive results.

The strength of Illovo's business model lies in its ability to efficiently supply domestic markets in the countries in which the

Illovo group operates, comprising 64% of sugar sales in 2011/12. Through our marketing and distribution expertise, we are also able to deliver sugar to European refiners, as well as finished pre-packed speciality sugars to other overseas markets. In aspiring to be the supplier of choice, Illovo has also become a regular supplier of sugar to neighbouring regional markets, comprising 8% of total sales in 2011/12. In Malawi, a new sugar distribution system has brought about tangible results in our efforts to supply sugar on a country-wide basis at a uniform price, whilst in South Africa a new sugar warehouse is being constructed in Pietermaritzburg, to serve as a central distribution point between Illovo's production facilities in KwaZulu-Natal and our retail and industrial customers across the country.

High quality ethanol produced from molasses is principally export-based from Illovo's ethanol operations in South Africa and, together with the new distillery under construction in Tanzania, will increase the group's continental reach. Illovo's access into potentially lucrative USA markets was further progressed during the year following the registration received for the use of furfural as a natural agricultural nematocide on golf courses and turf farms.

In pursuit of the goal to strengthen our integrated business approach, we have produced our first Sustainable Development Review (available on Illovo's website) which identifies key sustainability indicators across governance, economic, environmental and social parameters. Guided by best reporting practice, the management systems that have been employed across the group to identify and accurately collate relevant data for the purposes of assessment and the setting of future sustainability targets, have been a key outcome of this process. This stands Illovo in good stead as it formulates new strategies to support the group's long-term sustainability.

Key features

Cane production	↓	1%	6.2 million tons
Sugar production	↓	7%	1.5 million tons
Furfural production	↑	21%	19 220 tons
Ethanol production	↓	0.5%	55 200 kilolitres
Domestic sugar market sales	↓	7%	973 000 tons
Export sugar market sales	↓	1%	556 000 tons
Revenue	↑	13%	R9 173 million
Operating profit	↑	16%	R1 349 million
Operating margin	↑	16%	14.7%
Headline earnings per share	↑	18%	132.6 cents per share
Total distribution	↑	18%	66.0 cents per share
Cash operating profit	↑	19%	R1 348 million
Return on net assets	↑	15%	15.9%

Comparative share prices:
Illovo, JSE All Share and JSE Food Producers Index
1 September 2006 to 31 March 2012



Key production and market statistics

for the year ended 31 March 2012

Our factories crushed

13.64m* tons

of company and outgrowers' cane (2011: 13.58m tons)



Furfural and furfuryl alcohol output increased by **21%** (2011: 15 900 and 9 000 tons respectively)

We supplied almost **1m tons** of sugar to domestic markets

Employee training and human development spend in 2011/12 -

R45m (2011: R57m)

Revenue of

R1 247m

earned by emergent growers through partnerships that support sustainable agriculture

Construction commences on

12m litre

ethanol distillery in Tanzania



We produced

1.5m tons of sugar

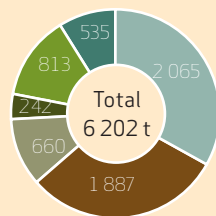
(2011: 1.6m tons), despite lower cane availability in four countries

Our group business understanding programme is presented to **29 000** permanent and seasonal employees

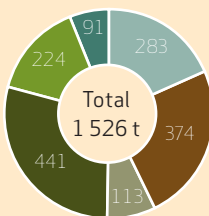
A record **7.6m** accident-free man hours are achieved by the Nchalo agriculture



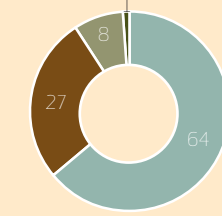
Own production ('000 tons)



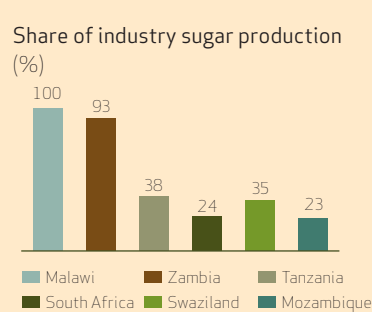
Sugar production ('000 tons)



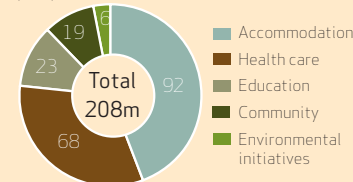
Group sugar markets (%)



Share of industry sugar production (%)



Group social investment spend (Rm)



Downstream production (South Africa only)

Furfural	tons	19 220
Furfuryl alcohol	tons	10 960
Diacetyl	kilograms	95 000
Lactulose	tons	7 800
Ethanol	kilolitres	55 246
Syrup	tons	5 873
Agriguard	kilolitres	586

In South Africa, Illovo re-confirmed as a

Level 5 contributor

relative to Codes of Good Practice on Black Economic Employment



251 The total employee complement of Umzimkulu and the number of jobs saved when not opened due to drought in 2011

96% of senior management completed our Anti-Bribery and Corruption training and assessment module

Our group safety record is further enhanced with a **45% reduction** in the disabling injury frequency rate to 0.24

Medical care provided to employees and dependants at

24 primary health care clinics and 4 hospitals

Merebank and Glendale distilleries achieve **OHSAS 18000:2007** accreditation under Occupational Health and Safety Management System

Senior management employed from own country of citizenship increases to

61% (2011: 51%)



89% of group's energy requirements provided by renewable sources

Of R3 154m wealth created,

R1 624m

was distributed to our own employees and R328m to governments as taxation

33GWh

The amount of electricity exported to Swaziland's national grid by Ubombo in 2011/12, exceeding minimum contract commitments

Social benefits to employees and our neighbouring communities amount to **R208m** (2011: R143m)



Recipes for growth

Lush, healthy green sugar cane, a large grass variety which during its seven to ten-year lifespan, absorbs carbon dioxide from the atmosphere, replacing it with pure oxygen to give life to all living things. This natural plant is the lifeblood of our operations across six African countries where, during the year under review, we cultivated and delivered 6.2 million tons of cane to our 11 factories for processing into sugar.



Group key performance indicators

for the year ended 31 March 2012

Financial

Increased operating margin of

14.7%

(2011: 12.7)%



Group revenue increases to

R9 173m

(2011: R8 108m), despite lower sugar production

Operating profit grows by

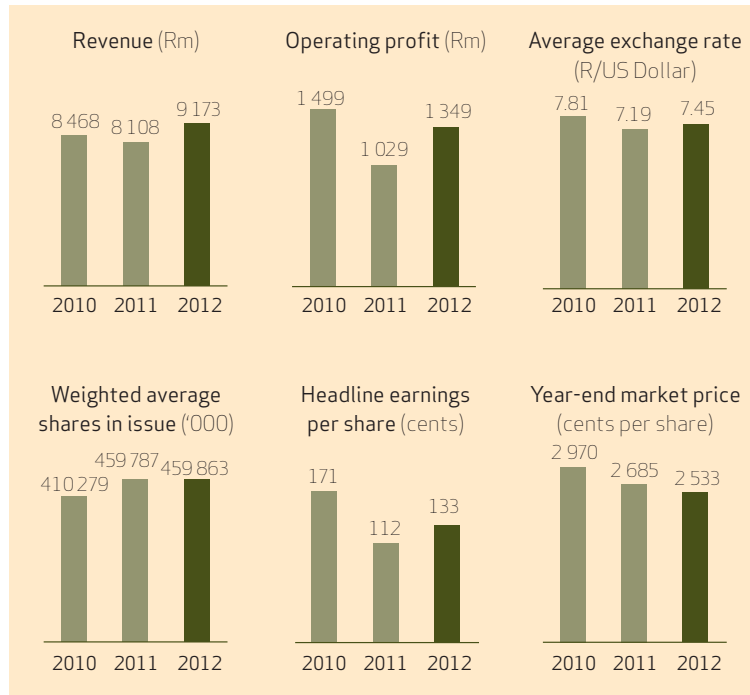
31%

to R1 349m
(2011: R1 029m)

We

benefited

from a favourable market environment and strict cost control measures



Our key strength - strong cash operating profit of

R1 348m

(2011: R1 133m)



Headline earnings per share

132.6 cents

18% increase over last year

Non-financial

Record sugar production of

91 000 tons

at Maragra in Mozambique

Increased sugar production at Ubombo in Swaziland of

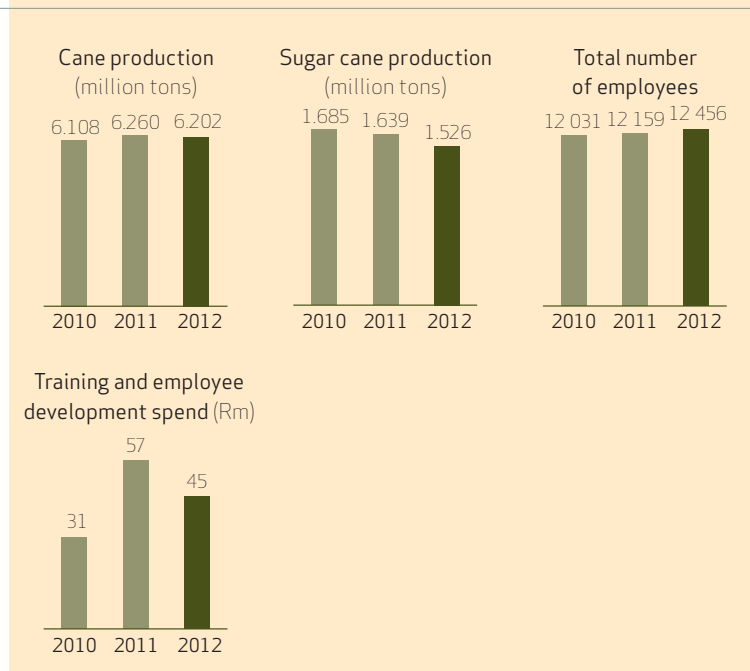
224 000 tons

after expansion

Zambia Sugar achieves

excellent

milling performance in 2011/12



Our power co-generation and bio-ethanol projects across the group are

gaining momentum

We sourced

75% of our

group procurement needs from local country suppliers, amounting to R2 228m



Our annual report is upgraded from "adequate" to

"good" in Ernst & Young's "Excellence in Corporate Reporting 2011" awards

In South Africa, we are included in the JSE's Socially Responsible Investment Index for the

fifth year in succession



m = million

Recipes for sustainability

Removed of all its sucrose-containing moisture, residue cane fibre called bagasse, is routed to the factory boilers where it is used to generate electricity for our own milling, agricultural and other operations, and in Swaziland, is exported commercially into the national power grid, ultimately to comprise around 15% of that country's total electricity supply by 2015.

Captured before entering the boilers, our downstream plant at Sezela extracts woody plant material from bagasse to produce furfural and its many derivatives, including an environmentally-friendly agricultural chemical to control nematode infestation of agricultural food crops and turf. Combined with the production of high-quality ethanol from molasses trapped in the sugar manufacturing process, these operations contributed R146.7 million to total operating profit in 2011/12.

Group structure

Associated
British
Foods plc

51.5%



AB Sugar, as a division of Associated British Foods plc (ABF), represents ABF in respect of all its sugar interests, including Illovo

Malawi

Illovo Sugar Malawi

76%



Zambia

Zambia Sugar

82%



Tanzania

Kilombero Sugar

55%



South Africa

Illovo Sugar SA

100%



Swaziland

Ubombo Sugar

60%



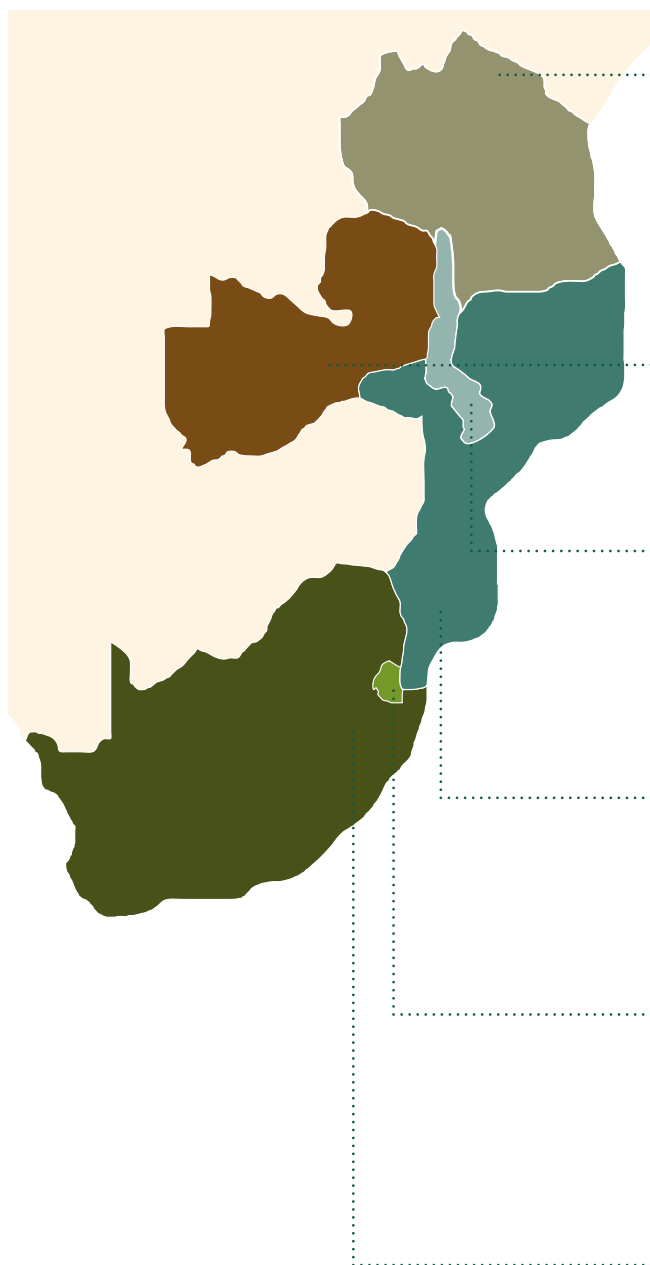
Mozambique

Maragra Açúcar

90%



Group locations



Tanzania

- Irrigated sugar cane estates
- Two sugar factories
- Construction of ethanol plant commenced in 2011
- Internal electricity generation

Zambia

- Irrigated sugar cane estates
- One sugar factory and refinery
- Speciality sugar production
- Internal electricity generation

Malawi

- Irrigated sugar cane estates
- Two sugar factories and refineries
- Speciality sugar production
- Internal electricity generation

Mozambique

- Irrigated sugar cane estates
- One sugar factory
- Internal electricity generation

Swaziland

- Irrigated sugar cane estates
- One sugar factory and refinery
- Internal electricity generation
- Electricity exports

South Africa

- Three rain-fed sugar cane estates
- Four sugar factories, one including a refinery and 30% share in managed operation (including a refinery)
- Three downstream plants and 50% share in ethanol distillery
- Speciality sugar production
- Internal electricity generation

Strategic Intent

To:

- be the leading sugar and downstream products operation in Africa, an increasing global supplier and a world-class organisation.
- be the lowest-cost producer in every country in which it operates and among the lowest-cost producers in the world.
- optimise the return on every stick of cane by adding value to its core commodity products – fibre, sugar and molasses. It will focus on its core business and develop material niche operations which add value.
- be the market leader, meeting and proactively anticipating customer needs.
- increase profits in real terms on a sustainable basis and maximise the return on capital employed through cost leadership, the use of innovative technology and the participation of all of its employees.
- be a moral, performance-focused organisation that people are proud to work for, where they are challenged to 'go the extra mile,' feel they can make a difference and know that good performance is recognised.
- be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities; aligning strategies to meet changing circumstances in the various countries in which the group operates.
- be cognisant of the rural locations of the group's operations and the impact that it has on job creation and poverty alleviation in such areas.

Goals and objectives

Primary objective

- To enhance the wealth of shareholders by optimising the long-term returns and growth of the business.
- To be a world-class organisation and amongst the most efficient and lowest-cost producers in the world.
- To achieve a sustainable, balanced and integrated economic, social and environmental performance.
- To provide all employees with a working environment that is safe and without risk to their health.

Growth

- To profitably expand the group's sugar and cane production.
- To consolidate and improve the profitability of downstream products and further develop new applications where appropriate.
- To maximise usage of bagasse and biomass to generate electricity for own operations and to supply power into national grids.
- To seek new opportunities for sugar and downstream products nationally and internationally.

Profitability

- To achieve a competitive rate of return on shareholders' funds and increase profits on an ongoing basis in real terms.
- To maintain a distribution/dividend cover of at least two times.

Asset management

- To manage investments in fixed assets and working capital so as to achieve the most efficient usage of funds employed, with the objective of not exceeding gearing of 40% over the long term and achieving an interest cover of not less than five times.

Product development

- To be proactive in identifying the needs of customers.
- To consistently deliver quality products and services to customers.
- To undertake research and development to improve returns, and develop new products and applications, from its core commodity products using every stick of cane.

Human resources

- To promote the ongoing development of all employees in order that they reach their maximum level of competence and participate fully in achieving the group's primary objective.
- To offer equal opportunity to all employees.

Corporate governance

- To ensure that the company is managed in an efficient, accountable, responsible, transparent and moral manner.
- To be socially responsible, and maintain and develop appropriate ethical, environmental and risk management standards as an integral part of the business.
- To take cognisance of all stakeholders' interests in the group's business.

Group strategy

Objectives	Performance	Group assessment	Our future objectives
Primary objective			
Wealth creation	We took every advantage of good market conditions to improve headline earnings by 18%, despite lower sugar output	Achieved	Drive revenue growth from our expanding capacity base, maximising returns from innovative marketing initiatives to improve margins
Growth			
Increase sugar production to 1.8 million tons in 2011/12	Increases in cane production in three countries of operation were not sufficient to offset the further decline in production from our drought-affected South African operation, together with lower production in Zambia and Tanzania. Total production – 1.5 million tons	Not achieved	We have launched a major strategic initiative to return cane yields to pre-drought levels in South Africa which, together with increased production from expanded agricultural and milling operations, is forecast to increase sugar production in 2013 by 20%, with our long-term goal of reaching two million tons of sugar by 2017
Increase domestic market presence and maximise sales to premium-priced markets	Our revenues from the sale of sugar and downstream products increased by 13% year-on-year to R9.2 billion, underlining a highly successful marketing performance	Achieved	Our focus is fixed on developing our brands and route to market, and recently have included initiatives to improve our outbound logistics in Malawi, Zambia and South Africa
Maximise the return from every stick of cane	Increased bagasse throughput at Sezela sees a 21% rise in furfural production, whilst our electricity exports to the Swaziland national grid exceed minimum contracted commitments	Achieved	Combined with our existing furfural business, Illovo's increasing molasses beneficiation initiatives see construction commencing on an ethanol distillery in Tanzania, with further interests in ethanol production for fuel blending in Zambia and Malawi being investigated. Co-generation of electricity remains our major drive so as to become self-sufficient in power supplies
Increase downstream revenues by maximising sales to higher-priced markets and developing new products	Downstream revenues increased by 24% year-on-year on the back of higher production levels of furfural, improved market prices in all market segments and the benefit of a weaker exchange rate	Achieved	Continued effort to drive downstream business to deliver increased margins in 2013, with electricity exports playing a key role
Sustainability			
Achieve sustainable, balanced integrated performance	2012 sees the publication of our first full sustainability review which identifies key sustainability indicators across governance, economic, environmental and social parameters	Achieved	The management systems employed in the process of identifying and accurately collating relevant data for the purposes of assessing and setting future sustainability targets has been a key outcome of this process
Provide a safe working environment for all our employees, without risk to their well-being	Our ongoing group-wide safety drive results in a 45% decline in Illovo's Disabling Injury Frequency Rate, surpassing the set target for 2012	Achieved	Our long-term safety goals are reviewed every quarter and new, more stringent annual targets are set at the commencement of every new season

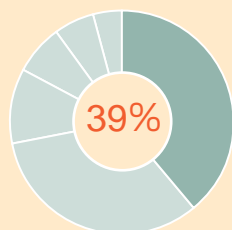
Strategic and operational accountability

MALAWI

Business profile

- Illovo Sugar (Malawi) Limited, listed on Malawi Stock Exchange
- Two agricultural estates: two factories and two refineries
- Produces raw and refined sugar, speciality sugars
- 5 400 permanent employees
- 4 529 seasonal agricultural workers
- DIFR: 0.18 (2011: 0.40) (group target: <0.5)

Contribution to operating profit



Normal season production

- Own cane: 2.3 million tons
- Total throughput: 2.5 million tons cane, including outgrowers
- Sugar: 320 000 tons

Areas of operation

- Corporate office – Limbe
- Dwangwa – Mid-central region
- Nchalo – Southern region

Objectives 2011/12

- Consolidate operational performance
- Increase sugar production to more than 300 000 tons
- Further evaluation of expansion opportunities
- Consideration of ethanol investment opportunities
- Best practice benchmarking and transfer

Performance

- Growing conditions and cane quality impacted by minor climatic challenges
- Marginal cane developments at both estates
- Improved mill efficiencies and recoveries
- Sugar production: 283 000 tons (2011: 282 000 tons)
- Good regional sales supported by introduction of direct consumption and industrial sugars
- Higher EU prices
- Average cane yield: 105 tons cane per hectare (2011: 109 tons)
- Average factory capacity utilisation: 95% (2011: 95%)

Risk areas

- Weather conditions
- Currency movements – impact on realisations and costs
- Forex shortages/Kwacha devaluation
- World price – impact on regional prices
- Transport costs to market – increased fuel oil price
- Sugar imports

Objectives 2012/13

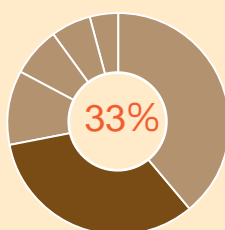
- Optimise milling performances
- Increase sugar production to >310 000 tons
- Potential packaging improvements evaluation
- Capitalise on growing markets
- Implementation of group Continuous Improvement initiative
- Review of procurement cost base

ZAMBIA

Business profile

- Zambia Sugar plc, listed on Lusaka Stock Exchange
- One agricultural estate: largest capacity factory in Illovo group: one refinery
- Produces raw and refined sugar, speciality sugars, syrup
- 1 848 permanent employees
- 3 530 seasonal agricultural workers
- DIFR: 0.47 (2011: 0.48)

Contribution to operating profit



Normal season production

- Own cane: 2 million tons
- Total throughput: 3.4 million tons cane, including private growers
- Sugar: >400 000 tons

Areas of operation

- Corporate office – Lusaka
- Nakambala – South-western region

Objectives 2011/12

- Further build on improving operational performance
- Increase sugar production to more than 400 000 tons
- Investigation of long-term opportunity to produce ethanol for fuel blending
- Best practice benchmarking and transfer

Performance

- Realignment of growing area resulted in harvesting of younger cane, thereby reducing throughput
- Excellent milling season, crushing above design capacity and achieving recoveries greater than in 2011
- Sugar production: 374 000 tons (2011: 385 000 tons)
- Good regional sales supported by introduction of direct consumption and industrial sugars
- New procurement regime delivers cost efficiencies
- Average cane yield: 113 tons cane per hectare (2010: 127 tons)
- Factory capacity utilisation: 97% (2011: 100%)

Risk areas

- Weather conditions
- Currency movements – impact on realisations and costs
- World price – impact on regional prices
- Transport costs to market/logistics
- Sugar imports

Objectives 2012/13

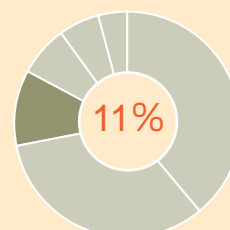
- Improvement in cane volumes
- Increase sugar production to >410 000 tons
- Molasses beneficiation project under evaluation
- Implementation of group Continuous Improvement initiative

TANZANIA

Business profile

- Two agricultural estates: two sugar factories, treated as one enterprise
- Production of raw sugar
- 879 permanent employees
- 2 156 seasonal agricultural workers
- DIFR: 0.07 (2011: 0.45)

Contribution to operating profit



Normal season production

- Own cane: 755 000 tons
- Total throughput: 1.2 million tons cane, including private growers
- Sugar: 140 000 tons

Areas of operation

- Centre-south region

Objectives 2011/12

- Completion of agricultural upgrade projects to enhance cane yields
- Further increases in cane and sugar (>130 000 tons) production
- Complete potable alcohol distillery
- Further assist outgrowers in cane supply initiatives
- Best practice benchmarking and transfer

Performance

- Extended wet season disrupted harvesting and resulted in carry-over cane
- Good progress towards completion of agricultural projects
- Factories operated well although constrained by reduced cane supply
- Construction of potable alcohol distillery commenced
- Continued deficit market; imports to satisfy demand
- Sugar production: 113 000 tons (2011: 127 000 tons)
- Average cane yield: 82 tons cane per hectare (2011: 78 tons)
- Average factory capacity utilisation: 97% (2011: 94%)

Risk areas

- Weather conditions
- Strength of local currency
- Illegal/uncontrolled sugar imports
- Tanzania a net importer of sugar – control of process
- Outgrower long-term cane supply

Objectives 2012/13

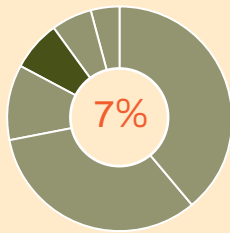
- Sugar production to >130 000 tons
- Evaluation of marginal mill expansion
- Continued safe construction of distillery
- Support EU-funded outgrower irrigation trial

SOUTH AFRICA

Business profile

- Three agricultural estates: four sugar factories: one refinery, three wholly-owned downstream plants/50% share in distillery. 30% investment in a further sugar factory and refinery
- Produces raw and refined sugar, syrup and downstream products
- 2 052 permanent employees
- 1 841 seasonal agricultural workers
- DIFR: 0.52 (2011: 0.62)

Contribution to operating profit



Normal season production

- Own cane: 360 000 tons
- Total throughput: 5.5 million tons cane, including private growers
- Sugar: 670 000 tons
- Furfural 20 500 tons; Furfuryl alcohol 11 500 tons; Diacetyl 150 000 kgs; 2,3-pentanedione 8 500 kgs; Agriguard products 900 kls; Ethanol 55 500 kls; Lactulose 9 000 tons; Syrup 6 200 tons; Treacle 1 800 tons

Areas of operation

- KwaZulu-Natal
- Group head office

Objectives 2011/12

- Maximise use of installed capacity at operating mills
- Improve cane quality/maximise factory efficiencies
- Increase cane supplies
- Progress downstream business opportunities

Performance

- Measures to assist post-drought recovery
- Umzimkulu mill - not open for season due to drought, other mills operated well with refinery operating at close to capacity
- Drought-affected sugar production of 441 000 tons (2011: 578 000 tons)
- Construction of central sugar warehouse commenced
- Sugar sales - largely domestic
- 21% increase in furfural and furfuryl alcohol production
- Ethanol production maximised from available molasses
- Registration of Multiguard Protect (natural agricultural nematocide) for food crops in USA being pursued
- Average cane yield: 58 tons cane per hectare (2011: 52 tons)
- Average factory capacity utilisation: 89% (excluding Umzimkulu which did not open), (2011: 82%)

Risk areas

- Weather conditions
- Ongoing cane supply
- Resolution of land claims
- Rand strength/currency movements
- Sugar industry review discussions with government

Objectives 2012/13

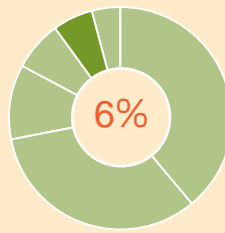
- Realisation of sustainable production strategy
- Increase cane supplies
- Increase sugar production above 600 000 tons
- Expansion of downstream business opportunities

SWAZILAND

Business profile

- One agricultural estate, factory and refinery
- Produces raw and refined sugar, direct consumption sugars marketed by Swaziland Sugar Association
- Commissioning in April 2011 of major factory expansion and power co-generation project
- 1 256 permanent employees
- 1 394 seasonal agricultural workers
- DIFR: 0.29 (2011: 0.21)

Contribution to operating profit



Normal season production

- Post expansion:
- Own cane: 900 000 tons
- Total throughput: 2.2 million tons cane, including private growers
- Sugar: 250 000 tons (further planned cane developments over the medium-term to increase sugar production to more than 300 000 tons)

Areas of operation

- South-eastern region

Objectives 2011/12

- Realise agricultural and factory production gains - 240 000 tons sugar
- Consolidate electricity supply to Swazi grid
- Progress registration for carbon credits under Clean Development Mechanism
- Facilitate LUSIP project and further outgrower expansion

Performance

- Significant increases in cane supply due to good growing conditions and increase in cane area
- Centre pivot irrigation conversion yielding good results
- Commissioned factory expansion - initial teething issues overcome during season
- Sugar production 224 000 tons (2010: 198 000 tons)
- Co-generation plant commissioned with power exports to national grid exceeding minimum contractual commitments
- Average cane yield: 105 tons cane per hectare (2011: 94 tons)
- Factory capacity utilisation: 86% (2011: 95%)

Risk areas

- Weather conditions
- Currency strength against major currencies
- Illegal and duty-paid imports in SACU region
- Market prices
- Sugar industry review

Objectives 2012/13

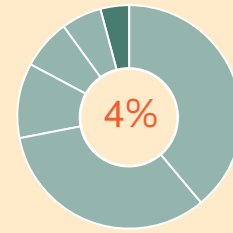
- Increase area under cane mostly through LUSIP development
- Optimise expanded factory milling capacity
- Sugar production to >255 000 tons
- Increased electricity exports
- Implementation of new procurement arrangements

MOZAMBIQUE

Business profile

- Produces raw sugar, marketed domestically by industry marketing association
- 1 021 permanent employees
- 3 605 seasonal agricultural workers
- DIFR: 0.17 (2011: 0.40)

Contribution to operating profit



Normal season production

- Own cane: 535 000 tons
- Total throughput: 880 000 tons cane, including private growers
- Sugar: 120 000 tons

Areas of operation

- Manhica district, north of Maputo

Objectives 2011/12

- Improvement in both agricultural and factory operations
- Sugar production target increased to 100 000 tons, also taking into account cane supply from new developments
- Continue with investigations to increase significantly long-term cane supply to Maragra

Performance

- Good growing conditions and expanded area under cane
- Much improved factory performance
- Record sugar production of 91 000 tons of sugar (2011: 70 000 tons)
- Improved domestic market returns
- EU sugar prices increased during period resulting in higher sales revenues
- Average cane yield: 99 tons cane per hectare (2011: 95 tons)
- Factory capacity utilisation: 95% (2011: 84%)

Risk areas

- Weather conditions
- Currency movements and strength of metical
- Long-term cane supply
- Increasing production competition from other producers

Objectives 2012/13

- Continued growth in cane supply
- Optimise season length to improve sugar production levels
- Increase sugar production to >100 000 tons

Directorate

Non-executive, independent chairman



Don MacLeod # ^ +

(65)

BCom, AMP (Oxford)

Chairman of Nomination Committee

Joined the sugar industry in 1971

Appointed to the board in 1983

Position: Previous Managing Director of Illovo

Non-executive, independent directors



Mike Hankinson * # ^

(63)

BCom, CA(SA)

Chairman of Remuneration Committee

Appointed to the board in 2008

Position: Director of companies



Dr Len Konar *

(58)

CA(SA), MAS (Illinois), DCom

Chairman of Audit Committee

Appointed to the board in 1995

Position: Director of companies



Phinda Madi # +

(48)

BProc, EDP

Chairman of Social and Ethics Committee

Appointed to the board in 2002

Position: Director of companies



Nosipho Molope * +

(47)

BSc (Medical Sciences), BCompt (Hons), CA(SA)

Appointed to the board in 2008

Position: Director of companies



Ami Mpungwe (Tanzanian) ^

(61)

BA (Hons)

Appointed to the board in 2009

Position: Director of companies



Trevor Munday * # ^ +

(62)

BCom

Appointed to the board in 2010

Position: Director of companies

Executive directors



Graham Clark (Australian) [^] + ^a

(56)

BActt (Hons), FCA (Aus)

Joined the sugar industry in 1980

Appointed to the board in 1997

Position: Managing Director



Mohammed Abdool-Samad [^] + ^a

(41)

BCom, CA(SA)

Joined the sugar industry in 2011

Appointed to the board in 2011

Position: Financial Director



Gavin Dalgleish [^] + ^a

(46)

MScChemEng

Joined the sugar industry in 1988

Appointed to the board in 2011

Position: Operations Director



Larry Riddle ⁺ ^a

(52)

BCom, CA(SA)

Joined the sugar industry in 1986

Appointed to the board in 2009

Position: Commercial Director

Non-executive directors



Dr Mark Carr (British) [#]

(49)

BSc, PhD, MBA, CEng, FIMechE

Appointed to the board in 2006

Position: Chief Executive Officer,
AB Sugar



Paul Lister (British)

(48)

LLB

Appointed to the board in 2006

Position: Director of Legal
Services and Company
Secretary: Associated
British Foods



Richard Pike (British) [^]

(42)

LLB, ACA, ATII, AMCT

Chairman of Risk Management
Committee

Appointed to the board in 2010

Position: Financial Director,
AB Sugar

^{*} Member of Audit Committee

[#] Member of Remuneration/
Nomination Committee

[^] Member of Risk Management
Committee

⁺ Member of Social and Ethics
Committee

^a Member of Executive
Committee

Directors' condensed
curricula vitae on
pages 164 and 165

Executive Committee



Graham Clark (Australian) [^]+

(56)

BActt(Hons), FCA(Aus)

Joined the sugar industry in 1980

Joined the group in 1997

Position: Managing Director

Responsible to the Illovo Board and shareholders for the delivery of the group's strategic goals and objectives, providing leadership across operations.



Mohammed Abdool-Samad [^]+

(41)

BCom, CA(SA)

Joined the sugar industry in 2011

Joined the group in 2011

Position: Financial Director

Responsible for group financial, treasury and corporate finance functions, internal audit, information technology, performance analysis (operational and financial).



Nigel Hawley +

(55)

BCom(Hons)

Joined the sugar industry in 1978

Joined the group in 1978

Position: Human Resources

Responsible for group and corporate human resources policies, staffing and talent management, human resource development and training, industrial relations, retirement funding, compensation and benefits, human resource administration and payrolls, employee welfare and medical services.



Gavin Dalgleish [^]+

(46)

MScChemEng

Joined the sugar industry in 1988

Joined the group in 1988*

Position: Operations Director

Responsible for group operational performance relating to all agricultural and manufacturing operations, technical services, risk and safety management, continuous improvement.



Larry Riddle +

(52)

BCom, CA(SA)

Joined the sugar industry in 1986

Joined the group in 1986

Position: Commercial Director

Responsible for group commercial operations relating to sugar and downstream operations, new business opportunities, export marketing, group procurement and industrial affairs.



Jennifer Kunst [^]+

(58)

BA, LLB, DipMarLaw

Joined the sugar industry in 2011

Joined the group in 2011

Position: Corporate Affairs

Responsible for all company secretarial functions and corporate affairs, group insurance, legal services, sustainability and corporate citizenship.

[^] Member of Risk Management Committee

+ Member of Social and Ethics Committee

* Includes periods of broken service

Recipes for sustainability

Illovo's unique cane sugar sustainability model is a demonstration of our key sustainability and operational imperatives to maximise use of input materials, which results in the group's generation of very few waste products and producing approximately 89% of our own energy requirements from renewable sources. Beyond the existing beneficiation of molasses into potable alcohol and industrial ethanol in South Africa, construction has recently commenced on a potable alcohol distillery in Tanzania. In addition, other opportunities exist to produce alcohol for potable use or fuel blending programmes in Malawi and Zambia.

Making use of every stick of cane

See page 43 for further details

