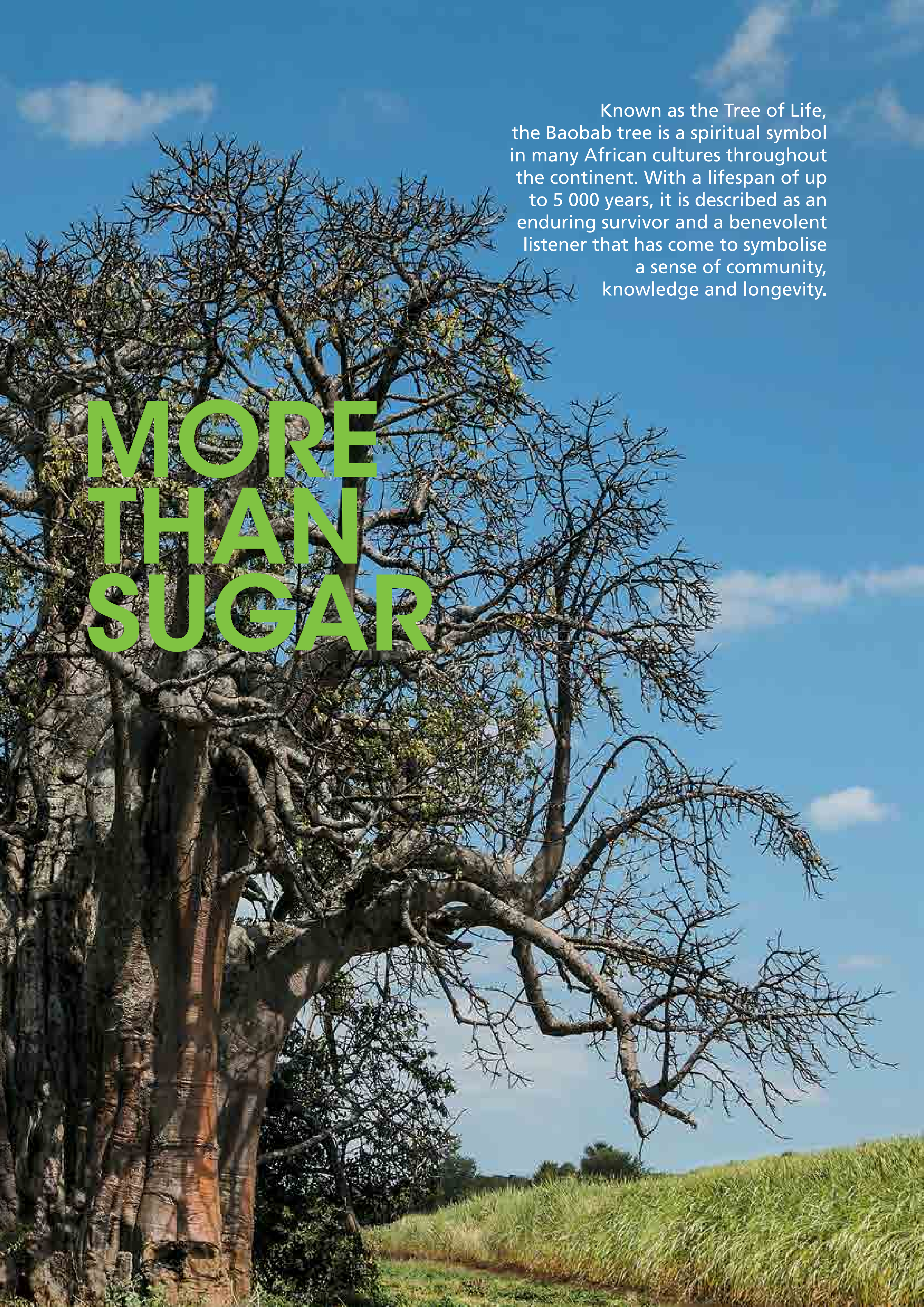
SUGAR ILLOVO LIMITED

MORE THAN SUGAR

Integrated Annual Report

for the year ended 31 March 2015



Known as the Tree of Life, the Baobab tree is a spiritual symbol in many African cultures throughout the continent. With a lifespan of up to 5 000 years, it is described as an enduring survivor and a benevolent listener that has come to symbolise a sense of community, knowledge and longevity.

MORE THAN SUGAR

Contents

Scan this barcode, or go to **www.illovosugar.com** to access our online 2015 Integrated Annual Report, including the full annual financial statements and the GRI Index.

We believe that the Baobab tree embodies the very spirit of Illovo and what we stand for. In the same way that the Baobab is more than just a tree, Illovo is more than just sugar.

Strategic response areas on pages 21 and 22:

- Development of key markets
- Cost reduction
- Diversification through downstream expansion
- Preparation for long term expansion of sugar production
- Web
- Page reference

GRI Index of sustainability performance – www.illovosugar.com

Business overview

Illovo board and leadership

Commentaries

Corporate governance

Summary consolidated financial statements

Shareholder information

Scope of report

Our 2015 Integrated Annual Report **continues Illovo's journey** towards **effective integrated reporting** and aims to provide our stakeholders with a **comprehensive perspective** of past and current performance, as well as giving **insight** into our business strategy and future prospects.

The report covers the Illovo group's economic, social, governance and environmental performance for the year ended 31 March 2015, and provides a review of the cane, sugar and downstream operations of each of the company's subsidiaries in six African countries: Malawi, Mozambique, South Africa, Swaziland, Tanzania and Zambia. Information regarding our agricultural, manufacturing and marketing operations, together with our environmental, social and governance activities, is included in order to promote understanding of the group's primary processes. It also aims to provide an informed assessment of the group's risks and opportunities and its ability to create and sustain value in the long term, for the benefit of all our stakeholders (most notably, our shareholders, investors, employees, trade unions, customers, our sugar cane growers and other suppliers, service providers, and the local communities in which we operate).

There has been no change to the structure of the business in the year under review and accordingly this report builds on, and is comparable with, the company's Integrated Annual Reports for the 2013 and 2014 reporting periods.

In line with our sustainable business strategy, we are guided by the principles of the United Nations Global Compact and our Social and Ethics Committee Report provides an overview of our continuing journey toward incorporating these principles into our business practices in all of our operations. In an initiative to increase inclusive access by our stakeholders to our sustainability performance included in our Human Capital, Socio-Economic Impact and Climate Change Reports, together with the intended consequence of reducing the print size of this document, these reports are now easily located on our website at www.illovosugar.com.

Reporting standards and assurance
In compiling this report, we have adhered to the applicable legislative and regulatory requirements for reporting, including:

- the Companies Act 2008 and the Companies Regulations 2011;
- the Listings Requirements of the JSE; and
- the requirements of King III.

We have also been guided by relevant national and international frameworks and best practise guidelines, including:

- the International Integrated Reporting Framework;
- the Global Reporting Initiative's (GRI) G3 Guidelines and the JSE's Socially Responsible Investment (SRI) Index 2014;
- third-party proxy advisory services and rating agencies' recommendations; and
- integrated reporting frameworks.

Assurance in relation to our annual financial statements has been provided by the independent external auditors, Deloitte & Touche. The sustainability aspects of the report have been externally assured by Integrated Reporting and Assurance Services (IRAS), confirming that it meets the GRI's Application Level B requirements (B+ with its assurance). A summary of the assurance statement is provided on page 70, with the full statement appearing on our website at www.illovosugar.com. Other sections of the report, such as Illovo's B-BBEE rating, have been audited by relevant accredited external verification agencies.

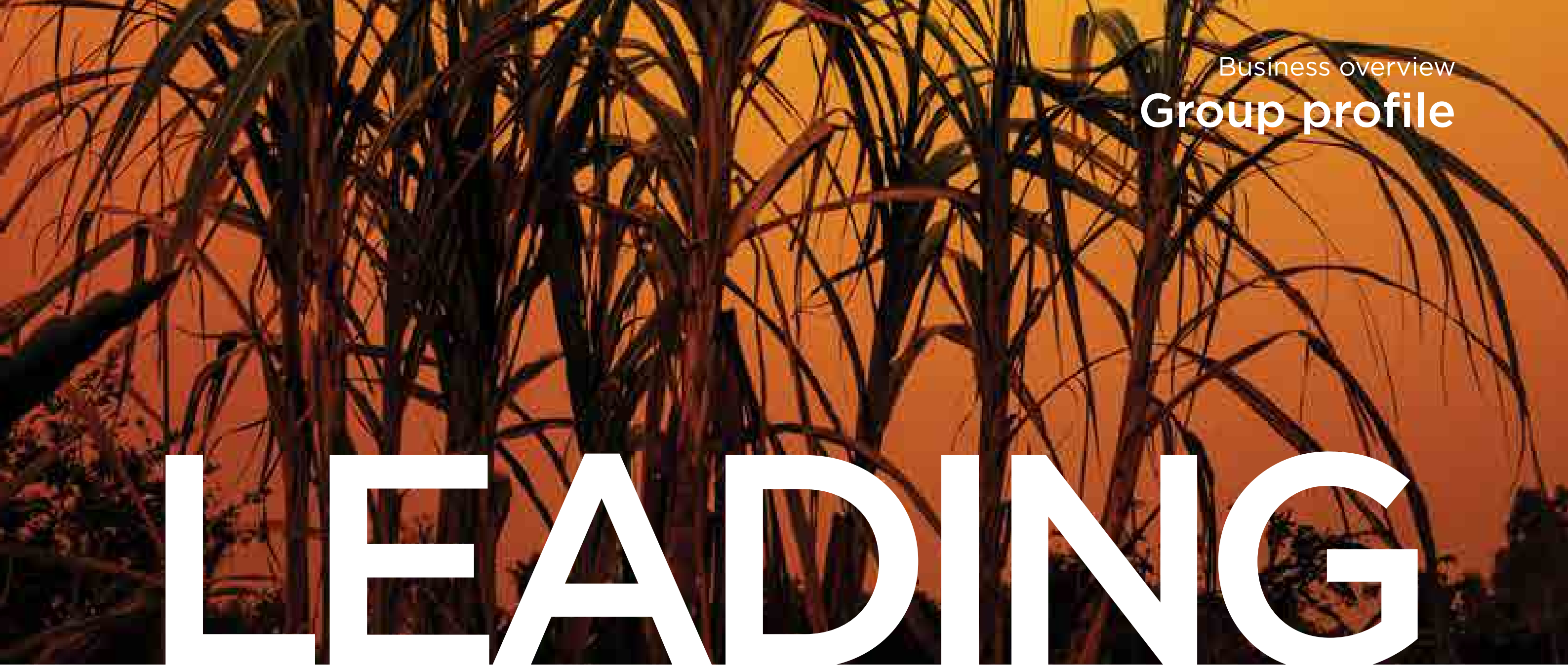
This report is available on our website at www.illovosugar.com, as is an index of the GRI sustainability performance indicators, and the full annual financial statements.

Approval of Integrated Annual 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 fairly presents the integrated performance of our group. The board has authorised the release of this report for 2015.

Don MacLeod
Chairman

Gavin Dalgleish
Managing Director

21 May 2015



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 COUNTRIES.

The group produces raw and refined sugar primarily for local, regional African markets and exports to the European Union (EU), United States of America (USA) and other world markets. Sugar cane is supplied to Illovo's factories by our own agricultural operations and by independent outgrowers. 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 51.3% of the issued share capital.

The group's countries of operation provide good climatic and soil conditions which, accompanied by irrigation from secure and sustainable water sources, are ideal for the cultivation of high-yielding and high-quality sugar cane, with 6.265 million tons of sugar cane having been harvested by our own operations in the 2014/15 season. Combined with 8.792 million tons of cane supplied by independent outgrowers in all six of the countries in which we operate, the group produced 1.760 million tons of sugar in 2014/15. Illovo has installed capacity to produce more than two million tons of sugar annually.

The group is a major supplier of sugar to the consumer and industrial markets in its own countries of operation and to neighbouring regional African markets, using an extensive network of distribution and logistics channels. In Zambia, Illovo's majority-owned Zambia Sugar Plc announced a major project to increase annual sugar production to around 450 000 tons and to construct a new refinery to cater for the growing requirements of industrial customers. The new plant is expected to be commissioned in the second quarter of 2016. The group also exports sugar to the EU and USA and, through the South African sugar industry, sells sugar onto the world market. Syrup and speciality sugars are produced in South Africa and Zambia mainly for domestic consumption, while speciality sugars made in Malawi and Zambia are produced for preferential markets in the EU and in the case of Malawi, also for the USA.

The majority of our downstream production is sold internationally into high-value, niche markets. Furfural and its derivatives are produced at the Sezela mill complex on the south coast of KwaZulu-Natal while high-quality ethyl alcohol is produced at the Glendale distillery on the north coast, at our Merebank plant in South Africa and at Kilombero in Tanzania. The Merebank plant also manufactures lactulose. Through our own internal electricity generating capability, using bio-renewable boiler-feedstock such as bagasse and biomass, Illovo aims to ensure reliable, cost-effective energy supply to all of its own operations, and where economically attractive, to export power into the national grids of the countries in which we operate.

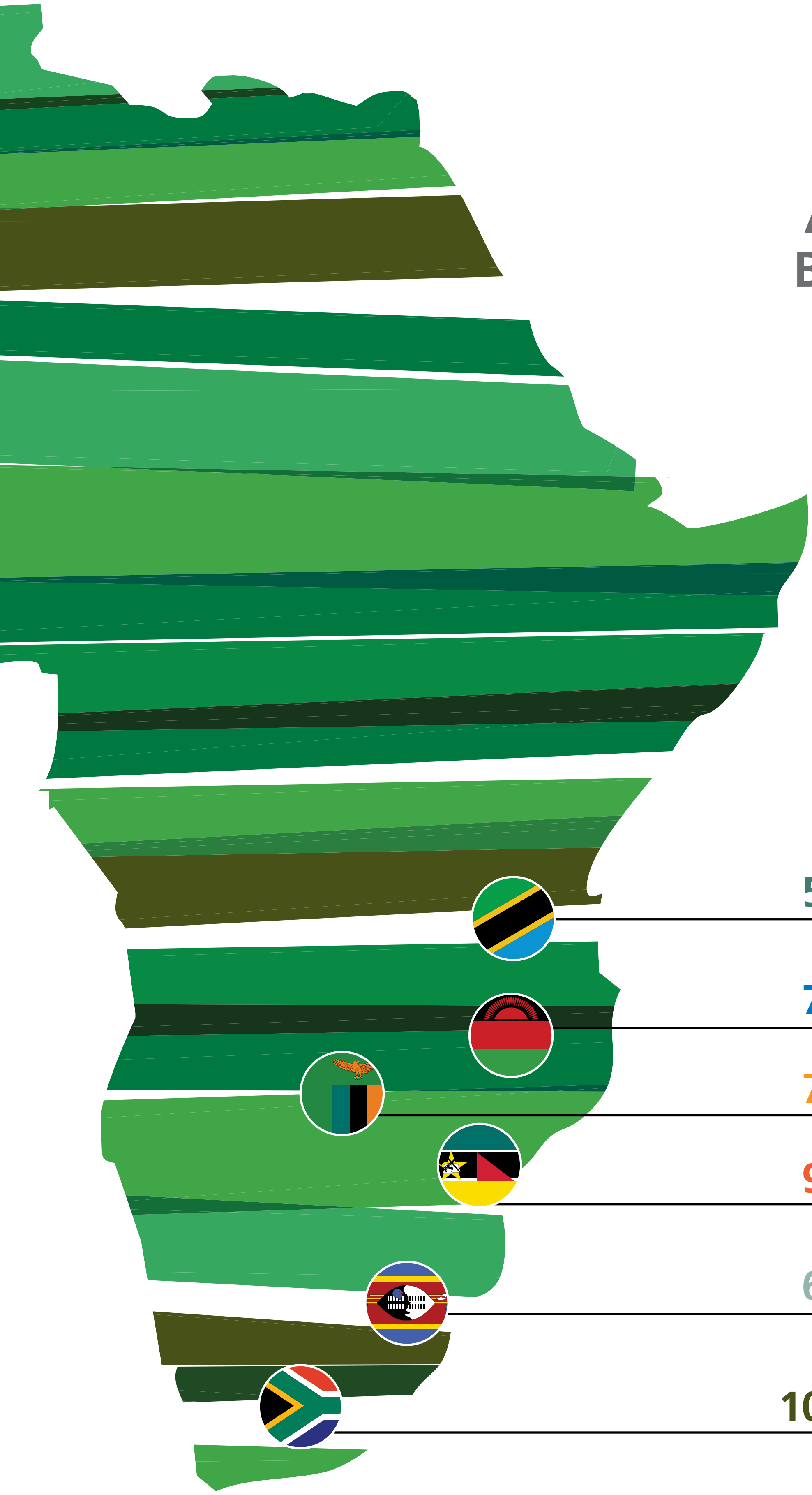
As a major private investor in Africa, Illovo operates and markets its products in countries which face considerable challenges in the form of poverty, unemployment, inequality and disease. The United Nations (UN) classifies Malawi, Mozambique, Zambia and Tanzania as among the world's least developed countries. The group has a significant positive impact on the rural communities in the areas in which we operate, *inter alia*, by creating valuable jobs and economic opportunities, and providing accommodation, health care, educational assistance and basic services to employees. In addition, where no such facilities exist, the group provides medical care to communities, assists in education delivery, provides municipal and civic services and access to water and sanitation, and participates in community outreach programmes. Considerable training and other support is provided to local small and medium-scale growers in order to promote sustainable agriculture and economic development activities. The total cane supplied from these growers and community-based co-operative schemes during the past year amounted to 3.7 million tons generating revenue of R1.3 billion in 2014/15.

Group structure and locations

ASSOCIATED BRITISH FOODS*

51.3%

ILLOVO SUGAR LIMITED



55% TANZANIA
Kilombero Sugar

76% MALAWI
Illovo Sugar (Malawi)

76% ZAMBIA
Zambia Sugar

90% MOZAMBIQUE
Maragra Açúcar

60% SWAZILAND
Ubombo Sugar

100% SOUTH AFRICA
Illovo Sugar SA

*AB Sugar represents Associated British Foods plc in respect of all its sugar interests, including Illovo.

MALAWI

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar
- Speciality sugar

CONTRIBUTION TO GROUP OPERATING PROFIT **38%**

MOZAMBIQUE

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Direct consumption raw sugar

CONTRIBUTION TO GROUP OPERATING PROFIT **1%**

SOUTH AFRICA

KEY ELEMENTS

- Three rainfed 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
- Central warehouse and distribution facility
- Internal electricity generation
- Electricity exports (Eston)

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar
- Speciality sugar
- Downstream products: furfural, furfuryl alcohol, Diacetyl, 2,3-Pentanedione, Agriguard products, ethanol, lactulose, syrup, treacle and CMS

CONTRIBUTION TO GROUP OPERATING PROFIT **13%**

SWAZILAND

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar

CONTRIBUTION TO GROUP OPERATING PROFIT **4%**

TANZANIA

KEY ELEMENTS

- Irrigated sugar cane estates
- Two sugar factories
- One ethanol distillery
- Internal electricity generation

PRODUCTION OF:

- Sugar cane
- Direct consumption raw sugar
- Ethanol
- CMS

CONTRIBUTION TO GROUP OPERATING PROFIT **9%**

ZAMBIA

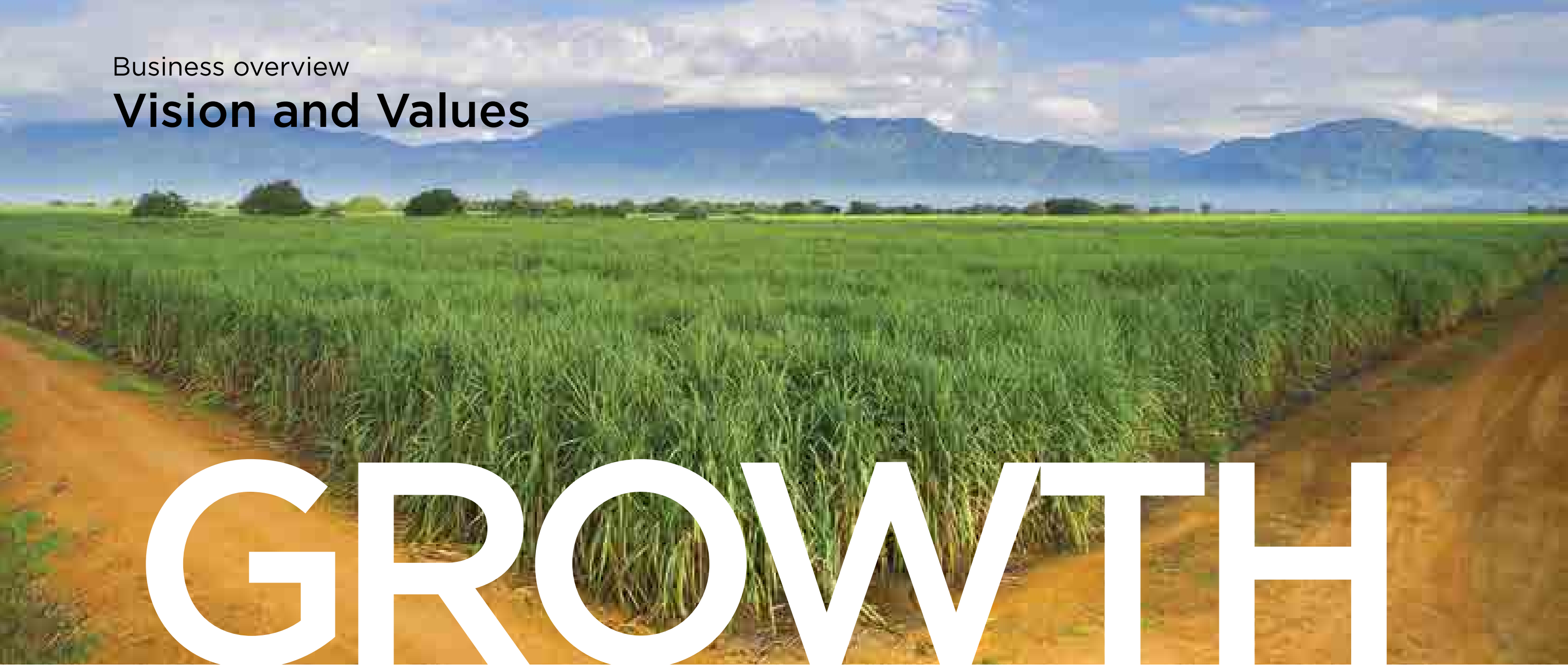
KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar
- Speciality sugar
- Syrup

CONTRIBUTION TO GROUP OPERATING PROFIT **35%**



VISION

We seek to enhance shareholder wealth and optimise growth, achieving a sustainable, balanced and integrated economic, social and environmental performance, while taking cognisance of the interests of our stakeholders. 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.

The VALUES we seek to embed in all our business operations

INCLUSIVENESS
embracing diversity

EMPOWERMENT
empowering our people

COMMITMENT
working collaboratively

INTEGRITY
upholding our values

ACCOUNTABILITY
delivery-focused

STRATEGIC INTENT

- To be the **leading** sugar and downstream products operation in Africa, an increasing global supplier and a world-class organisation
- To be the **lowest-cost** producer in every country in which it operates and among the lowest-cost producers in the world
- To **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
- To provide a **safe** working environment for all employees, contractors and stakeholders
- To be the **market leader**, meeting and proactively anticipating customer needs
- To **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
- To 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
- To 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
- To 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 objectives

- To achieve 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 expand the group's sugar and cane production profitably
- To consolidate and improve the profitability of downstream products and 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 where economically viable
- 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 objectives
- To offer equal opportunity to all employees

Corporate governance

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

Investment case

STRENGTH

ILLOVO IS AFRICA'S LEADING AND LARGEST SUGAR PRODUCER, COMPRISING AGRICULTURAL ESTATES AND 16 MANUFACTURING SITES ACROSS SIX SOUTHERN AFRICAN COUNTRIES, WITH THE FIRST ORIGINS OF THE GROUP'S HISTORY DATING BACK TO 1891.

The primary objective that drives our investment case is to enhance the wealth of our shareholders by optimising the long-term returns and growth of the business, against the background of achieving a sustainable, balanced and integrated economic, social and environmental performance.

Clear vision and strategic focus with profitable growth opportunities

To be a world-class, low-cost and highly efficient organisation, operating on the African continent, with a clear, four-point focus on:

- Developing new markets
- Cost reduction
- Diversification through downstream expansion
- Preparing for long-term sugar expansion

People are our strength

- 14 top-level independent and non-independent directors with combined Illovo board experience of 124 years and direct sugar experience of 150 years
- Proven ability to execute strategies and deliver financial performance
- 12 838 permanent employees and 20 176 seasonal employees with embedded capabilities

Products and markets the key

- Quality and cost-effective production of raw and refined sugar, speciality sugars and syrups together with high-value, niche-market downstream furfural and ethanol products and electricity co-generation
- Strong and high-growth domestic and regional markets with proven expertise on the African continent for outbound logistics

Sustainability – protecting our future and that of our stakeholders

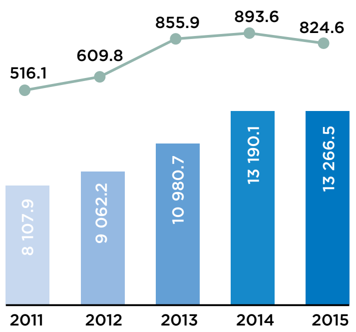
- High community impact, core values aligned to social and environmental responsibility
- Continued development of Illovo's cane sugar sustainability model, making maximum use of all input material with minimum waste products
- 89% of the group's energy requirements produced from own generating capacity from renewable resources
- Best performer in the High Environmental Impact survey and inclusion in the JSE's 2014 Socially Responsible Investment Index

Strong financial position and prospects

- Quality of earnings and strong cash generation
- Strong balance sheet with low gearing – positioned for growth
- Attractive dividend yield
- Significant economic, operational and market scale – inherent leverage
- Illovo's presence in African sugar production is widely recognised and it is the company of choice among governments wishing to develop/expand their own sugar industries

Top 10 shareholders

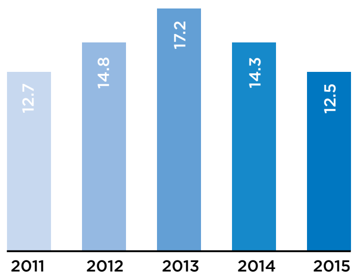
Rank as at 27 March 2015	Manager	Number of ordinary shares	%
1	ABF Overseas Limited	236 569 232	51.35
2	Allan Gray Investment Council	74 023 679	16.07
3	Public Investment Corporation	33 581 890	7.29
4	Investec Asset Management	29 947 781	6.50
5	Kagiso Asset Management (Pty) Ltd	8 944 518	1.94
6	Colonial First State Global Asset Management	8 755 242	1.90
7	Old Mutual plc	7 674 305	1.67
8	The Vanguard Group Inc.	6 000 602	1.30
9	Dimensional Fund Advisors	5 653 284	1.23
10	Sanlam Investment Management	5 295 240	1.15



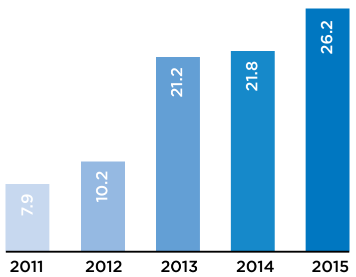
Headline earnings
(Rm)

Revenue
(Rm)

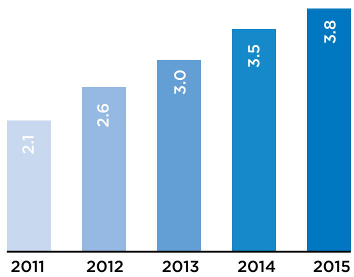
Operating margin (%)



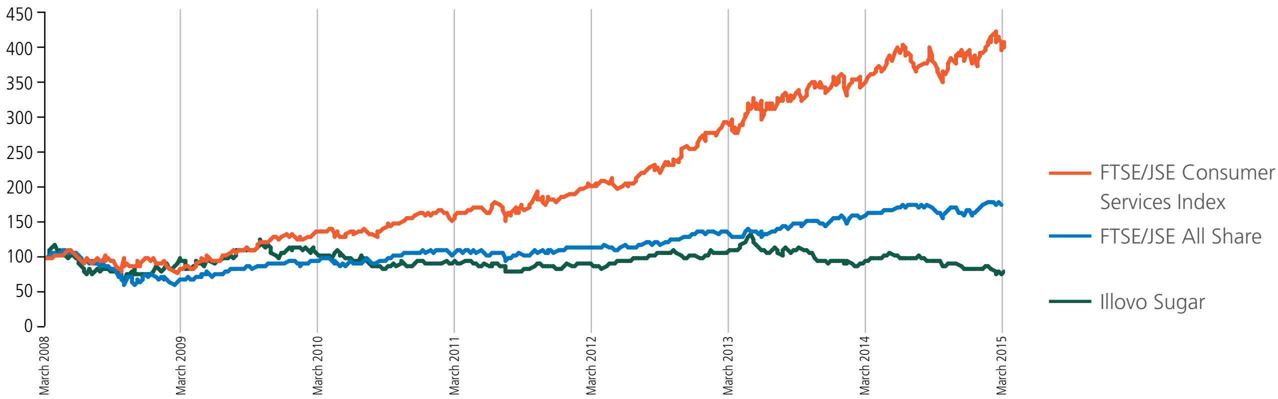
Gearing (%)



Distribution yield (%)



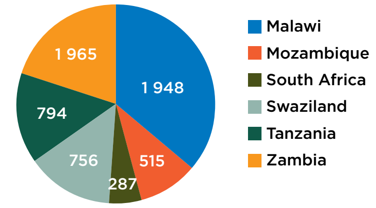
Comparative share prices index: Illovo, FTSE/JSE Consumer Services Index, FSTE/JSE All Share 31 March 2008 to 31 March 2015



Key production and market statistics

for the year ended 31 March 2015

Own cane production ('000 tons)

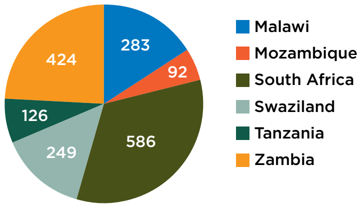


Total production 6.265 million tons

Headline earnings per share
179 cents

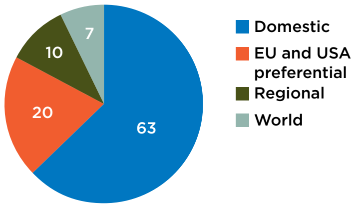
Sugar sales volumes of
1.787 million
tons

Sugar production ('000 tons)



Total production 1.760 million tons

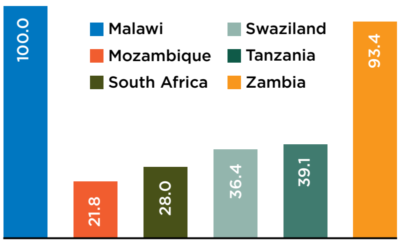
Group sugar markets (%)



Revenue of
R13 267 million

Downstream production contributes
16%
to operating profit

Share of industry sugar production (%)



Downstream production

Furfural	(tons)	**16 956**
Furfuryl alcohol	(tons)	**8 182**
Diacetyl	(kg)	**130 400**
Lactulose	(tons)	**7 792**
Ethanol	(kℓ)	**70 288**
Syrup	(tons)	**6 869**
Agriguard	(kℓ)	**404**
Electricity exports	(MWh)	**54 673**

Total distribution of
90 cents
per share

Sugar production
1.760 million
tons

Group employee and social investment spend* (%)

** Includes both company expenditure on employee benefits and community social investment spend.*

Financial and non-financial indicators

for the year ended 31 March 2015

Record sugar production of **424 000 tons** achieved in Zambia, and at Maragra and Dwangwa

Focus on capturing **growth** opportunities results in increased domestic and regional sales

Downstream products contribute **16%** of operating profits

Record ethanol production in South Africa and Tanzania

South African operations on course to reducing coal-usage by **25%** by 2017/18

Better pricing received in domestic and some regional markets

81% of supply requirements procured from local suppliers valued at **R7.4 billion**

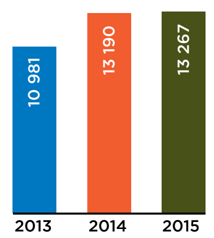
Swaziland operation increases exports to national grid amounting to **47.8 GWh** in 2014/15

Construction commenced on new Zambia **refinery** and capacity expansion project

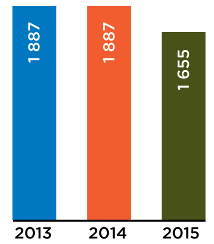
A total of **491 million** litres of water recycled and reused within operations across the group

economic

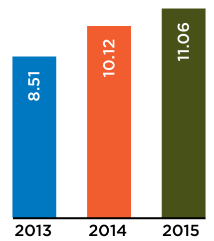
Revenue (Rm)



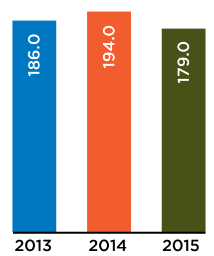
Operating profit (Rm)



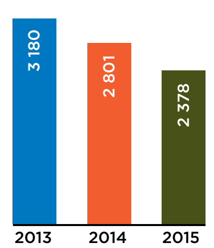
Average exchange rate (R/US Dollar)



Headline earnings per share (cents)

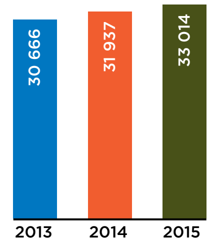


Year-end market price (cents per share)

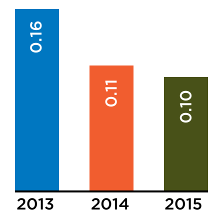


social

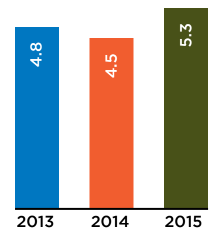
Total number of employees (permanent and seasonal)



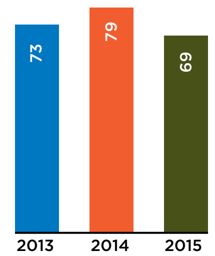
Safety statistics: Target <0.25 (DIFR)



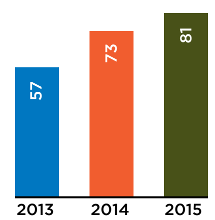
Employee turnover (% of complement)



Local citizens employed in senior management (%)

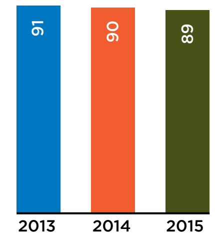


Training and employee development spend (Rm)

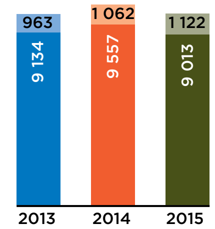


environment

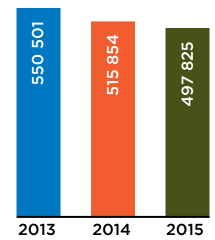
Energy (%) Group requirement produced from renewable resources



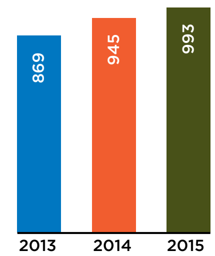
Total energy (GWh) Consumption by fuel category: renewable/non-renewable



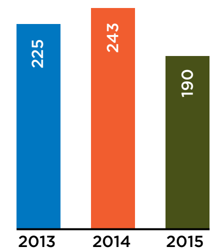
Emissions (tCO_2e) Group GHG emissions



Water footprint (million ℓ) Water abstraction



Waste (million m³) Effluent produced



Group-wide **water study** completed – major benefits for monitoring and managing water usage

Tanzanian distillery **exceeds** first full-year business case assumptions

Illovo rallies to assist thousands of people affected by extreme flooding in southern Malawi

Illovo launches land rights guidelines in support of global "**Zero tolerance** to land grabs" campaign

R81 million spent on various forms of human development training across the group

Broad-based Black Economic Empowerment Codes of Good Practice **Level 3** contributor (improving to Level 2 post year-end)

Record cane crushed in Mozambique and Tanzania

Continuous improvement strategy gaining traction, resulting in enhanced operational **efficiencies**

A total spend on employee health in 2014/2015 amounts to **R94 million**

Zero disabling injuries at 13 of 22 operating entities

Illovo's integrated business sustainability model

ENERGY

"NOT ONLY DO SUSTAINABLE PRACTICES MAKE GOOD BUSINESS SENSE, THEY ALSO REFLECT OUR RESPONSIBILITY FOR AND COMMITMENT TO THE ENVIRONMENT AND OUR SURROUNDING COMMUNITIES"

Gavin Dalgleish *Managing Director*

Around 89% of the group's total annual energy requirements are met by using renewable energy sources.

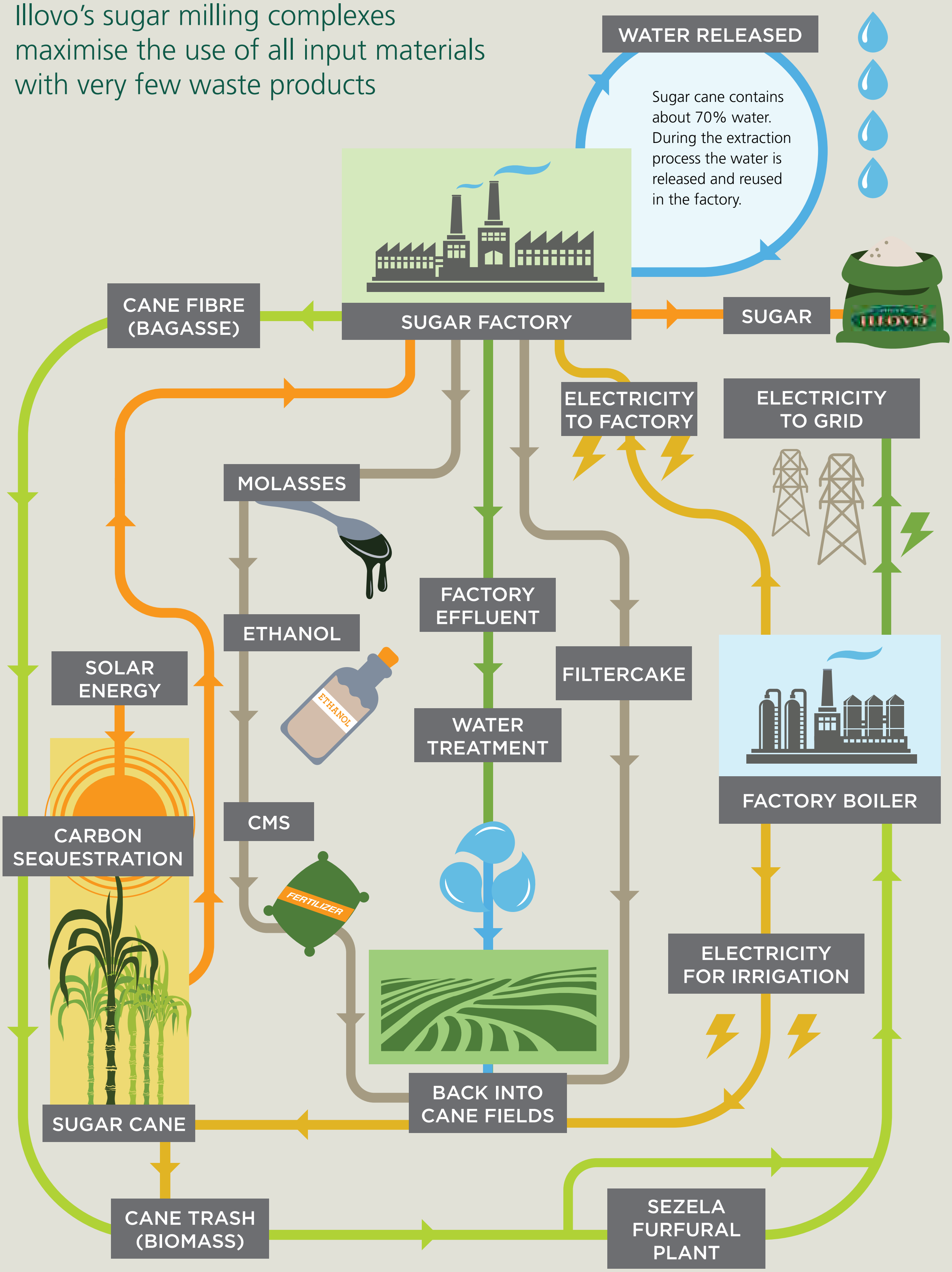
INTEGRATED SUGAR CANE PROCESSING

- In normal to good conditions, sugar cane contains between 13% and 15% sucrose, which is used in sugar mills to produce granulated brown and refined sugar.
- Cane fibre or bagasse, the fibrous residue following the sugar extraction process, is used as a bio-renewable fuel source in the factory boilers to produce steam for processing requirements and to generate electricity. Illovo aims to be power self-sufficient for factory and estate irrigation before exporting to national grids. In 2014/15, 89% of the group's power requirements were produced by the group's own installed electricity-generating capacity.
- At Illovo's operations in Swaziland and Malawi, cane trash is blended with bagasse to increase the volume of fuel feedstock for the boilers, thereby providing for increased electricity generation.
- Water contained in sugar cane amounts to between 68% and 72% of total content. During the extraction process, this water is released and recycled for use within the factory, reducing reliance on external water resources.
- At the Sezela downstream plant in South Africa, plant material in the bagasse is extracted to produce furfural and its derivatives. The resulting furfural reactor residue is returned to the sugar mill boilers as fuel:
  - Electricity from the sugar mill is then used to produce hydrogen by electrolysing water, after which the hydrogen is used to catalytically convert furfural to furfuryl alcohol;
  - A furfural process side stream of natural solvents is further refined, through a process of freeze crystallisation, to produce food flavour chemicals;
  - Furfural is also used as the active ingredient in our Agriguard, nematicide products; and
  - This core activity of the group produces low-volume, high-value products which contribute significantly to our total revenue stream.
- Organic and non-organic impurities captured in the form of "filtercake" during the manufacturing process are returned to the cane fields for use as a fertiliser.
- Molasses is a by-product of the sugar manufacturing process which Illovo ferments and then distils to produce potable alcohol for use as a neutral spirit for beverages and denatured spirits for the pharmaceutical, cosmetic and printing industries:
  - The vinasse by-product from ethanol fermentation is then evaporated to make a CMS liquid fertiliser that is applied on sugar cane and a variety of other crops including bananas, pastures and maize. Significantly, the application of CMS recycles important and increasingly expensive minerals back into the soils from which they were extracted.

Sugar cane

- Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe, absorbing around 18 tCO_2 per hectare per annum.
- Harvesting in the southern hemisphere takes place between April and December when the cane is 12 to 24 months old.
- Once harvested, the cane commences a new growing cycle from its existing roots; this re-growth is called a "ratoon". Replanting takes place only every seven to 10 years, minimising soil disturbance and exposure to wind and water erosion.
- Rainfed cane in South Africa, with industry yields of around 65 tons of cane per hectare, minimises the impact on subterranean water supplies.
- In the rest of Africa, where irrigated cane yields are significantly higher, water for irrigation is sourced from secure and sustainable water resources such as large rivers, lakes and dams within permitted rights of use.

Illovo's sugar milling complexes maximise the use of all input materials with very few waste products



OUR EXISTING BUSINESS MODEL AND CONTINUING GROWTH STRATEGY ON THE AFRICAN CONTINENT ARE FOCUSED FIRMLY ON THE NEED TO DELIVER CONTINUING VALUE TO SHAREHOLDERS AND TO MAINTAIN THE FINANCIAL SUSTAINABILITY OF THE GROUP.

At the same time, we remain conscious of the strong interdependence with the communities and natural environments in the regions in which we operate and subscribe to the principles of sustainable development.

SUSTAINABILITY PRACTICES

Through our business strategies, we aim to ensure that sound, sustainable practices are developed and maintained, following the guidance provided by internationally recognised frameworks. Further information in this regard is provided in the Social and Ethics Committee Report on page 71 and the 2015 Socio-economic Impact Report (which can be viewed on our website at www.illovosugar.com).

In line with our integrated business approach, our reporting process is guided by the GRI guidelines on sustainability reporting, the requirements of the JSE's SRI Index, local socio-economic and environmental issues, and key stakeholders' requirements.

In 2014, we qualified for inclusion in the JSE's SRI Index for the eighth consecutive year, being named amongst the nine companies which met its "best performer" threshold. Illovo was one of the "best performers" in the High Environmental Impact category.

IRAS has provided independent third party assurance over the sustainability information contained within this report, confirming that it meets the GRI's Application Level B requirements (B+ with its assurance). A summary of this assurance statement is provided on page 70, with the full statement appearing on our website.

Our management is assisted in the sustainable development of the group business by the Risk Management Committee, which, in conjunction with the Audit Committee and the Social and Ethics Committee, ensures effective governance of risks that may have a potential impact on the achievement of sustainable development, such as safety and health, environment, regulatory, market and financial performance, as well as reputational issues and community relationships.

Economic and social

Illovo strives to support the advancement of all communities where its operations are located and our Corporate Social Responsibility strategy entrenches this philosophy. Sustainable community development is achieved, *inter alia*, through employment, procurement and supply-chain development.

Driven by the contribution we can make to the economic development and wellbeing of our stakeholders and the communities in which we operate, Illovo plays a significant economic role as a creator of wealth, contributing to the empowerment of emerging markets in the six African countries in which we operate, as reported in our Socio-economic Impact Report. We create value, not only by transforming raw materials into products for our customers and providing much needed employment, but also through the wealth creation provided by the substantial revenue created for our suppliers, contractors, distributors, service providers, and the returns provided to our shareholders and investors. Significant economic benefits accrue to governments through direct and indirect taxes and also through the provision of infrastructure, education and health care, thereby directly and indirectly benefiting the surrounding communities, and generally providing much needed social benefits and supply opportunities in the developing regions of Africa.

Accordingly, over and above the usual costs of production which would typically be found in the more developed sugar-producing countries, in the year under review, Illovo:

- provided social benefits to our employees, amounting to approximately R289 million;
- provided revenue to the local farmers who supply sugar cane to its factories across the group, aggregating approximately R1.3 billion, benefiting these growers directly and indirectly and leading to significant multiplier effects within the associated communities; and
- procured 81% of its supply requirements from local suppliers in the countries in which it operates, valued at R7.4 billion.

The group's Socio-economic Impact Report which can be found on our website at **www.illovosugar.com**, the Value-added Statement on page 26, and our five-year review of financial performance and statistics in this report on page 27 provide further information on the considerable positive economic impact our operations have on the socio-economic development of the regions in which we operate and the wealth we have been able to create for our stakeholders through manufacturing, trading and investment and our subsequent distributions to shareholders and reinvestment in the business. The Socio-economic Impact Report also articulates the significant advances made in stakeholder engagement. We have identified two priority areas, ie, in Malawi – a stakeholder process aimed at finding a solution to ongoing competing land claims in the area in which we operate, and in Mozambique – a proactive initiative to include land rights as part of guidelines around smallholder land development. Other successful initiatives include our assistance to Malawi flood victims in the early part of 2015.

Human capital
Illovo strives to be an employer of choice within the agri-business sector in which we operate. We recognise the importance of our own human capital in the delivery of Illovo's stated goals and objectives, and the broader long-term sustainability of the African sugar industry. Our philosophy for human excellence extends to providing meaningful employment and safe environments within which to work, promoting equal opportunity, an environment which promotes talent development and the continual pursuit of excellence. Staffing and targeted manpower succession planning is a key pillar for the development of our existing employees whose continued growth and good performance is recognised, irrespective of race or gender.

Illovo's values are an integral part of our business and leadership. We believe that everyone has a leadership role in Illovo and needs to live our values and associated behaviours on a daily basis. In essence, as we align our behaviour to our values, we develop a culture within Illovo that is based on Integrity, is found to be Inclusive, ensures Accountability, lives Commitment and encourages Empowerment.

Our 2015 Human Capital Report may be viewed on our website at www.illovosugar.com.

Human rights and ethics
Our Code of Conduct and Business Ethics embodies our key principles and values, and prescribes the conduct required of all employees to achieve these values. The Socio-economic Impact Report (which may be viewed at www.illovosugar.com) provides further information in this regard and demonstrates our application of:

- the United Nations Global Compact Principles and other internationally accepted human rights principles;
- the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption; and
- the International Labour Organisation (ILO) standards.

During the year under review, we introduced our Group Child Labour and Forced Labour Guidelines as well as our Group Guidelines on Land and Land Rights, both of which may be viewed on our website at www.illovosugar.com. These guidelines were formulated in consultation with local and international experts and complement our Strategic Intent, which encapsulates our aim to be welcomed in the communities in which we operate and without whose support our businesses would not be sustainable. The guidelines also supplement our Group Code of Conduct and Business Ethics which embodies our commitment to respecting internationally recognised human rights and to adopt policies and practices to protect against human rights abuses and requires our suppliers to do likewise.

Environment
Illovo's direct environmental sustainability impacts are primarily associated with our agricultural and manufacturing operations and therefore focus on the need to identify climate change-related risks across the value chain. Our environmental sustainability reporting, guided by the GRI, is structured to reflect the inputs, outputs and modes of impact the organisation has on the environment, including our mitigation and adaptation strategies related to climate change. Materials, energy and water represent three standard types of inputs used by all of our operations. These inputs result in outputs of environmental and climate change significance, which are captured under the parameters of emissions, effluent and waste. Land and biodiversity are also regarded as inputs to the extent that they can be viewed as a natural resource.

As the largest sugar producer in Africa, with a substantial geographic footprint, Illovo has developed structures to:

- embed climate change considerations into the group's policies, strategy, culture and management plans in order to build internal support for climate change management and reporting;
- integrate climate change-related stakeholder engagement into governance and decision-making processes; and
- undertake internal climate change reporting and communication.

Business continuity plans for all sites are developed following the evaluation of site-specific risks and opportunities.

The key risks and opportunity categories which received focus during the year under review were energy and greenhouse gas management, water management; weather-related responses, adoption of new regulatory systems, including the pending carbon tax in South Africa; and embedding systems such as the SUSFARMS initiative to enhance the group's future sustainability profile. We continuously strive to comply with all applicable in-country environmental regulations.

Our 2014/15 Climate Change Report may be found on our website at www.illovosugar.com.

OUR RISK MANAGEMENT FUNCTION AND ENTERPRISE RISK MANAGEMENT SYSTEM DRIVES A CONTINUING RISK ASSESSMENT PROCESS TO IDENTIFY AND RANK OUR KEY RISKS AND OPPORTUNITIES ACCORDING TO THEIR PROBABILITY AND POTENTIAL TO MATERIALLY IMPACT OUR OPERATIONS.

A materiality assessment informs the prioritisation of various material issues affecting all group operations, ensuring a dynamic and responsive business strategy.

RISK MANAGEMENT

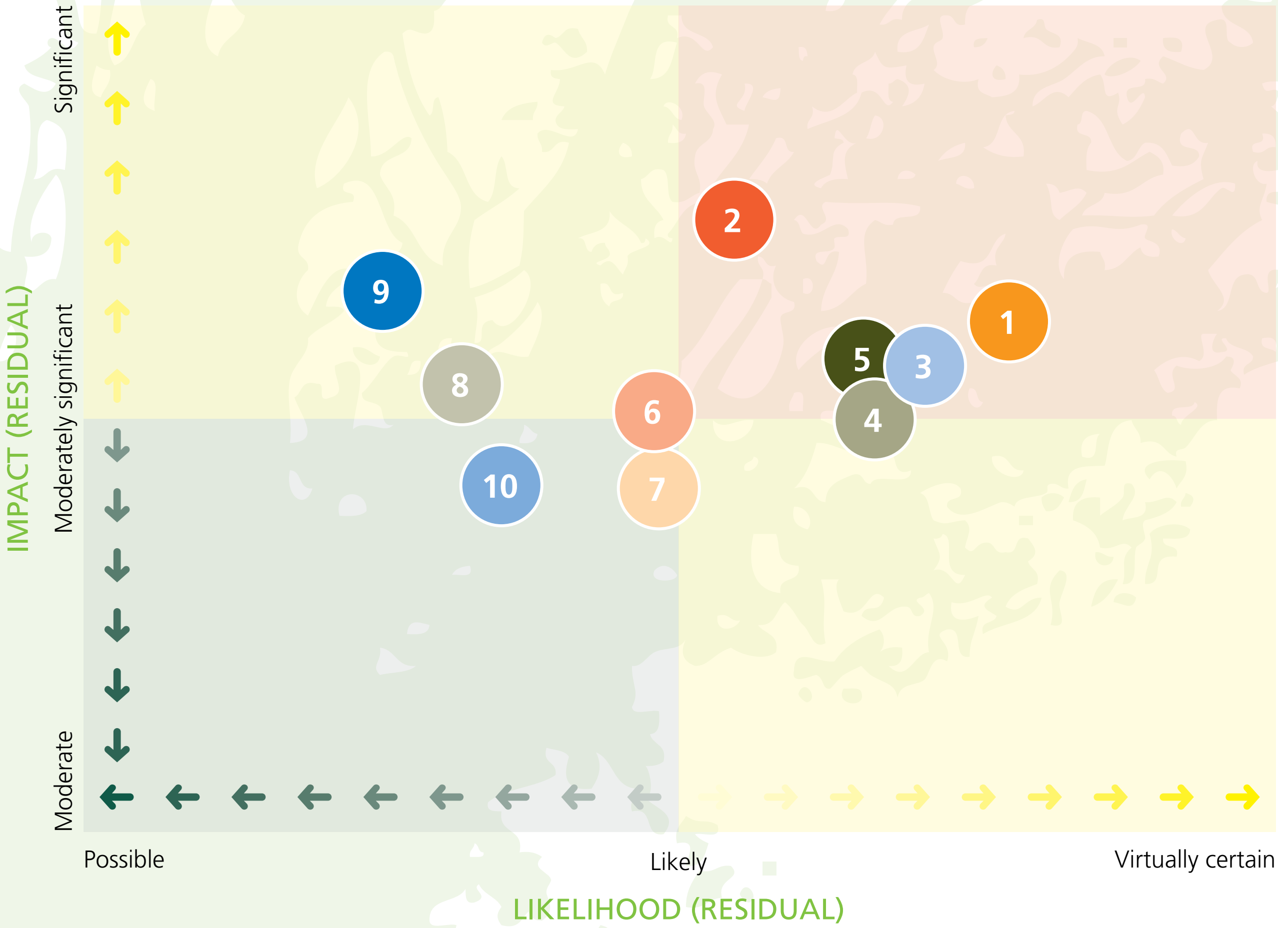
We acknowledge the importance of continuous, robust materiality assessments to ensure that matters impacting upon the organisation's ability to create value over the short, medium and long term are identified as elaborated upon in the Risk Management Report. Through these assessments we identify, quantify, prioritise and respond to important stakeholder issues, both positive and negative. A wide range of internal and external factors, encompassing regulatory, economic, social, political and global influences on the group, as well as legitimate stakeholder expectations, impact upon our daily business operations. These matters are considered at both the operational and board levels across the group, feeding into our strategic framework and the identification of risk impacts on the organisation.

The issues identified are quantitative and qualitative in nature and cover internal and external perspectives. Internal issues are identified by considering our policies and procedures, codes of conduct and business ethics, strategies, targets, risk management processes and employee engagement. Identification of external risks takes into account stakeholders' interests and expectations, and matters identified in reporting initiative frameworks such as CDP's Climate Change and Water responses, the JSE SRI Index requirements, the GRI requirements, the UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, as well as legal and regulatory requirements. These are compared and prioritised, based on internal and external assessments.

The materiality assessment process also guides the prioritisation of topics identified during the stakeholder engagement process. Engagement with employees, shareholders, customers, service providers, governments, non-governmental organisations and other interested persons leads to the identification of the primary issues governing these relationships and the topics of importance to our stakeholders generally. This ongoing engagement throughout the year is used as the basis for defining report content and prioritising business initiatives.

Business risks: The following risks were identified in the year under review as being the highest ranking strategic, financial and operational risks considered as potentially having the most material impact upon the group, if realised. Our Risk Management Report provides further information with regard to these risks.

KEY BUSINESS RISKS 2014/15



Current residual rank*	1(4)	2(2)	3(1)	4(new)	5(17)	6(5)	7(9)	8(6)	9(3)	10(21)
Risk category	Market	Environment	Strategic	Financial and Treasury	Operational	Infrastructure	Operational	Strategic	Political	Operational
Priority risk	Price/ market risk	Weather	Sugar imports	Interest rate exposure	Quality	Bulk water supply	Exceptional input cost increases	Cane supply	Country/ investment	Factory utilisation and performance
Residual movement – 6 months	↑	↑	→	↑	↑	→	↑	→	↓	↑

– (#) denotes prior year

Stakeholder engagement

IN A DYNAMIC AND COMPLEX OPERATING ENVIRONMENT, PROACTIVE AND MEASURABLE STAKEHOLDER ENGAGEMENT IS FUNDAMENTAL TO OUR ABILITY TO CREATE VALUE. WE ACKNOWLEDGE THAT OUR CORPORATE REPUTATION IS BASED ON THE EXTENT TO WHICH WE MEET THE LEGITIMATE INTERESTS AND EXPECTATIONS OF STAKEHOLDERS.

We appreciate the benefits derived from stakeholder dialogue and endeavour to maintain active and productive relationships, identifying and addressing relevant issues on a continuing basis.

IMPACT | CONTEXT | ACCESSIBILITY

This transparent approach allows us to mitigate risks, identify new business opportunities, deliver on our commitment to the communities in which we operate and maintain our integrity as a responsible corporate citizen that does not profit at the expense of the environments in which we operate.

Our stakeholder engagement programme is based on the following principles:

- **Impact:** Focusing on those issues of material concern to our stakeholders and how to best address them in a collaborative and constructive manner, while embracing the concept of free, prior and informed consent.
- **Context:** Understanding the views, needs, performance expectations and perceptions associated with these material issues.
- **Accessibility:** Responding expeditiously to stakeholder interventions and engaging proactively to provide expedient, comprehensive and beneficial feedback.

During the year, processes were put into place to increase our engagements with key operational, commercial and financial stakeholders, and with the group's supply-chain participants by way of a phased process to share with and collect information from Illovo's top non-cane suppliers by procurement value, regarding the principles contained in our Code of Conduct and Business Ethics and their adherence to it. Of increasing importance is our engagement with local communities and other vulnerable stakeholders guided by the principle of "free, prior and informed consent" in relation to all matters where new group projects may impact on them. Our procedures involve environmental and social impact assessments, continuing stakeholder engagement and risk and impact monitoring, while continuing consultation processes involve mechanisms to address grievances. In relation to matters which do not involve the company directly, and in relation to which the company does not have direct interaction with affected stakeholders, we are nevertheless committed to ascertaining that the third parties involved (including governments) conduct themselves in line with human rights principles and internationally acceptable best practice standards. These matters and examples of our stakeholder engagement are contained in our 2015 Socio-Economic Impact Report and the independent Corporate Citizenship Report which may be viewed on our website at www.illovosugar.com.

Illovo's operations are typically surrounded by cane supply areas owned and operated by the group as well as private growers. Given the inextricable links among growers themselves, and between growers and our own agricultural and factory operations, together with the surrounding communities, formal and informal representative structures exist at various levels across the spectrum supporting continuous and healthy stakeholder engagements on common and extraordinary matters of mutual concern.

The board retains oversight of stakeholder management, while implementation and monitoring of stakeholder engagement is undertaken at both group and country levels.

Reaching out with our stakeholders…

Throughout the vast expanse of our geographic footprint extending over six southern African countries, with sugar and downstream markets spreading over many more, our day-to-day encounters with the men and women working and living in the communities in and around our operations, bring richness and value to the contribution of our own employees, adding considerably to the continuing sustainability of Illovo. These are people whose concern is not for themselves but for those of their own people and their own communities, acting as catalysts for economic and social growth as they harness and direct the significant multiplier effects brought about by the group's agricultural and manufacturing development. See www.illovosugar.com for more information on our important stakeholders.

Catherine Ngalauka, Deputy Head teacher for Kanjedza Primary School in Blantyre: *"With bright, colourful and educational teaching aids painted on classroom walls, together with the provision of proper school desks, our annual pass-rate has improved considerably".*

Pedro Paulo Mabasso, treasurer of the Associação Canavieira Combate à Pobreza, Manhiça. *"We work together to help one another; it's the way we do it. Where we have come from difficulty ourselves, we have the experience to help others, and that is what we must do."*

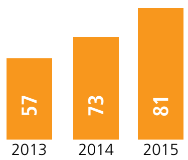
Thulas Ngidi, South Coast farmer and Chairperson of Sezela Cane Growers' Association and Board member of Illovo Sugar (South Africa) Limited: *"There are so many opportunities to explore. Being involved in the structures has opened my mind and has enabled me to play a meaningful and constructive role in bridging the gap between commercial and land reform growers."*

Sam Sithole, Project Manager for LUSIP, Swaziland Water and Agriculture Development (SWADE). *"Our Project objective as mandated by SWADE is to empower rural communities using irrigated sugar cane agriculture among other agricultural enterprises, while Ubombo's objective is to get feedstock for its factory. So our objectives are of mutual benefit; we need each other to achieve. I cherish working with Ubombo employees, especially those in the outgrower unit."*

Alice Libenanga, Division Officer Mang'ula Tanzanian Government and member of Kilombero Community Charitable Trust (KCCT) Board of Trustees since its inception in 2003. *"My life is the well-being of my people – I am committed to these communities."*

Phanuel Hankede, farmer and Trustee, Mazabuka Sugar Cane Growers Trust. *"Seeing Zambia Sugar change peoples' lives for the better has been wonderful. People who previously could not send their children to primary school are now able to afford university fees. That's what makes me enjoy my work."*

ACTUAL PERFORMANCE

KEY PERFORMANCE AREA	STRATEGIC INTENT	2014/15 KPIs
Operational performance	• Be the **leading sugar and downstream products operation in Africa,** an increasing global supplier and world-class organisation • Be the **lowest-cost producer** in every country in which it operates and among the lowest cost producers in the world	**4%** increase in sugar cane production at operations outside South Africa with **record production** from Zambia operation **4%** decrease in group sugar production due to impact of South African drought and frost damage Operating margin declined by **1.8%** to **12.5%**
Cost reduction and revenue growth	• 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 • **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 its employees	Headline earnings decline of **7.7%** to **179.0 cents per share** **51%** increase in downstream operating profit following full year operation of Tanzania distillery and improved energy efficiency and power export in Swaziland
Safety, health and environment	• **Provide a safe working environment** for all employees, contractors and stakeholders	The majority of our operations accredited with a **minimum Four-star NOSA rating** in 2014/15 (Sezela mill was the pilot site for the new integrated management system audit) Both the distilleries in South Africa received **Occupational Health and Safety Management System OHSAS 18000:2007 accreditation** Launch of **Project Zero** across all countries to increase safety awareness
Product quality and service	• Be the **market leader**, meeting and proactively anticipating customer needs	Development and implementation of a **new prepack market and route to market strategy in Tanzania** and approval of a **new refinery** in Zambia
Human resource development	• 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	**Employee development spend** (Rm) 
Sustainability and governance	• 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	**89%** of energy requirements from renewable resources using own installed capacity Social benefits to employees and our neighbouring communities amounted to **R315 million (2014: R268 million)**

FORWARD-LOOKING STATEMENT

Our Strategic Intent remains core to our operating philosophy and ever more relevant during the current market challenges.

As Africa's leading sugar and downstream producer, opportunities exist to further enhance our status as a world-class and highly-efficient organisation. Current weakness in the sugar market requires us to be the lowest-cost producer in all of our markets, a business imperative which we drive through our CI programme and which, during the past financial year, exceeded value returns expectations by 171%. We have commenced the new financial year with a further portfolio of projects which will return equally meaningful value.

The focus on cost will be coupled with an increased degree of understanding around our customer requirements and the supply-chain which links us. For the past year, the group's senior management team have worked through and continue to develop supply-chain metrics that are able to highlight opportunities to enhance our current model. This will enable cost reduction and sales penetration in our key domestic and regional markets.

Additionally, we continue to develop opportunities to diversify and enhance our revenue mix, whether through advancing our sugar offering to certain markets or the increase in non-sucrose production. Significant progress was made in the last financial year through the approval of a new large refinery in Zambia and increased prepack sugar sales in Tanzania. Currently, we continue to assess an ethanol investment opportunity in Zambia and a new furfural plant in Swaziland.

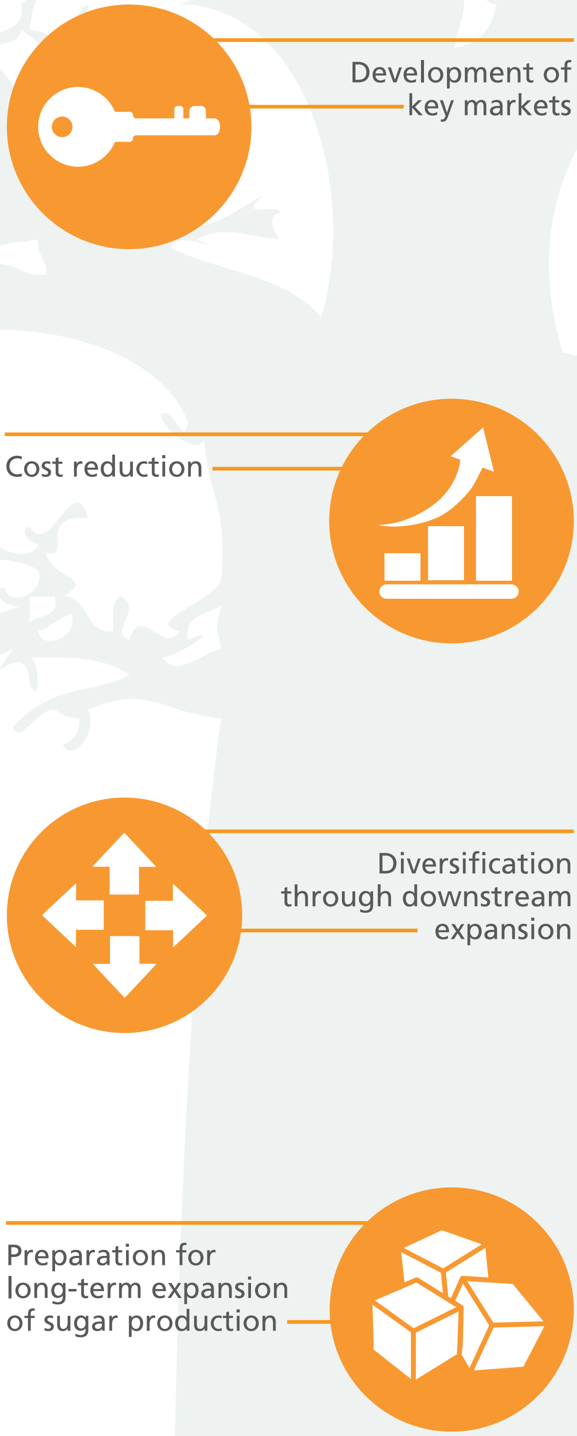
Sugar remains our core business. The current low international sugar prices are a consequence of multiple years of global surplus production. The outlook is for global demand to continue to grow at a steady 2% per annum with supply fluctuating depending on individual government subsidy programmes, currency rates and weather conditions. For Illovo, we operate in a region where demand for sugar is rapidly growing, supported by country Gross Domestic Product (GDP) and population growth. Our desire to be a local market leader will result in more sugar being supplied to African customers in the offering they require.

In order to enjoy these growth prospects our sustainability practices are important. We will continue to raise standards and build on past developments with regard to our safety records, our environmental impact and our engagement with our outgrowers. Being welcomed where we operate and being cognisant of our rural locations is as important as ever.

Our continual assessment of the local and global environment drives all of these key initiatives helping to evolve Illovo into a greater African company selling more diverse products on the continent than ever before.

In summary, four strategic response areas have been identified in addressing the current and future sugar and downstream landscape:

Four strategic response areas:



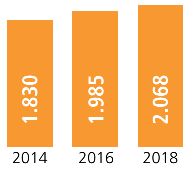
STRATEGY

STRATEGIC RESPONSE	STRATEGIC RESPONSE OVERVIEW	SPECIFIC OBJECTIVES AND AMBITIONS INCLUDE:
Development of key markets	• Declining EU value encourages more sugar to be delivered within our historic domestic and regional areas of operation • Wider region provides valuable alternatives strengthened by Illovo's dominant position within South Eastern Africa region • Remaining volume needs to target higher-margin segments such as prepack and industrial sugars • Quality of product, packaging and supply distinguishes us from others	• Strengthening Illovo's reputation for quality and service delivery by realising the SA Central Warehouse and Nchalo packing and warehouse investment benefits and replicating such initiatives in the wider group • Increase local market intelligence in order to better understand customer and trade purchase patterns with specific focus on better meeting customers' industrial refined sugar requirements, improving product mix (more prepack) and route to market models, eg, the Zambia refinery expansion and Tanzania prepack market development • Advocacy initiatives to increase effectiveness of import tariffs both in domestic and regional markets and ensure full application of currently existing tariffs and duties • Improved local knowledge of demand requirements through assessing existing customers' needs (short and long term) with potential to identify further supply (sugar and downstream) opportunities within their larger networks • Maximise utilisation of regional preferential access through bodies such as the Southern African Development Community (SADC) • Move away from EU bulk sugar as greater margins are achieved when supplying EU direct consumption sugar and maximise syrup export opportunities into EU • Roll out of "cost to serve" modelling to assist in the identification of further product mix improvements
Cost reduction	• Lower cost of production achieved through implementation of CI initiatives across the group • Increased downstream activities dilute fixed cost base	• Additional CI initiatives across the group, covering all functions and cost areas • Development and integration of supply-chain metrics assisting in the identification of further cost reduction opportunities across various markets and functional areas
Diversification through downstream expansion	• Introduction of non-sugar revenue improves robustness of returns • Meeting more of our customers' needs via a wider product range increases customer loyalty (eg, refined sugar, speciality sugar, potable alcohol, CO_2)	• Downstream expansion efforts will be primarily focused on technologies Illovo is familiar with evidenced by the successful commissioning of the Kilombero distillery and the existing assessment of the viability of the Zambian potable distillery and CO_2 plant • Ensure achievement of fair value on molasses sales, with opportunity to price towards import parity • Explore all opportunities to maximise value from proprietary furfural technology with the current focus being on finalising the assessment of the Swaziland furfural project
Preparation for long-term expansion of sugar production	• Regional growth will continue ahead of global averages • Ensuring mills are operating at their optimal levels is vital • Establishing an understanding as to what footprint change works for Illovo which will enable efforts to be focused and accurate	• Focus on current asset utilisation and low-capital expansions • De-commoditising the sugar product offering through increased focus in industrial refined supply (yielding higher growth rates) and meeting increased quality requirements (reduces supply volatility through alignment with customer needs) will encourage overall sucrose growth. Further focus on strengthening retail brands will encourage consumer pull • Leverage position as Africa's largest producer to evaluate greenfield expansion opportunities

GOALS

GROUP GOALS	SPECIFIC OBJECTIVES AND AMBITIONS
• Enhance shareholder wealth by optimising long-term returns and growth of the business, as a world-class organisation • Profitably expand the group's sugar and cane production • Evaluate opportunities to invest further in downstream operations, and consider footprint expansion as attractive opportunities arise	• Reach production level of two million tons of sugar by 2017 • Improve overall time efficiency and yields via speed-profiling and lost opportunity analysis • Establish a Sugar Centre of Excellence and Training Academy • Extend downstream contribution to the group, possibly via new ethanol and furfural operations
• Achieve a competitive rate of return on shareholders' funds and increase profits on an ongoing basis in real terms • Maintain a distribution/dividend cover of at least two times • Manage investments and working capital to achieve efficient usage of funds employed • Undertake research and development to maximise value added from core products	• Embed a culture of Continuous Improvement across the business, to lead to improved working practices, increased plant optimisation and enhanced operating profit • Bring operations at recently commissioned distillery at Kilombero to steady state • Gearing not to exceed 40%, and interest cover to be maintained above five times
• Provide a safe working environment for all employees, contractors and stakeholders	• Drive to further decrease workplace injuries by focusing on behavioural performance and entrenching further rigid health and safety standards • Continuous improvement and increased prominence of group safety, environmental and quality performance
• Be proactive in identifying the needs of customers • Consistently deliver quality products and services to customers	• Optimise distribution networks to minimise cost to serve • Move further along value chain, via improved packing capability and sales mix • Continuous product delivery within specification and on time
• Promote the ongoing development of all employees so that they reach their maximum level of competence and participate fully to achieve the group's objectives • Offer equal opportunity to all employees	• Develop desired leadership behaviours through the values driven leadership initiative • Continuously improve human resource productivity metrics, including number of employees per thousand tons of sugar produced • Integrated talent management programme including succession planning at operational and management level • Provide support and training to encourage development of local employees at all operations
• Be socially responsible, and maintain and develop appropriate ethical, environmental and risk management standards as an integral part of the business • Ensure the company is managed in an efficient, accountable, responsible, transparent and moral manner • Take cognisance of all stakeholders' interests in the group's business • Maximise usage of bagasse and biomass to generate electricity	• Objective to ensure reliable, cost-efficient energy supply to our operations and strive for 100% renewable energy use • Implement sustainability policy and framework • Compliance with all JSE and King III requirements

Sugar production
(million tons)



Strategic and operational accountability

	MALAWI	MOZAMBIQUE	SOUTH AFRICA
Business profile	• Illovo Sugar (Malawi) Limited, listed on Malawi Stock Exchange • Two agricultural estates: two factories with refineries • Produces raw and refined sugar, speciality sugars • 5 646 permanent employees • 4 247 seasonal agricultural workers at peak • DIFR: 0.08 (2014: 0.11) • DIFR group target: <0.25	• One agricultural estate and factory • Produces raw sugar, marketed domestically by industry marketing association • 972 permanent employees • 4 806 seasonal agricultural workers at peak • DIFR: 0.07 (2014: 0.09)	• 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 • 2 240 permanent employees • 1 567 seasonal agricultural workers at peak • DIFR: 0.10 (2014: 0.15)
Areas of operation	• Corporate office – Limbe • Dwangwa – Mid-central region • Nchalo – Southern region	Manhiça district, north of Maputo	• KwaZulu-Natal • Group head office
2014/15 Objectives	• Increase volume of speciality sugar supplied to the EU • Implement Nchalo agriculture improvement plan • Increased sugar production	• Yield improvements supported by irrigation upgrades • Increased sugar production • Agriculture investment including land preparation and replant	• Continue to extract additional supply-chain benefits from new warehouse • Maintain sugar production levels • Introduce CI initiative • Evaluate energy-efficiencies to continue reducing coal usage
Performance	• Difficult economic climate including high inflation and borrowing rates eroding affordability of domestic sugar • Disappointing factory performance at Nchalo • Sugar production 283 000 tons (2014: 289 000 tons) • Lower export prices, particularly in the EU and difficult domestic market conditions • Decreased volume of speciality sugar 34 000 tons (2014: 39 000 tons) due to factory performance issues • Average cane yield 103 tons per hectare (2014: 101 tons) • Average factory capacity utilisation 79% (2014: 77%)	• Higher estate cane yields through normalised season length • Sugar production 92 000 tons (2014: 82 000 tons) • Average cane yield 86 tons per hectare (2014: 80 tons) • Average factory capacity utilisation 76% (2014: 78%) • Agriculture investment and irrigation upgrades deferred to following financial year	• Sugar production 16% lower at 586 000 tons (2014: 698 000 tons) due to frost and drought damage • Continuing to realise supply chain benefits from centralised warehouse • Average cane yield 54 tons per hectare (2014: 72 tons) • Average factory capacity utilisation 72% (2014: 75%) • Substantial decrease in world exports to 130 000 tons (2014: 209 000 tons) following effective import tariff implementation • Cost saving and CI initiatives implemented to lesson impact of drought
Profit	CONTRIBUTION TO GROUP OPERATING PROFIT 38%	CONTRIBUTION TO GROUP OPERATING PROFIT 1%	CONTRIBUTION TO GROUP OPERATING PROFIT 13%
Risk areas	• Slow economic growth and high inflation impacts negatively on domestic demand • Domestic price affordability • Impact of lower world sugar price on regional export prices • Import restriction into key regional markets • Adverse currency movements and high cost of borrowings • Currency rate volatility	• Weather and flooding • Lower EU and world market prices • Continuing sugar imports while awaiting establishment of import tariff protection	• Weather – impact of drought from 2014/2015 season • Sugar industry review • Resolution of land claims • Lower world market prices although risk reduced due to lower industry production • Volatility in markets for downstream products
2015/16 Objectives	• Increase volume and quality of speciality sugar supplied to the EU facilitated by the new Nchalo packing station and warehouse • Increased refined sugar make for region • Review domestic distribution model • Continue Nchalo agriculture improvement plan • Increased sugar production • Maximise value from molasses	• Yield improvements supported by irrigation upgrades • Increased sugar production • Look to diversifying sugar offering • Agriculture investment including land preparation and replant • Effective import structure	• Continue realising cost saving initiatives • Realising a full year of CI benefits • Cost mitigation whilst Umzimkulu is closed for the season • Encouragement of cane development • Realising benefits of diversification through strong performance in downstream business • Implementation of energy-efficiency and coal usage reduction project

	SWAZILAND	TANZANIA	ZAMBIA
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 • 1 193 permanent employees • 1 727 seasonal agricultural workers at peak • DIFR: 0.18 (2014: 0.12)	• Two agricultural estates: two sugar factories, treated as one enterprise, ethanol distillery • Produces raw sugar and potable alcohol • 868 permanent employees • 3 301 seasonal agricultural workers at peak • DIFR: 0.11 (2014: 0.03)	• 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 • 1 919 permanent employees • 4 528 seasonal agricultural workers at peak • DIFR: 0.12 (2014: 0.18)
Areas of operation	• South-eastern region	• Centre-south region	• Nakambala – South-western region • Corporate office – Lusaka
2014/15 Objectives	• Increased sugar production • Implementation of further conversions to pivot irrigation • Increase power exports to 50 GWh	• Full-year, efficient operation of distillery • Review distribution network and expand prepack domestic market • Increased sugar production • Ethanol production above 12 million litres	• Continue to progress project for increased refining capacity and addition of ethanol production • Increased sugar production • Improvement of cane yields
Performance	• Sugar production 249 000 tons (2014: 251 000 tons) • Average cane yield 93 tons per hectare (2014: 96 tons) • Average factory capacity utilisation 77% (2014: 79%) • Increased power co-generation and increase in exports into the national grid to 47.8 GWh	• Improved yields and factory performance • Sugar production 126 000 tons (2014: 117 000 tons) • Improved control over low priced imports increases domestic sales volumes, including prepack volumes • Average cane yield 88 tons per hectare (2014: 84 tons) • Average factory capacity utilisation 81% (2014: 77%) • Achieved ethanol production of just over 12 million litres	• Record sugar production 424 000 tons (2014: 393 000 tons) from strong factory performance and favourable weather conditions • Average cane yield 118 tons per hectare (2014: 111 tons) • Approval of refining capacity expansion • Lower export prices, particularly in the EU, offset by strong domestic market and increased allocations into regional markets • Average factory capacity utilisation 87% (2014: 88%)
Profit	CONTRIBUTION TO GROUP OPERATING PROFIT 4%	CONTRIBUTION TO GROUP OPERATING PROFIT 9%	CONTRIBUTION TO GROUP OPERATING PROFIT 35%
Risk areas	• Sugar industry review and restructuring • Delays in agricultural initiatives supporting outgrower development although funding now secured • Lower EU and world sugar prices	• Long-term cane supply from outgrowers • Uncontrolled sugar imports even with improved import tariff protection now in place • Elections due to be held pose risk of market disruption	• Lower EU prices • Impact of low world sugar price on regional export prices • Currency rate volatility • Regional sales reliant on required permits and customs clearance from neighbouring countries
2015/16 Objectives	• Implement energy efficiency optimisation project • Maximise co-generation performance and export into national grid • Maximise refined sugar sales opportunities into region • Final assessment of furfural downstream project	• Grow domestic prepack market and further refine local distribution network • Increase sugar production • Effective import structure in place to eradicate illegal imports • Optimisation of the distillery to further stretch production	• Safe construction of the new refinery project • Maintain sugar production levels • Continue to assess the viability of an ethanol project

Value-added statement

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

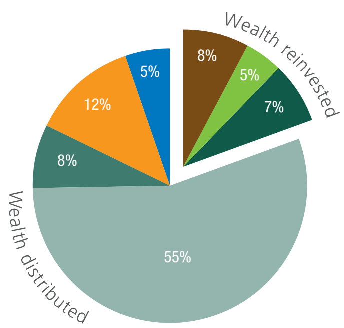
During the 2015 financial year, wealth of R4 657 million was created, which is in line with the 2014 financial year. Of this amount, R3 742 million was distributed to employees, providers of capital and to governments. Of the wealth created, 55% was paid to employees.

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

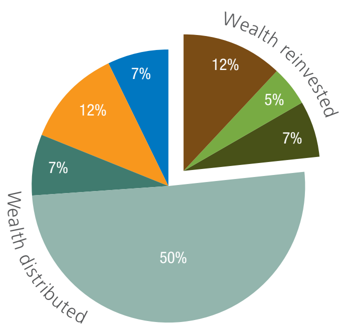
	March 2015 Rm	March 2014 Rm
Wealth created		
Revenue	**13 267**	13 190
Dividend income	**3**	5
Paid to growers for cane purchases	**(3 748)**	(3 994)
Manufacturing costs	**(4 865)**	(4 506)
	4 657	4 695
Wealth distributed		
To employees as salaries, wages and other benefits	**2 565**	2 373
To lenders of capital as interest	**356**	336
To shareholders as distributions	**576**	557
To governments as taxation	**245**	327
	3 742	3 593
Wealth reinvested		
Retained profits in holding and subsidiary companies	**368**	562
Depreciation	**337**	309
Deferred taxation	**210**	231
	4 657	4 695
Analysis of taxes paid to and collected on behalf of governments:		
Central and local governments		
Current taxation (including withholding tax)	**178**	256
Rates and taxes paid to local authorities	**7**	7
Customs duties, import surcharges and excise taxes	**60**	64
Net contribution to central and local governments	**245**	327
The above amount contributed excludes the following:		
Employees' taxation deducted from remuneration paid	**327**	293
Value added tax collected on behalf of governments	**265**	206
Withholding taxation collected from third-party suppliers	**128**	58
	720	557

(Rm)	2015	2014
Retained profits	**368**	562
Deferred taxation	**210**	231
Depreciation	**337**	309
Employee costs	**2 565**	2 373
Finance costs	**356**	336
Distributions	**576**	557
Taxation	**245**	327

2015



2014



Five-year review

	Ten-year compound annual growth % 2005 to 2015	**2015 Rm**	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Consolidated income statement						
Revenue	10	**13 266.5**	13 190.1	10 980.7	9 062.2	8 107.9
Operating profit	15	**1 655.1**	1 886.9	1 887.0	1 342.3	1 029.3
Net financing costs		**355.8**	336.4	295.4	244.1	95.5
Profit before taxation and non-trading items		**1 302.1**	1 555.6	1 593.9	1 107.7	935.9
Profit attributable to Illovo Sugar shareholders		**826.4**	916.3	859.9	443.1	546.2
Headline earnings	18	**824.6**	893.6	855.9	609.8	516.1
Reconciliation of headline earnings						
Profit attributable to Illovo Sugar shareholders		**826.4**	916.3	859.9	443.1	546.2
Adjusted for:						
Profit on disposal of property		**(1.8)**	(0.8)	(0.9)	(6.8)	(10.3)
Profit on disposal of business		**–**	–	–	–	(19.8)
Impairment of investments		**–**	–	–	173.5	–
Profit on previously impaired assets		**–**	(0.1)	(3.1)	–	–
Disposal and deregistration of businesses		**–**	(1.3)	–	–	–
Gain on bargain purchase		**–**	(2.2)	–	–	–
Proceeds received from insurance claim		**–**	(18.3)	–	–	–
Headline earnings		**824.6**	893.6	855.9	609.8	516.1
Consolidated statement of financial position						
Property, plant and equipment		**7 043.3**	6 783.3	6 209.5	5 312.5	4 984.5
Cane roots		**1 776.4**	1 531.0	1 260.0	1 216.3	1 087.9
Intangibles assets		**311.9**	288.0	266.1	218.1	174.0
Investments and loans		**312.8**	248.6	202.1	174.3	163.0
Current assets		**4 877.1**	4 327.7	4 093.1	3 067.5	2 678.5
Cash and cash equivalents		**476.5**	597.1	453.5	1 381.7	717.8
Total assets		**14 798.0**	13 775.7	12 484.3	11 370.4	9 805.7
Equity holders' interest		**6 472.4**	6 340.3	5 968.5	5 562.6	5 191.2
Non-controlling interest		**1 203.3**	1 128.3	1 006.2	902.7	784.1
Total equity		**7 675.7**	7 468.6	6 974.7	6 465.3	5 975.3
Deferred taxation		**1 384.1**	1 145.8	872.7	821.8	687.6
Borrowings		**3 207.5**	2 683.0	2 326.4	2 113.8	1 230.0
Interest-free liabilities		**2 530.7**	2 478.3	2 310.5	1 969.5	1 912.8
Total equity and liabilities		**14 798.0**	13 775.7	12 484.3	11 370.4	9 805.7

Five-year review

		Notes	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Consolidated statement of cash flows							
Cash operating profit			**1 663.7**	1 922.4	1 551.9	1 340.9	1 132.9
Working capital movements			**(314.1)**	105.2	(516.5)	(243.9)	146.3
Cash generated from operations			**1 349.6**	2 027.6	1 035.4	1 097.0	1 279.2
Net financing costs			**(355.8)**	(336.4)	(295.4)	(244.1)	(95.5)
Taxation paid			**(252.7)**	(298.6)	(193.5)	(211.0)	(186.4)
Dividend and deferred income			**2.8**	5.1	2.3	113.5	42.1
Distributions/dividends paid			**(575.9)**	(556.9)	(458.0)	(370.3)	(455.9)
Net cash inflows from operating activities			**168.0**	840.8	90.8	385.1	583.5
Investment in future operations			**(333.9)**	(379.4)	(679.7)	(206.4)	(1 274.5)
Replacement of property, plant and equipment			**(365.6)**	(342.6)	(291.0)	(237.0)	(199.8)
Acquisition of business			**–**	15.6	–	–	–
Proceeds on disposal of businesses			**–**	9.5	–	–	130.9
Other movements			**31.1**	(8.4)	51.0	(122.5)	(78.6)
Net cash outflows from investing activities			**(668.4)**	(705.3)	(919.7)	(565.9)	(1 422.0)
Net cash (outflows)/inflows before financing activities			**(500.4)**	135.5	(828.9)	(180.8)	(838.5)
Long-term borrowings (repaid)/raised			**(79.6)**	(175.3)	(245.7)	1 356.7	(366.9)
Short-term borrowings raised/(repaid)			**276.2**	226.9	215.6	(541.5)	629.9
Issue/(repurchase) of share capital			**0.8**	1.3	3.1	1.9	(26.7)
Other financing activities			**183.4**	–	–	–	–
Net cash inflows/(outflows) from financing activities			**380.8**	52.9	(27.0)	817.1	236.3
Net (decrease)/increase in cash and cash equivalents			**(119.6)**	188.4	(855.9)	636.3	(602.2)
Earnings and distribution per share							
Earnings per share	(cents)	1	**179.4**	199.0	186.9	96.4	118.8
Headline earnings per share	(cents)	2	**179.0**	194.0	186.0	132.6	112.2
Distribution per share	(cents)	3	**90.0**	97.0	95.0	66.0	56.0
Distribution cover	(times)	4	**2.0**	2.0	2.0	2.0	2.0

NOTES:

1. **Earnings per share**
   Profit attributable to Illovo Sugar Limited shareholders divided by the weighted average number of ordinary shares in issue.
2. **Headline earnings per share**
   Headline earnings divided by the weighted average number of ordinary shares in issue.
3. **Distribution per share**
   Distribution per share reflects both the interim distribution (paid) and the final distribution (declared). Distribution per share includes any capital distributions out of share premium.
4. **Distribution cover**
   Headline earnings per share divided by distribution per share.
5. **Return on average shareholders' equity**
   Profit attributable to Illovo Sugar Limited shareholders expressed as a percentage of average shareholders' equity.
6. **Return on net assets**
   Operating profit expressed as a percentage of average net operating assets.
7. **Return on total assets**
   Operating profit expressed as a percentage of total average assets, excluding cash and cash equivalents.
8. **Working capital to revenue**
   Average levels of inventories, receivables and payables, expressed as a percentage of revenue.
9. **Net debt: equity ratio**
   Interest-bearing liabilities (net of cash and cash equivalents) divided by total equity. A negative net debt: equity ratio indicates that the group is in a net cash position.

		Notes	2015	2014	2013	2012	2011
Profitability and asset management							
Operating margin	(%)		**12.5**	14.3	17.2	14.8	12.7
Return on average shareholders' equity	(%)	5	**12.3**	14.0	14.6	8.1	10.1
Return on net assets	(%)	6	**13.1**	16.1	19.6	16.0	13.8
Return on total assets	(%)	7	**11.8**	14.3	16.3	13.0	11.1
Working capital to revenue	(%)	8	**18.7**	16.7	19.1	13.6	9.8
Liquidity and borrowings							
Net debt: equity ratio		9	**35.6**	27.9	26.9	11.3	8.6
Gearing	(%)	10	**26.2**	21.8	21.2	10.2	7.9
Total liabilities to total equity	(%)	11	**93.2**	85.0	79.8	76.4	64.6
Current ratio	(times)	12	**1.6**	1.6	1.4	2.0	1.2
Interest cover	(times)	13	**4.7**	5.6	6.4	5.5	10.8
Employee statistics							
Permanent employees (year-end)		14	**12 838**	12 972	12 645	12 456	12 159
Seasonal employees (peak)			**20 176**	18 965	18 021	17 055	17 000
Revenue per permanent employee	(R'000)		**1 033.4**	1 016.8	868.4	727.5	666.8
Net assets per permanent employee	(R'000)		**597.9**	575.7	551.6	519.1	491.4
Headline earnings per permanent employee	(R'000)		**64.2**	68.9	67.7	49.0	42.4
JSE Limited statistics							
Ordinary shares in issue	('000)		**460 731**	460 623	460 447	460 011	459 763
Weighted average number of shares	('000)		**460 723**	460 541	460 193	459 863	459 787
Net asset value per share	(cents)	15	**1 666.1**	1 621.4	1 514.8	1 405.5	1 299.6
Total volume of shares traded	('000)		**83 135**	93 641	63 791	53 961	86 462
Total value of shares traded	(Rm)		**2 238.0**	2 903.7	1 843.8	1 389.1	2 347.2
Ratio of shares traded to issued shares	(times)		**18.0**	20.3	13.9	11.7	18.8
Headline earnings yield	(%)	16	**7.5**	6.9	5.8	5.2	4.2
Distribution yield	(%)	17	**3.8**	3.5	3.0	2.6	2.1
Price: headline earnings ratio	(times)	18	**13.3**	14.4	17.1	19.1	23.9
Market price per share							
– year-end	(cents)		**2 378**	2 801	3 180	2 533	2 685
– highest	(cents)		**3 100**	3 952	3 260	2 902	3 270
– lowest	(cents)		**2 126**	2 500	2 476	2 221	2 420

10. Gearing
Interest-bearing liabilities (net of cash and cash equivalents) expressed as a percentage of total equity and interest-bearing liabilities (net of cash and cash equivalents). A negative gearing ratio indicates that the group is in a net cash position.

11. Total liabilities to total equity
Interest-bearing liabilities and other liabilities expressed as a percentage of total equity.

12. Current ratio
Current assets divided by current liabilities.

13. Interest cover
Operating profit divided by net financing costs.

14. Permanent employees
The total number of permanent employees at year-end, excluding those employed by associate companies.

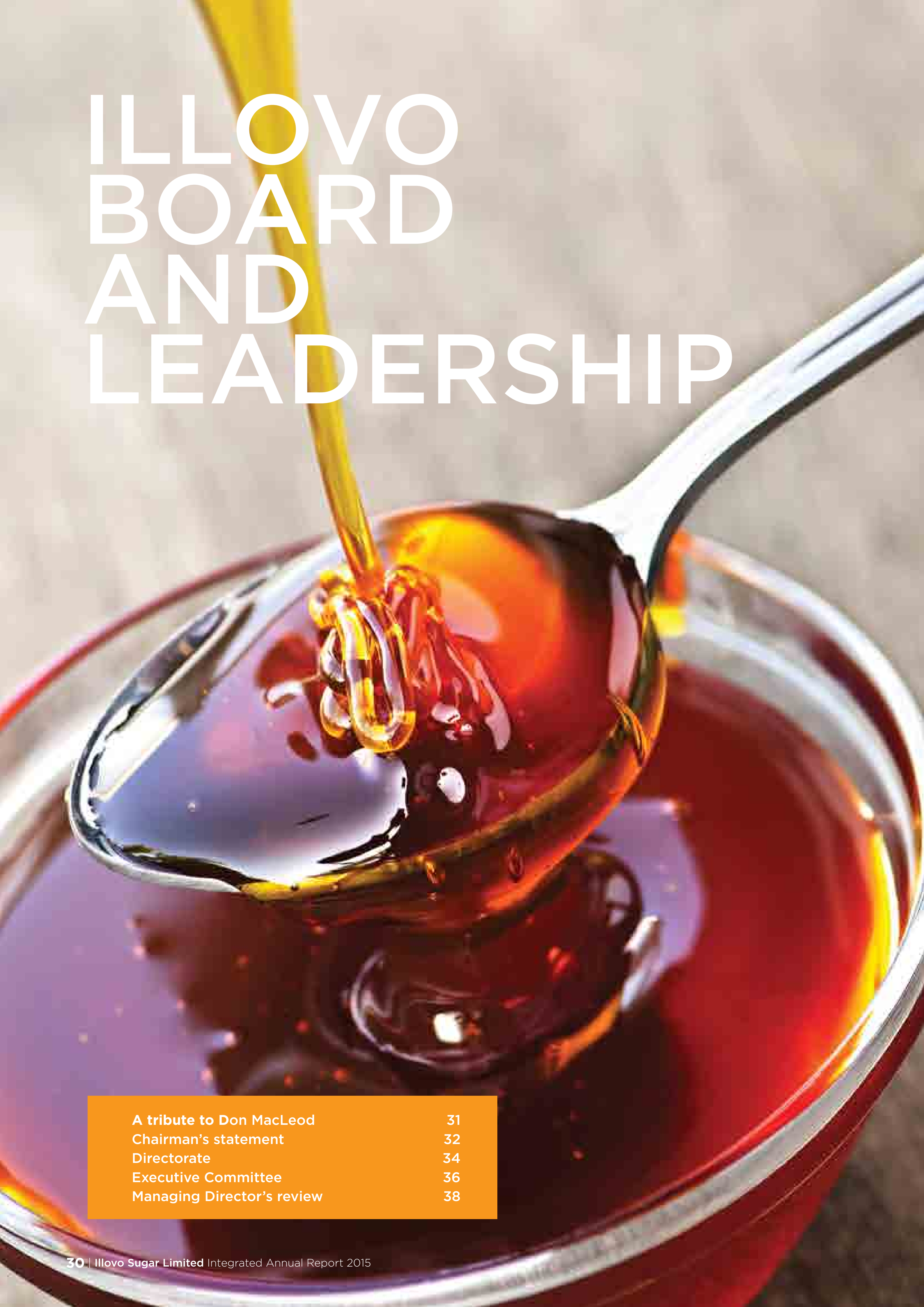
15. Net asset value per share
Total assets less total liabilities divided by the number of shares in issue.

16. Headline earnings yield
Headline earnings per share as a percentage of year-end market price.

17. Distribution yield
Distribution per share as a percentage of year-end market price.

18. Price: headline earnings ratio
Year-end market price divided by headline earnings per share.

19. Change in accounting policy
Where a change of accounting policy is implemented with retrospective application the relevant previous years are restated where required.



ILLOVO BOARD AND LEADERSHIP

Don MacLeod

A tribute to Don MacLeod

Don MacLeod will retire as Chairman of the board of Illovo Sugar at the group's annual general meeting this year after 44 years in the sugar industry, of which he says 42 years were "with Illovo". From industrial affairs/accountant for the SA Sugar Millers' Association (1971) he moved to the Illovo Sugar Estates group in 1973 where he was group financial manager at the time of its takeover by CG Smith Sugar in 1977, when he became this company's investigations accountant. When in 1994 CG Smith Sugar became Illovo Sugar, it was a personal milestone for Don who could thereafter claim to have been an "Illovo" employee since 1973.

Don matriculated at Michaelhouse and completed his university education at both Natal and Oxford Universities. He joined the sugar industry because he "felt it was the major industry in Natal". In the new company his progress after 1977 was steady – industrial affairs director in 1983, finance director in 1984 and Managing Director in 1992 when, he recalls, "we were faced with the worst drought in 100 years followed by the second worst in a hundred years". Illovo took advantage of this by dismantling the Illovo mill to move it to Eston in the mid-nineties, marking the end of the historic mill though its name is perpetuated in that of the group.

Don's abilities were recognised in the industry during these years. He was appointed as a member of the Council of the Sugar Millers' Association in 1982 and also served on the board of Sugar Transport Services Proprietary Limited and as Chairman of the South African Sugar Association and South African Sugar Millers' Association.

An all-round sportsman, Don has enjoyed cricket, road running, tennis, golf and more recently, social cycling. He played cricket for Natal Schools, captained Natal University and played provincial cricket for Natal as an all-rounder, was president of the Durban and District Union and in 1991 was chosen to lead the new Natal Cricket Union. As member of the United Cricket Board of South Africa he was part of the ground-breaking tour of India in 1991 which marked this country's re-entry into the international cricket scene, he described it at the time as "a fantastic experience which happens only once in a lifetime". Today he is honorary life vice president of Natal Cricket.

As a serious runner – a "Master" in the road-running rankings – he has taken part in more than 100 ultra-marathons and marathons, including silver medals in both the Comrades and Two Oceans marathons, and has competed in the Mont-Aux-Sources 50 km Challenge, having entered his first road race in 1965 at the age of 18 while still at school. He is a strong supporter of Illovo's culture of participation in sporting events, because "running and cycling are great sports in terms of the people involved – it includes all ages, both sexes and all colours and to have people partaking in healthy exercise is super".

Don's 17 years as Illovo Sugar's Managing Director came to an end in 2009 when he retired as MD but remained on the board as a non-executive director and deputy chairman. During those years the company experienced exponential growth due to various landmark events following the watershed year 1994 when its name was changed to Illovo Sugar. These events included the adoption of the group's Strategic Intent in 1995, when Illovo moved from being a South African company to an African business focused on sugar and downstream. The purchase of a controlling stake in Maragra came next, then the major acquisition which changed the group – buying the Lonrho Sugar group. Of the latter he says: "It gave us the required footprint and mass in Africa to change the whole group's future and in one step obtain people and operations with expertise of operating outside South Africa." Aside from the acquisition of Kilombero Sugar Company in 1998, major events in the new century included the acquisition and expansion of Zambia Sugar and the purchase of a controlling interest in Illovo by Associated British Foods in 2006. In all these events, Don was a major player.

Don's term as deputy chairman continued until 2011, when he was appointed Chairman of the board of Illovo Sugar. The next four years continued to be eventful for the company, culminating in the recent announcement of another major expansion in Zambia. Now aged 68, Don has decided to bring to an end his involvement in the running of the group to which he has devoted his working life. His knowledge and understanding of the nuts and bolts that keep Illovo on its chosen track will be missed, but no doubt his ability and energies will benefit those other interests which have played such an important part in his life. Illovo's directors, management, staff and other stakeholders, wish him and Stephanie and his family, a happy, healthy and active retirement.

Chairman's statement

The group continues to evaluate opportunities for further footprint expansion in Africa. *Ubombo, Swaziland.*

Overview

The past year was a disappointing one for the group. Abnormal weather conditions which hampered production and challenging market conditions adversely affected the financial results. Group sugar production was below that of last year mainly due to the impact of drought and frost in South Africa whilst continuing low world sugar prices and a significant declining trend in EU sugar prices and currency impacted negatively on revenue realisations from the export market. Overall financial results reflect a 7.7% decline in HEPS. I am, however, pleased to report a strong performance from our downstream businesses which now contribute 16% of our operating profit. The group has a strong balance sheet, healthy cash-generation and sound cane, sugar and downstream assets across Africa and investment in strategic projects such as the new refinery in Zambia, energy saving projects across the group and marginal cane and sugar production expansions will have a significant positive impact on the business in the future.

Business/operating environment

The international economic environment remains unsettled with volatile currencies and lower commodity prices and although the southern African region has seen improved economic growth compared to many other parts of the world the operating environment is challenging with high levels of unemployment, lack of infrastructure and extreme poverty. Illovo, like others operating in the region, needs to deal with the economic, market, labour and socio-economic challenges facing the continent.

The lacklustre market conditions in South Africa are a concern as they influence the economic, social and political environment. It is vital for the sustainability of South Africa that the view of the country by the world investment community improves because without economic growth and infrastructural investment the current levels of unemployment, inadequate education and labour unrest will continue to hinder the country's progress. It is important for government and business to work together to promote stability and remove policy uncertainty to achieve real growth in the economy. In particular, the severe problems experienced in the country's electricity supply has had a considerable negative impact on economic growth and an action plan to ensure that the existing systems are properly maintained and new sources of energy, both fossil and renewable, are brought on-stream as soon as possible is a pressing need. It is disappointing that many potential renewable energy projects have been delayed due to a lack of urgency with progressing applications for electricity generation by private companies and ensuring that realistic investment tariffs are implemented. In addition, uncertainty regarding land ownership needs to be resolved timeously if food security is to be ensured and the need for adequate finance is a pre-requisite if new commercial farmers and communities who become involved in agriculture are to be successful. The impact of high inflation and interest rates on the people in Malawi is a particular worry to the group.

The group faced major cost pressures during the year. Rising costs in markets which are under pressure has negatively impacted margins despite continued focus on cost management. The trend for wage increases above the rate of inflation is a concern. The ability to pass on these increased costs without impacting on local market offtake, which is the backbone of the business, is difficult due to the economic circumstances of our customers. Accordingly, productivity improvements are vital if the business is to be world competitive.

The world market price of sugar is one of the most volatile of all commodities and it is further distorted by subsidies, whether direct or indirect, granted to major sugar producers around the world. Discussions with governments in the countries in which Illovo operates stress that our businesses are world competitive but it is necessary for good import protection to be in place to ensure that we are not negatively impacted by the dumping of low-priced surplus sugar from other parts of the world. Positive steps have recently been implemented in South Africa and Tanzania. In addition, in Mozambique the government is anticipated to introduce a new level of tariff following an investigation by an independent expert.

Generally relations with the various governments in the countries in which we operate remain positive and constructive.

As an African business headquartered in KwaZulu-Natal, we strongly condemn the violent attacks which were launched against foreign people living in this country, some of whom are nationals of the countries in which we have operations. These xenophobic attacks are of great concern and unacceptable behaviour perpetrated by a handful of our own citizens.

Strategy implementation

The group is Africa's leading sugar and downstream producer with extensive agricultural and manufacturing operations in six African countries with strong domestic, regional and preferential markets. The past year has seen a major decline in prices in the EU as producers prepare themselves for reform of the EU Sugar Regime from 2017. The world sugar price is currently low as a result of a fourth year of a global sugar surplus and the volatility of currencies, particularly the Brazilian Real. However, African annual sugar growth continues to increase with demand expected to grow by six million tons by 2020. Consequently, the group will be focusing on our domestic markets, both consumer and industrial, and on the opportunities available in the growing African markets.

In addition, the group will pursue downstream investments such as the recently completed distillery in Tanzania, to enhance and diversify future revenue streams. Energy efficiency projects and power co-generation will also be areas of cost reduction and revenue growth.

The group continues to evaluate opportunities for further footprint expansion in Africa but careful assessment of the risk will remain crucial to any new opportunity being processed.

The existing business will focus on capacity utilisation and productivity improvements whilst assessing the opportunities which are available to grow the existing base operations, particularly marginal cane and factory expansions.

People

Our people are key to achieving our Strategic Intent. Attracting and developing our people is central to our business strategy. Illovo employs approximately 33 000 people, 13 000 on a permanent basis and another 20 000 as seasonal employees. Regrettably we have not made the progress we aspire to in transforming our senior management teams both in South Africa and in our other areas of operation, but this is being addressed by training, development and mentorship so as to meet our goals through targeted succession plans.

Safety remains a significant item on every board agenda and it is most pleasing to report that the group safety record in respect of both disabling injury and total injury frequency has shown a major improvement over the last couple of years with the past year showing a 10% improvement. I regret that we had two fatalities in the past year and the objective is to eliminate any such occurrences by focusing on behavioural performance and entrenching health and safety standards and thereby nurture a safe operating culture across the group.

Access to health-care is provided to all our employees and their dependants either through a network of group-run primary health-care clinics and four hospitals or through the provision of medical insurance schemes. We continue to take a proactive stance against life-threatening epidemics such as HIV and AIDS, malaria and tuberculosis. These diseases are managed largely on a preventative and integrated basis. Strategies for controlling HIV and AIDS include preventative programmes together with an established in-house wellness programme.

Governance/social investment

Illovo's directors and employees strive to ensure the company is managed with honesty, integrity and in accordance with highest legal and ethical standards. Its governance structures are in line with King III and the Companies Act. The approach is to stay abreast with local and international best practice and ensure that local requirements are met in the countries in which we operate.

In South Africa, during the year under review, the company was rated as a Level 3 contributor in terms of the B-BBEE Codes of Good Practice, and has subsequently moved to Level 2.

The company qualified for inclusion in the JSE's SRI Index for the eighth successive year and was named among the nine companies which met the "best performer threshold".

The group has an extensive social investment role across the large areas in which we operate. This is particularly relevant as most of our operations are situated in rural areas. The group's businesses form the economic and social backbone of local communities in the areas in which we operate providing infrastructure, health-care facilities, schools and many other community benefits amounting to R315 million in the 2014/15 season. As a buyer of goods and services we also support local businesses. Overall Illovo has a material impact on job creation and poverty alleviation in the regions in which it operates.

Outlook

The year ahead will be a tough one for the group with production anticipated to be below that of the current year due to the drought during the growing season in South Africa. In addition the export markets continue to be very challenging and the efforts to change the market mix will be important to reduce the impact of the lower world and EU prices. Volatility of local currencies will continue to impact on revenue realisations for both sugar and downstream exports and the conversion of profits. As a result of these challenging production and marketing conditions, it is expected that HEPS for the year ending 31 March 2016 will be between 25% and 45% below those for the prior financial year.

Appreciation

I will be retiring from the board at the annual general meeting and would like to thank the shareholders, business partners, my fellow directors and the employees of Illovo for their support over the many years of my involvement at Illovo. It has been a real privilege to serve as both Chairman and Managing Director of a group which lives by its core values, has a strong commitment to integrity, is focused on the pursuit of excellence in its activities and is cognisant of the communities and the environment in which it operates.

I would like to express my appreciation to my fellow directors over the long period I have served on the board for their commitment, guidance, valuable input and wise counsel – it has been a wonderful experience and a privilege to work with them. I wish the group continued success in meeting its vision and Strategic Intent and will follow its achievements with great interest.

Phinda Madi is due to retire from office at the group's forthcoming annual general meeting and will not be standing for re-election. He has been a valued independent board member and I thank him for his contribution to Illovo over his 12 years on the board and wish him well in his future endeavours.

My thanks to Gavin Dalgleish and the executive management team for their hard work and leadership in what has been a challenging year.

On behalf of the board I wish to extend my appreciation and thanks to the employees of Illovo across the operations for their effort and commitment during the past year.

Don MacLeod
Chairman

Directorate

Don MacLeod (68) (South African) #^+
Chairman of Nomination Committee
BCom, AMP (Oxford)
Joined the sugar industry in 1971
Appointed by the board 10 August 1983
Previous Managing Director of Illovo

Independent non-executive Chairman

Independent non-executive directors

Mike Hankinson (66) (South African) *#^
Chairman of Remuneration Committee
BCom, CA(SA)
Appointed by the board 20 May 2008
Director of companies

Len Konar (Dr) (61) (South African) *
Chairman of Audit Committee
BCom, CA(SA), MAS (Illinois), DCom, CRMA
Appointed by the board 10 July 1995
Director of companies

Phinda Madi (Prof) (51) (South African) +
Chairman of Social and Ethics Committee
BProc, EDP
Appointed by the board 29 November 2002
Director of companies

Independent non-executive directors

Nosipho Molope (50) (South African) *+
BSc (Medical Sciences), BCompt (Hons), CA(SA)
Appointed by the board 10 September 2008
Director of companies

Ami Mpungwe (64) (Tanzanian) ^+
BA (Hons)
Appointed by the board 1 September 2008
Director of companies

Trevor Munday (65) (South African) *#^+
Chairman of Risk Management Committee
BCom
Appointed by the board 9 March 2010
Director of companies

* 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

Gavin Dalgleish (49) (South African) ^+[a]
BScEng(Chem), MScEng(Chem)
Joined the sugar industry in 1988
Appointed by the board 9 March 2010
Managing Director

Executive directors

Executive directors

Mohammed Abdool-Samad (44) ^+[a]
BCom, CA(SA)
Joined the sugar industry in 2011
Appointed by the board 16 September 2011
Financial Director

John Hulley (55) (South African) ^+[a]
DipMechEng, MDP
Joined the sugar industry in 1978
Appointed by the board 1 September 2013
Operations Director

Larry Riddle (55) (South African) +[a]
BCom, CA(SA)
Joined the sugar industry in 1986
Appointed by the board 1 April 2009
Commercial Director

Non-executive directors

Mark Carr (Dr) (52) (British) #
BSc, PhD, MBA, CertEng, FIMechE
Joined the sugar industry in 2006
Appointed by the board 5 September 2006
Chief Executive Officer – AB Sugar

Jonathan Cowper (40) (British) ^
MSc, ACMA, MAAT
Joined the sugar industry in 2015
Appointed by the board 10 March 2015
Financial Director – AB Sugar

Paul Lister (51) (British) +
LLB
Appointed by the board 5 September 2006
Director of Legal Services and Company Secretary – Associated British Foods

Directors as at 31 March 2015

The diversity status of the board as at 31 March 2015 was six white South African men, three white and one black non-South African men, three black South African men and one black South African woman (four designated).

Directors' condensed curricula vitae appear on pages 107 to 108.

Executive Committee

Executive Committee

Gavin Dalgleish (49) ^+
BScEng(Chem), MScEng(Chem)
Joined the sugar industry 1988**
Joined the group 1988
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 (44) ^+
BCom, CA(SA)
Joined the sugar industry 2011
Joined the group 2011
Financial Director
Responsible for group financial, business development, treasury and corporate finance functions, internal audit, information technology, performance analysis (operational and financial), risk management and insurance.

John Hulley (55) ^+
DipMechEng, MDP
Joined the sugar industry 1978**
Joined the group 1978
Operations Director
Responsible for group operational performance relating to all agricultural and manufacturing operations, group operations support, group procurement, risk and safety management and continuous improvement.

Larry Riddle (55) +
BCom, CA(SA)
Joined the sugar industry 1986
Joined the group 1986
Commercial Director
Responsible for group commercial operations relating to sugar and downstream operations, new business opportunities, export marketing, outbound logistics, industrial affairs and advocacy.

^ Member of Risk Management Committee | + Member of Social and Ethics Committee | ** Includes periods of broken service

[The diversity status of the executive directors who comprise the Executive Committee is three white South African males, and one black male].

Company Secretary

Jennifer Kunst (61) +
BA, LLB, DipMarLaw
Joined the sugar industry 2011
Joined the group 2011
Corporate Affairs
Responsible for all statutory and regulatory company secretarial functions, governance, and overseeing the legal, secretarial, compliance, sustainability and corporate citizenship functions.

Human Resources Executive

Nigel Hawley (58) +
BCom (Hons)
Joined the sugar industry 1978
Joined the group 1978
Human Resources Executive
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.

Assisted by record output in Zambia and Mozambique, group sugar cane production in 2014/15 increased marginally above that of the previous season, despite a significant decline in cane production in South Africa due to drought conditions.

Managing Director's review

"Our continuing focus has been to drive the performance improvement in areas within our control"

Gavin Dalgleish

Overview

Market conditions have not been easy over the last year. Despite strong domestic markets our exposure to low world sugar prices and currency challenges, in particular the sharp weakening of the Euro, have negatively impacted earnings. Adverse weather conditions in South Africa also resulted in considerable cane yield losses. Notwithstanding these factors, we continue to move forward on a number of fronts to reposition the business. Our recently-announced plans for expansion of the refinery in Zambia and the increased contribution to operating profit from our downstream activities are testament to these initiatives.

External factors

The business continued to lean into headwinds of declining world and EU market pricing, currency volatility and the impact of poor weather on the South African cane crop. The depreciation in the Brazilian Real against the US Dollar has provided an export incentive to Brazil's sugar producers which will impact an already over-supplied world market. The recent fall in world prices to a six-year low will indirectly impact regional market pricing.

Our response

Our continuing focus has been to drive the performance improvement in areas within our control.

The group's commercial and trade advocacy teams continue to make sound progress in growing domestic, regional and niche markets ahead of the EU market reform in 2017.

Domestic markets continue to be important for the group with strong demand growth particularly in Zambia. The introduction of an effective dollar-based reference price import duty in South Africa significantly reduced sugar imports relative to the previous year, impacting positively on local industry sales. In Tanzania the political recognition of the long-term damage to the domestic economy of illegal sugar imports and the emerging measures to control these trade flows, resulted in a dramatic recovery in domestic sales volumes. Our Tanzanian business recorded record sales volumes and some exciting new prepack branding is being launched in the 2015/16 season.

Conversely, the strong Malawian Kwacha, high interest rates and little or no economic growth in that country saw domestic demand soften. New route-to-market initiatives are underway to improve the affordability and drive domestic demand growth.

Bulk raw sugar exports to the EU by the operations in Malawi and Zambia continued to decline compared to those of the previous year, while the demand for speciality sugar exports to the EU continued to grow at a price premium to regional market alternatives.

Notwithstanding these poor market conditions and the drought impact on production in South Africa, the Illovo group was able to offset partly the downside with strong growth in the downstream business and strong sugar production in a number of our countries of operation.

Record sugar production in Zambia, Mozambique and at the Dwangwa mill in Malawi, as well as record cane crushed in Tanzania, again underscore the value of the geographic spread of our largely irrigated cane growing areas and sugar milling assets to mitigate climate risks. Record yields achieved by our outgrowers in Mozambique were a particularly pleasing result. Developing thriving economies that surround our operations is a key pillar in our long-term business sustainability and to this end, we continue to engage multiple funding and community agencies in developing and delivering successful outgrower schemes that enjoy increasing international recognition.

Consistent milling operations in Tanzania supported strong output of potable alcohol at our Kilombero distillery, comfortably exceeding the first full-year investment case assumptions. Increased proceeds from electrical co-generation in Swaziland and record ethanol production at the Merebank distillery in South Africa supported the excellent downstream performance, negatively impacted only by the lower drought-affected furfural production at Sezela.

Investment, innovation and shareholder value

One of the key threads running through our strategy is to diversify our product mix to offset the cyclicality in our business brought about by abnormal weather conditions, sugar pricing and currency fluctuation, among others. Initiatives, including the Zambian refinery expansion project announced during the year and to shift the group sugar

DIVERSIFY

The group will pursue downstream investments to enhance and diversify future revenue streams. *Ethanol distillery, Tanzania*

export sales mix away from the EU to growing domestic and regional markets, are progressing well. Building on the success of our Tanzanian distillery investment, two further downstream investment projects are under review.

We will continue to innovate within our supply-chains to create logistic supply advantages in a likely future scenario of the EU switching from being an attractive preferential export customer to that of a competitor in our existing regional markets.

As part of our drive for greater operational efficiencies, structural cost reduction programmes will continue to build on the good results achieved by the group-wide continuous improvement programme during the year.

Supply-chain integrity

The multinational food company trend towards local sourcing from ethical supply-chains presents an important supplier point of difference for the Illovo group. We continue to create greater awareness within the business and with external stakeholders of our impact on the environment and on the communities within which we operate.

Not only do sustainable practices make business sense, they also reflect our responsibility for and accountability to the environment and our surrounding communities. We continue to improve on the exemplary safety records of our factories and agricultural operations, our employee well-being programmes, our partnerships with local and international non-governmental organisations and the reduction of water usage and carbon emissions. Our strategic ambition is to ensure reliable cost-efficient energy supply to our operations, strive toward 100% renewable energy use and where attractive, to export power to national grids. Currently, we are meeting 89% of our own energy requirements from renewable bagasse fibre combustion and we sell surplus power into the Swaziland national grid in excess of the contractual obligations entered into with that country's power utility.

More recently, as part of the global "Zero Tolerance for Land Grabbing" campaign, we have developed our own customised Group Guidelines on Land and Land Rights, formulated in consultation with local and international experts on land matters. The guidelines complement our Strategic Intent and our Group Code of Conduct and Business Ethics which embodies our commitment to respecting internationally recognised human rights and to adopt policies and practices to protect against human rights abuses, including land rights. We are committed to the implementation of the principles contained in these Guidelines using the benefit of our long-term experience as a major land user on the African continent, and with the assistance of other key stakeholders, including representatives of the local communities in which we operate, local government and non-governmental organisations.

The growing sugar and health debate is of concern to us, particularly the linkage between sugar consumption and increasing obesity rates. Illovo advocates the promotion of a balanced and healthy lifestyle. AB Sugar's "Making Sense of Sugar" campaign, which was launched last year, aims to educate people about sugar and the role it can play in a healthy balanced diet. We aim to provide factual information, based on robust science, so that everyone is able to make informed choices about what to consume. Further information can be found at www.makingsenseofsugar.com.

We also support and understand the concerns of governments of the countries in which we operate regarding the increasing incidence of non-communicable diseases (NCDs) such as hypertension, chronic respiratory diseases and diabetes; these health issues are serious and represent complex problems that require a collective effort to solve. We have invested, and continue to invest, in extensive medical facilities and health programmes that provide treatment and counselling for employees, their families and members of local communities, often where no such alternative facilities currently exist. Our facilities and programmes focus on treating NCDs, as well as helping to educate our communities that preventative measures are the preferred long-term approach, as treating the symptom is not treating the cause in all cases.

Illovo is also proud of its continuing inclusion on the JSE's Socially Responsible Investment (SRI) Index and in 2014, was among the nine companies which met the JSE's SRI Index "Best Performer" threshold. Also in 2014, our Integrated Annual Report was awarded the highest Sustainability Data Transparency Index (SDTI) score in the Food & Beverage Industry sector and ranked fifth overall across all sectors, and was ranked in the "Excellent" category of the 2014 EY Excellence in Integrated Reporting Awards.

Gavin Dalgleish
Managing Director

Financial Director's review

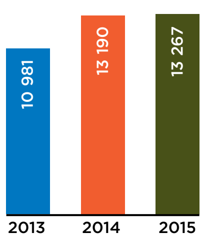
"A robust balance sheet
and strong cash generation
remain a key feature of the group
during challenging economic conditions"

Mohammed Abdool-Samad

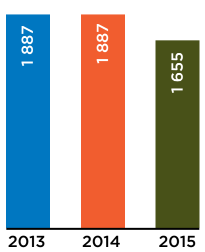
Salient features

- Revenue marginally higher than prior year amidst challenging commercial environment
- Operating profit 12.3% lower at R1.655 billion, impacted by declining European prices and adverse weather in South Africa
- Operating margin decreased from 14.3% to 12.5%
- Headline earnings per share down 7.7% to 179 cents
- Total distribution of 90 cents per share
- Return on net assets decreased to 13.1%

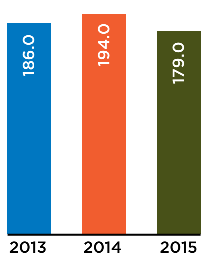
Revenue (Rm)



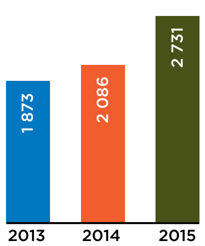
Operating profit (Rm)



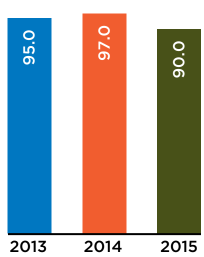
Headline earnings per share (cents)



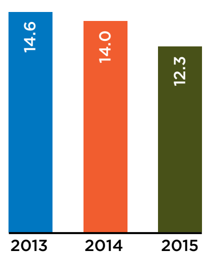
Net borrowings/cash (Rm)



Distribution per share (cents)



Return on shareholders' equity (%)



Purpose

The purpose of this review is to provide insight into the financial performance and financial position of the group and should be read in conjunction with the summary financial statements presented on pages 83 to 99, together with the notes to the financial statements which can be found on our website at www.illovosugar.com.

Key financial risks

Exchange rates

As the group enters into purchase and sale transactions denominated in foreign currencies, it is subject to transactional exposure from fluctuating foreign currency exchange rates. To protect the business from the effects of transactional exchange rate volatility, forward exchange contracts are utilised, enabling more effective management of export realisations and cash flows. All forward exchange contracts are entered into in accordance with the Group Treasury Policy and individual contracts are approved by the Treasury Committee.

The group is further exposed to currency fluctuations with respect to the translation of profits into Rand, with 87% of the group's operating profit being derived from operations outside South Africa. During the current year, the Malawian Kwacha was stable against the Rand with year-on-year devaluation of only 2% despite underlying Malawian inflation of 22%. The benefit of Rand weakness against the Tanzanian Shilling and Mozambique Metical only slightly mitigated the adverse impact of the weaker Zambian Kwacha. The table below summarises the average translation exchange rates for the relevant currencies:

Average translation exchange rates (%)	2015	2014
Rand/Euro	**13.99**	13.58
Rand/US Dollar	**11.06**	10.12
Malawian Kwacha/Rand	**38.42**	37.52
Zambian Kwacha/Rand	**0.581**	0.544
Tanzanian Shilling/Rand	**154.67**	160.41
Mozambican Metical/Rand	**2.89**	3.01

Export market prices

The world sugar price came under significant pressure during the 2014/15 season, falling from US17.5 cents/lb a year ago to current price levels of around US13.0 cents/lb. The weakening of the Brazilian Real has played a significant role in this deterioration, compounded by multiple years of surpluses in the world sugar market.

The South African business is the only operation that exports sugar to the world market and is therefore directly exposed to the world sugar price. This direct exposure was significantly reduced during 2014/15 as export volumes declined with the introduction of an effective import tariff reducing imports and the lower industry production resulting from adverse weather conditions. World sugar exports, together with the related hedging activities, are undertaken on behalf of the sugar milling companies by the South African Sugar Association (SASA). The company participates in all decisions made by SASA relative to its pricing and hedging activities.

European prices have also declined significantly. This reduction in pricing has occurred as European producers reposition themselves ahead of the structural reforms due in 2017. Realisations from European sales have also been adversely impacted by the notable weakening of the Euro, with the average US Dollar/Euro rate declining from 1.34 in 2014 to 1.26 in 2015.

While high inland transport costs continue to protect pricing in certain of the group's regional markets, the impact of the low world sugar price was felt in certain regional and domestic markets, particularly those such as Tanzania and Mozambique where low import duties were in effect.

The impact of inflation and cost containment

Inflation in most countries in which the group operates has been relatively stable in the past year, except in Malawi where inflation averaged 22%, albeit lower than the 27% in the prior year, and continued to have a substantial impact on input costs. The impact of high Malawian interest rates and weak economic growth on consumer demand made it difficult to mitigate this high inflation through domestic price increases, resulting in a reduction in operating margins.

Illovo continued to generate substantial benefits through its continuous improvement programme, which reduced costs through efficiency and productivity improvements.

Interest rate risk management

The group is exposed to interest rate risk with respect to variable rate loans and overdraft facilities. In the prior year, the external debt in Zambia was refinanced using internal funding to maximise the group's arbitrage opportunity of funding operations in high-interest rate environments from low-interest rate jurisdictions. While an interest saving was realised in the prior year, the full benefit was realised in the current year. Working capital and operating expenditure are tightly controlled so as to maximise cash flow and minimise finance charges. The table below summarises average interest rates across the countries where we operate:

Average interest rates (%)	2015
Malawi	**31.4**
Mozambique	**5.7**
South Africa	**6.4**
Swaziland	**9.1**
Tanzania	**12.7**
Zambia	**15.9**

Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. During the year, the group adopted the amendments to *IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 32/39 Financial Instruments* and *IAS 36 Impairment of Assets*. The adoption of these standards has resulted in additional disclosures.

The group is currently assessing the impact of a change to *IAS 41 Agriculture* which will require cane root assets to be measured at depreciated historical costs and no longer at fair value. The change will come into effect for the year ending 31 March 2017.

Acquisitions, disposals and investments

Effective 26 September 2014, 5.1% of the Zambia Sugar Plc shares owned by Illovo were sold to local Zambian institutional investors for a consideration of R189 million. A further 1.5% is still to be sold in order to achieve compliance with the Lusaka Stock Exchange Listings Requirements, in terms of which all listed companies are required to have a minimum of 25% of their shares held by the public. A gain on the transaction of R93 million has been recognised directly in the group's reserves.

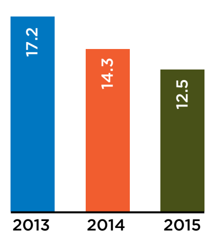
Material items and impairment

There were no material items or impairments during the current year.

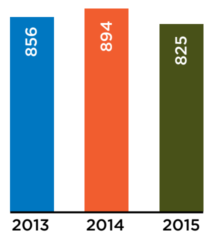
Financial performance

The financial performance of the group is measured in terms of various key financial ratios which include the operating margin, headline earnings growth, gearing and cash flow generation, as set out below:

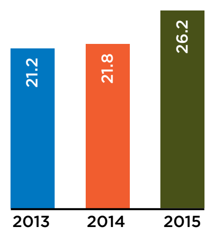
Operating margins (%)



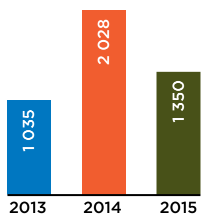
Headline earnings (Rm)



Gearing (%)

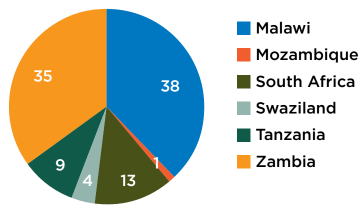


Cash generated from operations (Rm)



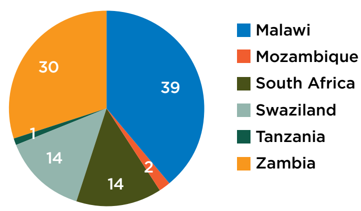
Operating performance

2015 Operating profit (%)



R1 655 million

2014 Operating profit (%)



R1 887 million

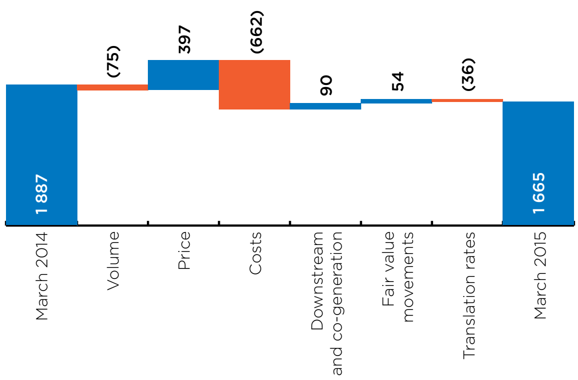
Revenue and operating profit by country

Revenue was marginally higher than the prior year, with the impact of lower EU price realisations and lower sales volumes offset by an improved sales mix and inflationary domestic price increases in South Africa, Zambia and Swaziland. In Malawi, weakening domestic demand led to both lower sales volumes and increased difficulty in achieving inflationary price increases, although the impact of the stronger Kwacha resulted in translated revenue being level year-on-year. The 11% reduction in South Africa's sales volumes, due to the lower production impacted by adverse weather conditions, was largely offset by an improved domestic environment supported by improved regulation of imports from world markets along with improved downstream revenue supported by a weaker Rand. Swaziland's revenue was lower due to lower EU prices and a weaker Euro, while Tanzania benefited from a 15% increase in sales volumes enabled by a stabilisation of domestic market conditions, along with the additional revenue generated from the first full year of operation of the distillery.

Operating profit declined with the impact of the lower production and sales volumes, along with cost inflation in the face of flat revenue, only being partially offset by substantial benefits generated from the continuous improvement programme. The operating margin decreased from 14.3% to 12.5%. The adverse profit impact of the lower EU prices and a weaker Euro were felt most heavily in Swaziland, Zambia and Malawi, although in Zambia this was fully mitigated via a strong 60% increase in regional sales volumes, domestic market growth and record production volumes. The operations in Tanzania achieved a strong improvement in operating profit on the back of improved sales volumes, significant cost savings, and the full-year contribution from the distillery. The co-generation business in Swaziland achieved increased exports to the national grid and energy efficiency improvements, resulting in a 57% increase in operating profit.

The decrease in operating profit over the previous year is graphically depicted in the chart below:

Operating profit (Rm)



Finance costs

	2015 Rm	2014 Rm	Variance
Malawi	**(105)**	(44)	(61)
Mozambique	**(11)**	(9)	(2)
South Africa	**(102)**	(78)	(24)
Swaziland	**(83)**	(80)	(3)
Tanzania	**(81)**	(76)	(5)
Zambia	**(301)**	(255)	(46)
Group operations	**295**	206	89
Translation	**32**	n/a	32
Total	**(356)**	**(336)**	**(20)**

Rising interest rates across most emerging economies and the impact of the slower sales profile resulted in finance costs increasing by R20 million compared to 2014. This was most evident in Malawi and Zambia which were impacted by lower export realisations. Malawi was also impacted by dampened domestic demand resulting in the need to finance higher inventory holdings over the course of the year. Higher finance costs in South Africa were also affected by the lower cash from operations resulting from the effect of drought and frost conditions which lowered crop yields. At a group level, finance costs were favourable primarily due to the realisation of the full year benefit of the prior year external debt refinancing in Zambia.

Translation gains arose from the effect of a weaker Zambian Kwacha on the interest expense, and a stronger US dollar on the interest income.

Taxation

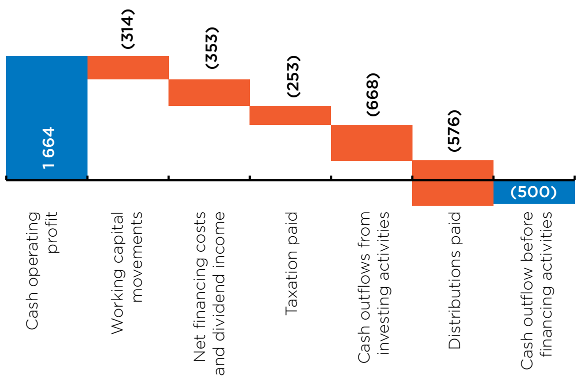
The effective tax rate decreased from 31.3% to 29.8% in the current year.

Effective tax rates (%)	2015	2014
Current tax	**9.8**	13.3
Deferred tax	**16.2**	14.8
Withholding tax	**3.8**	3.2
Effective tax rate	**29.8**	31.3

Headline earnings

Headline earnings decreased by 7.7% to R825 million (2014: R894 million). The weighted average number of shares in issue increased by 107 600 shares to 460.7 million as a result of the final issue of shares in terms of the Illovo Sugar 1992 Share Option Scheme.

Cash flow (Rm)



Operating cash flows declined in line with the lower operating profit, but the cash conversion ratio remained strong at 101% (2014: 102%), as the group continued its focus on operating cash flows with the objective of ensuring that operating profit is largely covered by cash. Working capital increased primarily due to the impact of the slower sales profile on receivables. Management continues to focus on revenue enhancements, cost reductions and continuous improvement initiatives across the group to maximise cash flow generation, optimise working capital requirements and minimise financing costs.

The group invested R334 million in expansion capital projects including the Nakambala refinery expansion, a packed sugar warehouse in Malawi and an energy efficiency project at the Sezela mill in South Africa. In addition to this, R366 million was spent on ongoing replacement capital and minor capital projects. The sale of 5.1% of the Zambia Sugar Plc shares owned by the group generated proceeds of R189 million. Distributions to shareholders totalled R576 million (2014: R557 million).

Borrowings

At year-end, the group had external banking facilities totalling R5 166 million of which R1 322 million was drawn down. Committed facilities totalled R3 942 million while the group has access to R1 224 million of uncommitted facilities. Cash-on-hand at year-end totalled R477 million, resulting in a net borrowings position of R2 731 million.

The net borrowings position at year-end was made up as follows:

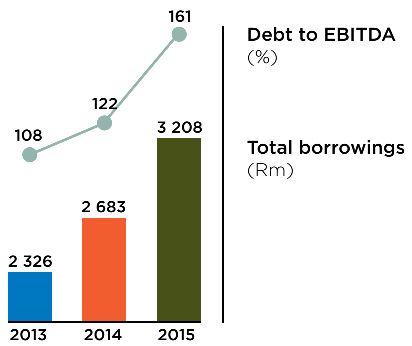
Rm	2015	2014
Long-term borrowings	**2 043**	1 825
Current portion of long-term borrowings	**100**	151
Short-term borrowings	**615**	297
Bank overdraft	**450**	410
Total borrowings	**3 208**	2 683
Less: Cash and cash equivalents	**(477)**	(597)
Net borrowings	**2 731**	2 086
Increase in funding	**645**	213

Net borrowings increased from the prior year and included a R329 million loss that arose largely on translation of US Dollar obligations into Rands. Excluding translation losses, this results in an increase in net borrowings of R316 million which is attributable to the impact on cash from the lower operating profit. This increase in net borrowings is after a R189 million cash inflow resulting from the disposal of a 5.1% interest in Zambia Sugar Plc.

The borrowings profile is largely long-term in nature which reflects both the capital investment programme and working capital requirements of the business. Capital projects are largely funded by each of the individual businesses, primarily in the currency of that business' operations. Any residual funding is financed through group treasury which in turn is financed by the local debt markets. Capital expansion projects are financed by floating rate long-term debt and are repaid from project cash flows.

The group manages transactional exposure on external borrowings by ensuring that the businesses borrow in their local currency. The group's treasury operation may borrow in a currency other than its local currency, provided the exchange exposure is appropriately hedged. Where internal financing is utilised for long-term funding and is designated as part of the investment in the operation, foreign exchange gains and losses are recorded directly in reserves.

Gearing increased to 26% which is within the group's objective limit of 40%. The low level of gearing is expected to be maintained in the short term, however, over the medium to long term, in anticipation of large capital expansion projects, this gearing level is expected to reach the objective limit.



The external borrowings exposure at 31 March is analysed by currency:

Rm	2015	%	2014	%
Rand	**43**	**1**	24	1
US Dollar	**2 253**	**70**	1 959	73
Euro	**204**	**6**	–	–
Malawian Kwacha	**115**	**4**	–	–
Zambian Kwacha	**8**	**1**	20	1
Tanzanian Shilling	**561**	**17**	656	24
Mozambican Metical	**24**	**1**	24	1
Total borrowings	**3 208**	**100**	**2 683**	**100**
Translational exposure	**3 165**	**99**	**2 659**	**99**
Transactional exposure	**–**	**–**	**–**	**–**
No currency exposure	**43**	**1**	**24**	**1**

Shareholding and return

Trading activity by volume of shares traded on the JSE decreased by 11% year-on-year, following a 47% increase in the prior year. The share price decreased by 15% from 2 801 cents to 2 378 cents at year-end.

The group has maintained its policy to pay a distribution to shareholders twice a year (interim and final), in aggregate twice-covered by headline earnings, after due consideration of current and forecast cash generation, planned capital expenditure and gearing levels.

An interim capital distribution, in lieu of a dividend, of 37 cents per share was paid and a final capital distribution, in lieu of a dividend, of 53 cents per share has been approved. The total distribution of 90 cents per share is lower than the 97 cents per share distributed in 2014 in line with the lower headline earnings. In accordance with International Financial Reporting Standards, no liability has been raised for the final distribution. As the source of the distribution is a reduction of contributed tax capital, the cost of the final distribution of R244 million has been transferred from share premium to a separate distribution reserve.

Return on net assets

The return on net assets for the group decreased from 16.1% to 13.1% year-on-year. This mainly reflects the decrease in operating profit and the increase in working capital resulting from the challenging commercial environment. A currency loss of R405 million arose on the translation of the group's foreign currency denominated net assets into Rand.

Capital expenditure and commitments

A summary of the group's capital expenditure and approved capital commitments as at 31 March is set out below:

The group continued to apply the following hurdle rates to new expansion capital projects:

Internal rate of return	> 20%
EBIT/capital at steady state	> 20%
Payback	< 7 years

The hurdle rates ensure that capital is applied to expansion projects that give the best return on investment. However, these hurdle rates do not apply to ongoing replacement capital and environmental capital where it is not always possible to demonstrate the financial returns. Equity injections into the operating subsidiaries are considered from time to time, as appropriate, in order to maximise shareholders' returns.

Financial controls and risk management

The internal control systems are designed to provide reasonable assurance against material losses and misstatement of financial results, and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is an important aspect of internal control. An internal financial control framework has been developed, in line with King III, to improve the identification of financial reporting risks and to provide additional assurance that controls are adequate to address the risk of material misstatements of financial results. During 2015, internal control frameworks were tested by the internal audit division at numerous locations. Areas of non-compliance were reported and discussed with management, following which action plans were implemented to address the risk of material misstatement of financial results.

Going concern assertion

The board has formally considered the going concern assertion for the Illovo group and is of the opinion that it is appropriate for the forthcoming year.

Mohammed Abdool-Samad
Financial Director

	Capital expenditure 2015			Capital commitments 2016		
Rm	Expansion	Ongoing	Total	Expansion	Ongoing	Total
South Africa	100	87	187	161	108	269
Malawi	73	88	161	57	97	154
Zambia	65	68	133	909	102	1 011
Swaziland	16	36	52	75	42	117
Tanzania	1	23	24	12	49	61
Mozambique	5	28	33	10	31	41
Group	74	36	110	198	17	215
Total	**334**	**366**	**700**	**1 422**	**446**	**1 868**

The Nakambala factory produced 424 000 tons of sugar which was an all-time African production record achieved by a single cane sugar factory in a single season. Group sugar production in 2014/15 amounted to 1.760 million tons of sugar.

Operations Director's review

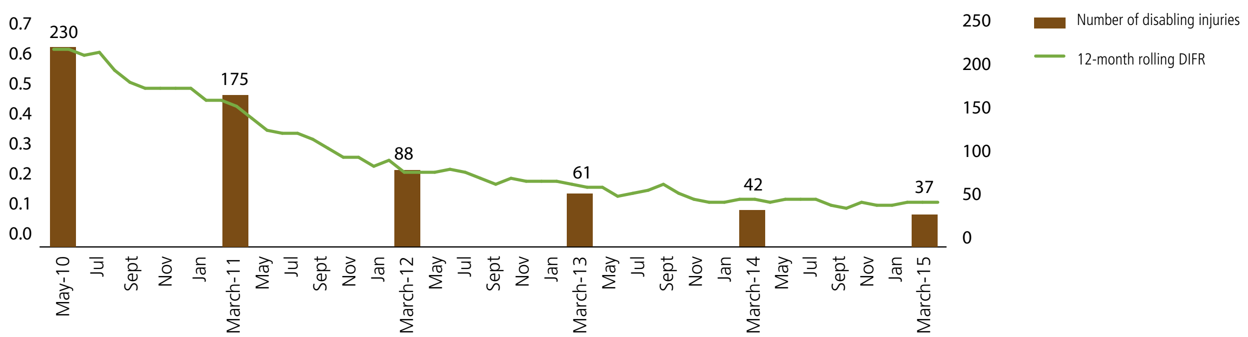
John Hulley

Safety, health, environment, risk and quality (SHERQ)

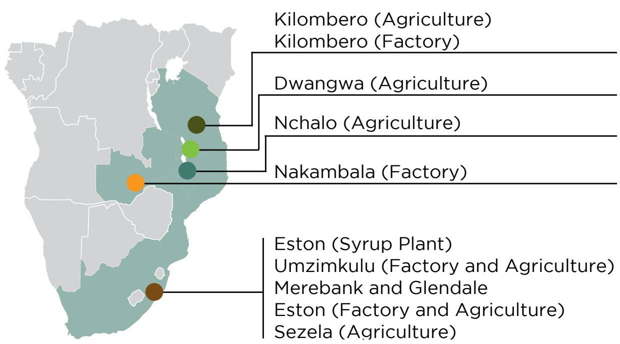
Our strategy of recording and measuring health and safety lead indicators and focusing on creating sustainable change in behavioural safety among each and every employee continued to produce a steady improvement in health and safety performance the during 2014/15 season. It is pleasing to report that the 12-month rolling Disabling Injury Frequency Rate (DIFR) and Total Injury Frequency Rate (TIFR) results for the 12-month period to 31 March 2015 of 0.10 and 1.75 respectively, reflected a 10% improvement on the comparative performances ac hieved by our operations in 2013/14. Highlighted among this accomplishment, Malawi's Nchalo agricultural operation built up a commendable 13.6 million man-hours without a lost time accident.

The reduction in lost time injuries and DIFR over a five-year period is reflected in the following graph:

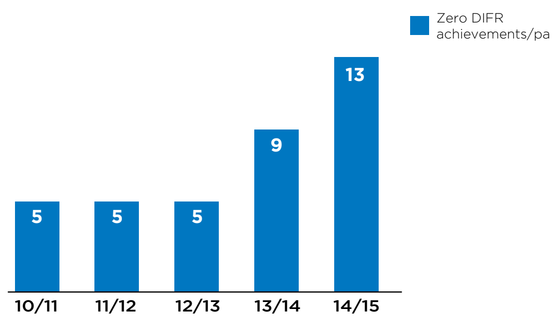
DIFR and disabling injuries 10/11 – 14/15



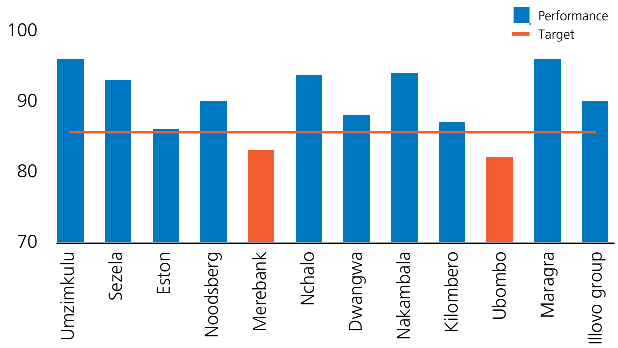
The number of individual operations achieving a lost time injury frequency rate of zero also improved to 13.



Zero DIFR achievements (%)



A safety scorecard system which measures health and safety leading indicator performance was also implemented across the group during the year and a target score of 85% was set for our operations in the first year of implementation. The following graph demonstrates the performance against target by the individual operations:



FSSC 22000 accreditation was achieved at 11 of our sites during the year and Coca Cola "full authorisation" status was awarded to eight of our sites.

The implementation of our own internal integrated risk management system, "Project Totus", commenced with a trial audit at our Sezela milling and downstream complex at the end of 2014 and will now be implemented across all Illovo operations during 2015. The Totus system encompasses all aspects of health, safety, environmental, food safety, product quality, sustainability and enterprise risk management in a single integrated site audit. This system, when fully implemented, will reduce considerably the audit fatigue experienced by our operations and duplication resulting from the previous audit regime which required a multitude of individual audits.

Agricultural production

The 2014/15 season was characterised by extremely dry weather conditions in the South African coastal and midlands cane growing areas and by severe frost damage occurring in the KwaZulu-Natal midlands. These conditions resulted in a considerable reduction in cane yields from our South African operations resulting in an 18% reduction in cane throughput compared to the previous season.

However, underscoring the value of the geographic spread of cane growing and milling assets, operations in Zambia, Mozambique, Tanzania and Dwangwa in Malawi enjoyed good cane growing conditions. Record crops were produced by our operations in Zambia and Mozambique, Dwangwa's outgrowers in Malawi, and our own agricultural operations in Tanzania.

Cane harvested across our own estates in 2014/15, which are predominantly outside of South Africa, amounted to 6.265 million tons on 64 213 hectares of land, compared to 6.138 million tons on 63 471 hectares in the previous season. The group's total milling throughput was supported by our outgrowers who supplied 8.792 million tons of cane compared to 9.392 million tons harvested in 2013/14. The year-on-year reduction was due to the adverse weather conditions in South Africa, having been only partially offset by improved performances from outgrowers at our other operations.

Outgrower area under cane harvested this season amounted to 113 521 hectares against 111 899 hectares harvested in the previous year. The increase in area occurred largely in Swaziland where an additional 1 200 hectares were developed and harvested as part of the phased completion of the Lower Usuthu Smallholder Irrigation Project.

Total group cane production and area harvested this year were 15.057 million tons and 177 734 hectares respectively, against 15.530 million tons and 175 370 hectares during the previous 2013/14 season.

A SUSFARMS (Sustainable Sugar Cane Farm Management system) working group, consisting of multi-stakeholders, focused on collaboratively introducing sustainable farming practices among South African midlands outgrowers and our own agricultural operations, continues to make good progress with the implementation of sustainable systems and farming practices. Their coordinated efforts resulted in all Noodsberg's growers as well as a majority of the growers supplying cane to our Eston mill, completing and submitting a SUSFARMS tracker sustainability self-assessment. This process will be implemented at other agricultural estates in the group.

A number of drip irrigation trial blocks totalling about 150 hectares were installed at the Ubombo estate in Swaziland as part of the fifth phase of our centre pivot irrigation infrastructure upgrade. This project has the objectives of improving irrigation efficiency and reducing water consumption and irrigation electricity demand per hectare, as well as improving agricultural productivity. Early indications of meeting all of the abovementioned objectives are very positive.

The FREDD (automated fleet scheduling and cane stock management system) and 1 Plant (vehicle monitoring) systems implemented at Malawi's Nchalo operation resulted in improved monitoring and control of inbound cane supply logistics. This has brought about a reduction of the total cane supply fleet, reducing operating costs and minimising the short-term need to replace ageing units in the cane haulage and cane loader fleets. The FREDD system is in the process of being implemented at Swaziland's Ubombo operation and an opportunity analysis is being performed at Zambia's Nakambala site.

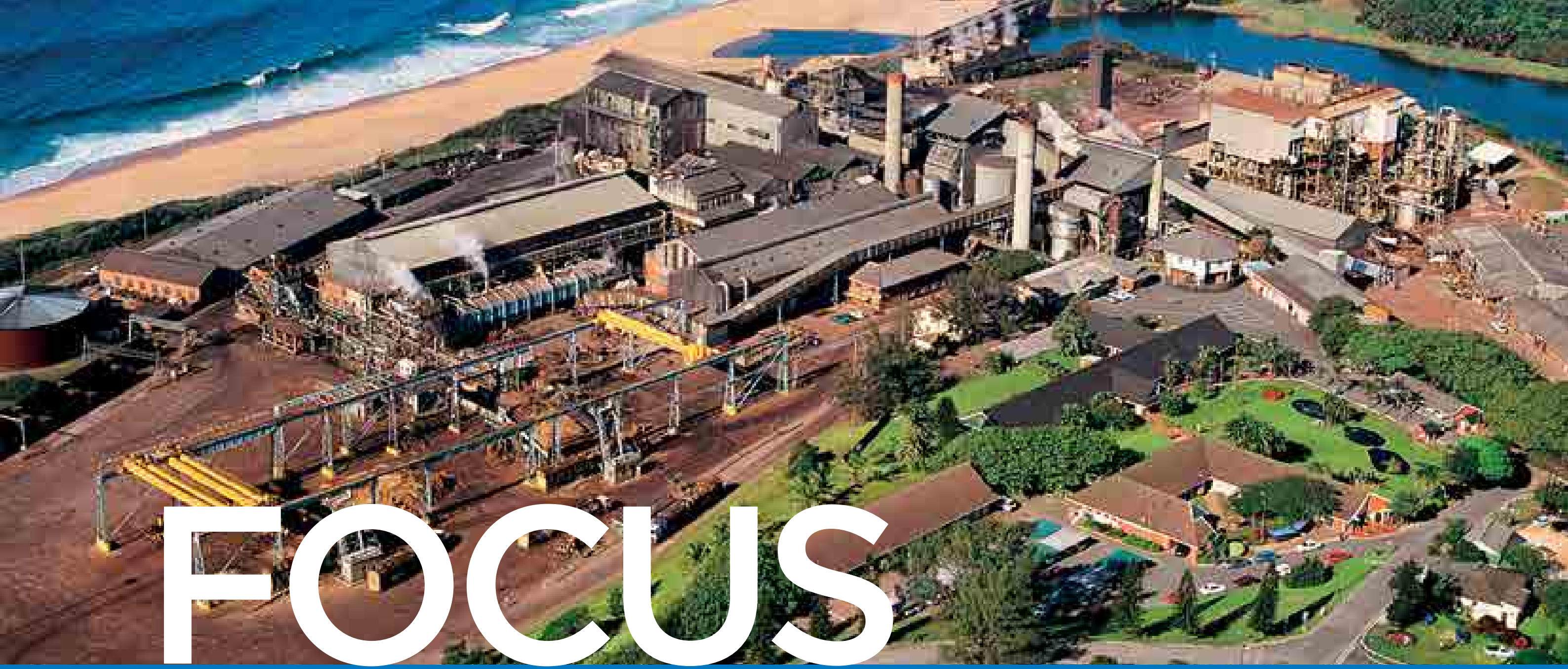
Manufacturing performance

Sugar production

Group sugar production in 2014/15 amounted to 1.760 million tons compared to 1.830 million tons in the previous season. Despite the considerable drop in cane yield and in quality caused by drought and frost in South Africa, there was an overall increase of 126 000 tons of cane compared to that produced in the 2013/14 season.

Supported by a record cane crop, our Nakambala factory in Zambia produced 424 000 tons of sugar, which was an all-time African production record achieved by a single cane sugar factory. A number of other cane and sugar production records were also realised across the group, helping to offset the losses incurred in South Africa.

Nchalo factory's performance in Malawi was disappointing and significant improvements are being implemented in the current off-crop period. The performance of the two factories at Kilombero in Tanzania was consolidated following substantial capital work undertaken during 2013 to integrate the factory energy supplies with the new potable alcohol distillery erected on site.



Sezela is the subject of an energy-efficiency project as part of the group's continuing focus on ensuring optimal performance of its operations.

The group's focus on optimising equipment reliability and consequently capacity utilisation, resulted in improved efficiency performances at nine out of the 11 milling sites with the magnitude of the improvements ranging from 11% to 40% better than average efficiency performances achieved in 2013/14.

Downstream production and product diversification

The downstream operations in our South African operation continued to make a significant contribution to the business. Both alcohol distilleries performed well for the year, producing a new potable alcohol production record of 58 033 kℓ at the Merebank and Glendale sites. Lactulose production was slightly less than the previous year's output while furfural production of marginally under 17 000 tons at Sezela was less than the previous year as a result of the reduced cane crop and consequently feed stock in the form of bagasse from cane milling.

The new potable alcohol distillery at Kilombero in Tanzania, supplied and constructed by Praj Industries, performed extremely well in its second year of operation with stable renewable energy sources from bagasse being supplied from the Ruembe sugar factory. This resulted in the achievement of weekly production performances of 19% above design capacity. The quality of the Extra Neutral Potable Alcohol (ENA) comfortably met customers' specifications in spite of the better-than-design production rates, for the entire season.

The supply of power into the national grid through our co-generation activities was successfully commenced on a relatively small scale at both the Eston factory in South Africa and Maragra factory in Mozambique, using renewable energy supplied from the bagasse produced during manufacturing operations.

Using bio-renewable energy sources, the co-generation operations at the Ubombo factory in Swaziland continued to perform extremely well with a new record established for electricity sales into the national grid in excess of 47.8 GWh for the season.

In 2015, the Illovo and Zambia Sugar boards approved capital expenditure for a more than R900 million investment at the Nakambala factory in Zambia. The project is to increase refined sugar production to meet local bottler demand and specifications for refined sugar, supply refined sugar into the region, and to upgrade brown and speciality sugar production capability to meet customer requirements and volume, both domestically and for new markets in the region. The contracting process is in an advanced stage and construction has commenced on site. Commissioning of the new facility will coincide with the sugar factory start-up programme during the second quarter of 2016.

The investment in the new distilling facility in Tanzania, co-generation plant in Swaziland and the refinery and product alignment project in Zambia are all consistent with our strategy to increase diversification of the products produced from sugar cane and consequently its revenue streams.

Continuous improvement

Embedding the CI culture within the organisation continues to gather momentum and implementation at the operations is progressing well with the investment in people, systems and processes adding value by contributing towards improved production performance, innovation and reduced costs of production.

Through an external consultancy, we have facilitated the initial base-line assessments of practice maturity at every site for each of the foundation practices which support and enable sustainable CI. An action plan and site-specific targets have been set at each of the respective operations for improving their own practice maturity as they relate to the key foundation practices. On-site steering committees, which includes a site CI manager to lead the process, have also been established. Advanced (Green belt) training has been provided for selected CI champions and basic (Yellow belt) training has been provided for teams in the pilot areas where CI has been implemented.

Targets for two critical foundation practices, namely Leading and Managing Change (LMC) and Asset Care were set for the sites at a group level and it is pleasing to report that all have achieved the targets for these practices and good progress has been made in improving maturity scores for the other foundation practices.

The success of the group initiative so far has come in many forms, such as the pilot selection of Farm 6 at Nakambala whose agricultural team was taken through the relevant training and subsequently implemented typical CI tools to improve agricultural performance on this farm. The average cane yield on the farm improved by more than 10% as a result of improved agricultural practices and productivity improvements.

The final contribution from CI at the end of the financial year, inclusive of cost savings, was in excess of R350 million.

We are all immensely proud of the CI achievement to date and new targets have been set for the 2015/16 year to grow practice maturity in a sustainable manner and continue to improve business performance.

John Hulley
Operations Director

The group continued to capture increasing growth opportunities in local domestic and nearby regional African sugar markets, with sales to these outlets amounting to 73% of total offtake.

Commercial Director's review

Larry Riddle

"The improvement in group revenue was aided by better pricing being achieved on average in the domestic markets and an improved group sales mix"

Products

Illovo produces and sells a range of sugar, syrup and downstream products into domestic, preferential, regional and world markets.

Sugar

We sell a wide range of brown and refined sugar products to serve both our domestic and export customers. Our offerings include:

- **Industrial sugar**: Mainly in refined bulk form, sold primarily to soft drink, confectionery, canning and re-packing customers. Most of this sugar is sold into markets in the countries in which we operate.
- **Prepack sugar**: Refined and brown sugar which is prepacked in paper or plastic of various pack sizes for direct consumption in domestic markets. It is sold to retail and wholesale customers and directly to consumers through our wide network of warehouses and distribution channels. In South Africa and Malawi, prepack sugar is marketed under the Illovo brand name, and in Zambia and Tanzania, under the Whitespoon and Bwana Sukari brand names respectively. In Swaziland and Mozambique, local market sugar is marketed on behalf of producers by their respective sugar associations.
- **Bulk raw sugar for refining**: Raw sugar which is primarily exported to sugar refineries via preferential access to EU and USA markets, or through world market sales out of South Africa.
- **Specialty sugars**: Sugar which undergoes additional or special processing to meet our customers' unique requirements pertaining to flavour, grain size and colour, which is exported into premium niche markets in the EU and USA. An increasing volume of these exports is marketed under the "Fairtrade" label with price premiums returning directly to promote agricultural development among emergent cane farmers in our own countries of operation. Relatively smaller quantities are sold into Illovo's domestic markets.
- **Syrup:** In South Africa and Zambia, Illovo produces a wide range of quality invert syrup products ranging from golden syrup through to the rich-dessert topping range. Illovo's market leading syrups can be found nationally in retail, wholesale and industrial markets while customer-specific inverts are also supplied to many industrial customers and to growing export markets.

Downstream

As part of Illovo's Strategic Intent to optimise the return on every stick of cane, a wide variety of niche, high-value downstream products are produced and marketed from the core commodity products of cane-fibre, sugar and molasses. Downstream products include syrups, ethanol, furfural and furfuryl alcohol, diacetyl, 2,3-Pentanedione, BioMass Sugar®, agricultural nematicides and lactulose. Electricity is also co-generated at all our sugar factories using bagasse and biomass as bio-renewable feedstock for the boilers. Surplus electricity produced in Swaziland and, to a lesser extent in Mozambique, is sold on to the national grid on a commercial basis.

Commercial review

Despite bearish market conditions, the annual group revenue of R13 267 million was R77 million up on the previous year notwithstanding a 4% decline in sugar production volumes and the devaluation of the Zambian Kwacha. The build-up in global sugar stocks, the continued weakening of the Brazilian Real, the announcement of a large export subsidy for Indian sugar exports and the low crude oil price have provided a negative outlook for the world sugar price (No.11) which has traded at its lowest level for six years during the current financial year. The world market price has an indirect impact on the regional market sugar prices in Africa and this market segment represents a significant and growing market for the Illovo group. EU market prices have continued to trend downward in the run up to the deregulation of the EU sugar industry in October 2017. The main reasons behind this have been the effect of "exceptional measures" used by the European Commission in previous years to increase supply of "in quota" sugar together with the improved supply prospects from existing ACP/LDC countries and new quota holders in Latin American countries. The EU Commission has intentionally operated a policy to increase supply to the market in an attempt to move internal European prices closer to world market levels, which has materially impacted revenues from this market segment.

The improvement in group revenue was aided by better pricing being achieved on average in the domestic markets and an improved group sales mix with all but the Mozambique domestic markets growing in 2014/15. The impact of low-cost sugar imports that have been flowing into both the Tanzanian and South African markets continues but at a much reduced rate and this has positively impacted sales for the current financial year.

In South Africa, duty-free sugar imports amounted to approximately 137 000 tons (2014: 462 000 tons) and it is pleasing to note that the International Trade Administration Commission's (ITAC) recommendation to increase import protection for the South African sugar industry has helped protect the industry from subsidised low-cost world market sugar.

In Tanzania, world sugar imports have historically attracted minimal duties and the Government of Tanzania has recently implemented measures to protect the local industry through the implementation of tariffs provided against world sugars.

In Mozambique, imported sugar from the world market has displaced local market sales which has impacted the local producers and small-scale cane growers as these imports have meant that equivalent volumes are sold into lower returning export markets. Engagement with the Government in Mozambique on this matter is positive and a fair outcome is anticipated early in the new financial year.

The downstream operations, which are based primarily in South Africa, have once again grown their combined revenue by 20% year-on-year. The group achieved a new ethanol production record and combined with improved pricing and weakening of the Rand which boosted export earnings are the main reasons for the growth in current-year downstream sales revenue. Furfural and furfuryl alcohol prices have been under pressure in the current financial year due to weak demand for furan resin driven off low steel demand in the Chinese market. Annual sales of furfural and furfuryl alcohol have also been impacted by the lower crop at Sezela due to the dry weather conditions on the South Coast. Export revenues from the downstream business represent more than 60% of total downstream revenue and benefited from the devaluation of the Rand in the current financial year.

Domestic sugar sales provide the foundation of Illovo's marketing strategy and represented 63% of total sugar sales volumes (2014: 58%). Sugar surplus to local markets is sold into preferential markets in the EU and the USA and regional markets, while in South Africa, bulk raw exports to the world market are sold on behalf of Illovo through SASA.

Sugar

Domestic markets

Sugar revenues continued to be underpinned by strong market shares in each of the domestic markets in which we operate, and in the year under review, domestic market sales represented 63% of total sugar sales volumes.

Zambia's per capita consumption of sugar continues to improve in line with buoyant growth of the economy, positively impacting domestic sales, which grew year-on-year. Despite a challenging economic environment in Malawi, with constrained consumer spending, domestic sales volumes improved compared to the previous year. In Tanzania, low cost imports in excess of the normal deficit tonnage resulted in local producers in the prior year experiencing difficulties in securing sales, with larger than normal volumes held in closing stock over the financial year-end. All of the carry-over stock from the prior year plus the current year's production was sold in the 2014/15 financial year and is attributable to Government interventions to stem the flow of world market imports. Swaziland sugar sales in the Southern African Customs Union (SACU) market also increased due to the effect of a reduction of cheap imported world sugar entering SACU which was also the case for South African sugar sales in the current financial year. Industry domestic sugar sales in Mozambique were positively impacted by improved production and although the domestic market sales increased, the high levels of economic growth in Mozambique did not translate into the growth of sugar consumption expected. Low-cost imports into the country impacted negatively on domestic sales revenue.

Export markets

A decrease in sugar availability primarily due to dry weather conditions in South Africa resulted in overall exports declining in the year under review. A priority for the group is always to sustain its domestic markets and any surplus to domestic market requirements is then exported. Illovo currently exports sugar to around 28 countries.

Regional markets

Regional market sales grew by 29% year-on-year despite South Africa not having sufficient volumes to export. Prices in the region came under pressure due to the lower world market prices.

Preferential markets

EU prices in the current year were significantly below those of the prior year due to the additional supply measures adopted by the EU Commission to improve stock levels, which had reached uncomfortably low levels in Europe in 2013 and which still impacted pricing in 2014. The EU sugar supply position changed from a deficit to a surplus in the current financial year, putting pressure on prices as additional sources of supply become available to EU refiners. The oversupply in Europe and Euro currency weakness will likely impact prices in the new financial year, mitigated to some extent by an improved market mix.

Demand for our premium speciality sugars was strong in the current year, and these products have proven to represent a sustainable niche market. During the year, group speciality preferential exports to the EU and the USA reached record levels.

Sugar market segmental analysis

% by volume	2014/15	2013/14
Domestic markets	**63**	58
Preferential markets	**20**	23
Regional markets	**10**	8
World markets	**7**	11
Total	**100**	**100**

Downstream

Downstream operations continue to play an important and vital role in our business, with revenues increasing by 20% compared to those of 2013/14. This position is on the back of higher production levels of ethanol at our Merebank and Glendale distilleries where record production levels were achieved. In its first full year of production, the new distillery in Tanzania also contributed to improved revenue from downstream products in 2014/15.

Furfural and furfuryl alcohol revenue declined in the current year due to lower production levels at the Sezela mill and softer prices arising from dampened demand in China and the EU. While the group's range of downstream products is primarily aimed at export markets, the Merebank and Glendale distilleries remain important suppliers of ethanol to the South African beverage, pharmaceutical, personal care, flavour, printing and packaging market segments. Relatively small volumes of furfural and its derivatives, including Crop Guard®, a furfural-based agricultural nematicide under the Agriguard range of products, as well as lactulose, a natural laxative, are sold in the local South African market. Illovo syrup, a well-known brand in the South African domestic market, retained its status as the market leader. Illovo continues to explore downstream opportunities to diversify its product mix as evidenced by the newly built distillery in Tanzania which supplies its full output into the domestic market.

Downstream products

SEZELA DOWNSTREAM Products produced	Uses
Furfural	Mainly for the production of furfuryl alcohol and in lube oil refineries as an extractive solvent in the purification of base oils. It is also used for specialist applications such as the manufacture of grinding wheels, friction pellets for brake pads, crucible manufacture, and to a lesser extent as a flavour ingredient
Furfuryl alcohol	Used to produce a resin used in the foundry industry as a polymeric binder for foundry sands. It is also used for wood treatment, to produce acid-resistant coatings and certain pharmaceuticals, and as a flavour ingredient
Agriguard business products	
Crop Guard®	Used as an agricultural contact nematicide, at planting and within the growing season
MultiGuard Protect®	Developed and marketed as an agricultural contact-nematicide in the USA
Protect®	Used prior to planting, as a nematicide and fungicide
BioMass Sugar®	Used as phytofortifiers/soil improvers or as a liquid organic fertiliser
Flavourant products	
Diacetyl	Used as an ingredient in butter flavourings
2,3-Pentanedione	Used as an ingredient in butter flavourings and as an intermediate in the manufacture of pyrazines
Natural methanol	Used in the manufacture of natural flavour ingredients

MEREBANK, GLENDALE AND TANZANIAN ETHANOL DISTILLERIES Products produced	Uses
Ethanol Potable extra neutral alcohol (ENA) – 96.4%	A very high quality potable alcohol used by liquor industries for the production of branded alcoholic drinks (eg, canes, vodkas, gins, rums, liqueurs and aperitifs)
Anhydrous alcohol – 99.9%	Used in the pharmaceutical industry to produce pharmaceutical intermediaries and products (eg, in cough mixtures, alcohol is used to dissolve ingredients not able to be dissolved by water). Also used in surgical spirits, medical disinfectants, and in the production of solvents for use in the printing ink and flexible packaging industries
Rectified extra neutral alcohol (REN) – 96.4%	Also has pharmaceutical applications but mainly used in the personal care industry to produce cosmetics, hair care products, toiletries, fragrances and perfumes. In the food industry, it is used to produce flavours and spirit vinegar which is used in various pickling processes and in the production of condiments (eg, tomato sauce, chutney, mayonnaise and salad dressings)
Industrial alcohol – 95%	Used in the production of methylated spirits, solvents and thinners
Lactulose	Mild, natural laxative syrup

Commercial director's review continued

Country operations – sugar markets

Malawi

During the year, Malawi achieved a reasonable sugar sales performance, with over half of total sales sold into the domestic market under Illovo-branded prepacked refined and brown sugar packs through the company's chain of distribution centres situated throughout the country. The balance of the sugar produced was exported to markets within Europe, the USA and regionally into neighbouring countries. Malawi's speciality sugar remained in demand in both the European and USA consumer markets. Despite a challenging economic environment in Malawi, local market sales grew marginally in the current year and overall there was a credible sales performance domestically although the weakening macro factors in Malawi are beginning to impact the end consumer.

Mozambique

Economic growth in Mozambique continues to impress with growth in GDP of approximately 8.1% in 2014. This did not, however, translate into higher domestic sales which from an industry perspective declined year-on-year primarily due to imports of low-cost world sugar. Maragra's domestic sales grew owing to higher production levels which were achieved in the year under review. Export earnings declined as a result of low prices in Europe and the weaker Euro against the US Dollar.

South Africa

Illovo sells raw, brown and refined sugar, speciality brown sugars and syrup into local and international markets. Illovo's domestic market sugar sales' performance in 2014/15 grew despite the decrease in production. Duty-free sugar imports reduced to 137 000 tons (2014: 462 000 tons) displacing an equal quantity of sugar of South African origin onto the world market. This represents a significant decline compared to the prior year and facilitated the destocking of cheap subsidised imported sugar in the year under review.

Illovo's share of raw sugar exports to the world market, undertaken by SASA, amounted to 130 000 tons which was down on the previous year by approximately 80 000 tons. The average price realised by the industry, including hedging activities undertaken by SASA, was US17.5 cents/lb, representing a decrease of 4% compared to the previous season average due to the growing world surplus of sugar.

Swaziland

Demand for Swaziland sugar in the SACU market also benefited from the reduction in low-cost imported world sugar entering SACU. Swaziland continued to supply the EU markets with sugar in 2014/15 under duty-free, quota-free access which it will continue to enjoy for the foreseeable future. Revenues from EU sales during the season were negatively impacted by the weaker Euro and lower market prices which impacted the Swaziland industry and Ubombo in 2014/15 due to the surplus of sugar in the EU.

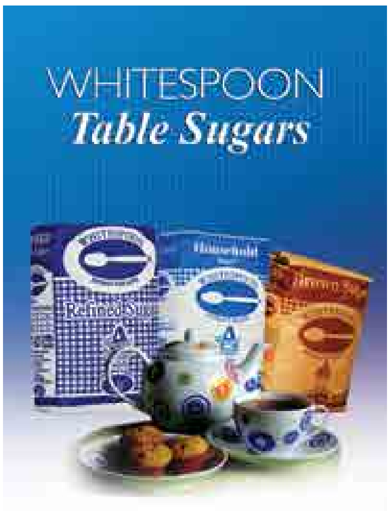
Tanzania

Dialogue with the Government of Tanzania and the East African Community to ensure that domestic producers and small-scale growers are fairly protected against dumping of low-cost world market sugar was successful. The Sugar Board of Tanzania has implemented protection in the current financial year through the application of tariffs on sugar imported from the world market which is expected to provide adequate protection for the Tanzanian sugar producers. These measures were to a large extent responsible for the improved commercial environment in Tanzania.

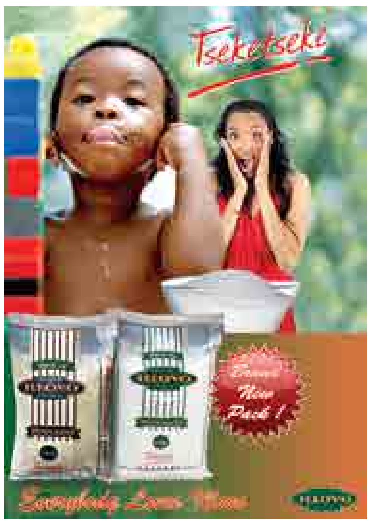
Zambia

Domestic sales in Zambia increased in the 2014/15 season, building upon the previous year's strong performance and resulting in a new sales record. The year was characterised by strong domestic economic fundamentals and strong regional demand although pricing was impacted by lower world market prices.

Larry Riddle
Commercial Director



BWANA SUKARI



The international sugar year runs from October to September

Sustainability

The global sugar industry is one of the world's oldest agriculturally-based industries, which is estimated to produce around 184.9 million tons of sugar in the 2014/15 international sugar season.

Whilst many forces continually impact upon annual global production, a major sustainability feature of this industry is its historic and continuing sugar consumption growth, which on average, increases by around 2% per annum. Africa, with its favourable agronomic conditions, has significant potential to contribute towards the production needed to meet this growing demand. Illovo, as a world-class, cost-competitive, highly-efficient sugar producer, operating in Africa, is well-placed to participate in this ongoing growth opportunity. The following tables, graphs and data are intended to promote a broader understanding of the dynamic international circumstances in which the Illovo group operates.

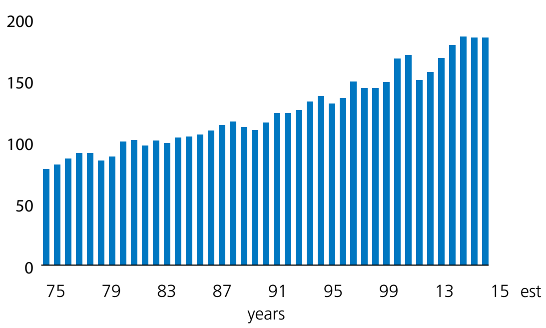
Overview

More than 100 countries produce sugar, around 79% of which is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere, and the balance from sugar beet which is grown mainly in the temperate zones of the northern hemisphere.

Currently, 67% of the world's sugar is consumed in the countries of origin, whilst the balance is traded on world markets.

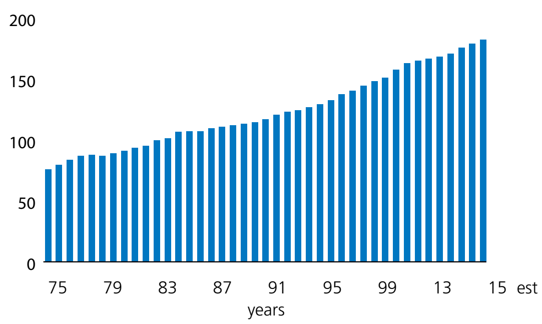
Source: Czarnikow Sugar

World sugar production (million tons)



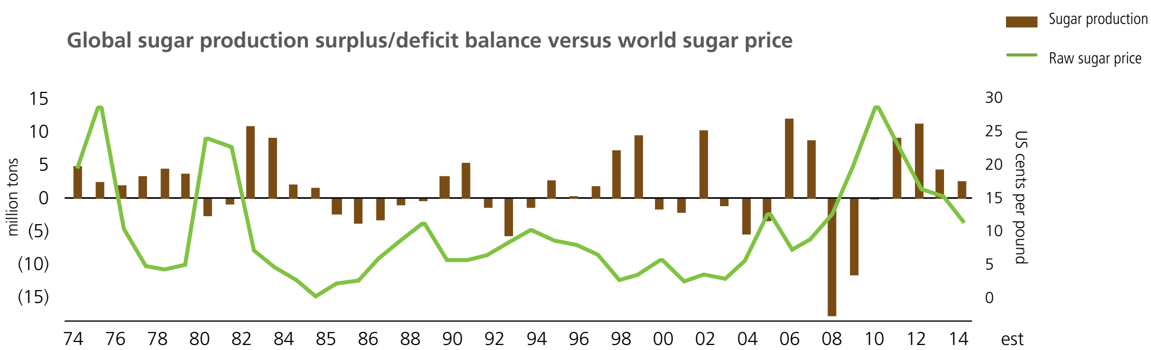
During the past three years, world sugar production has levelled off to around 185 million tons, following an extended period of growth.

World sugar consumption (million tons)



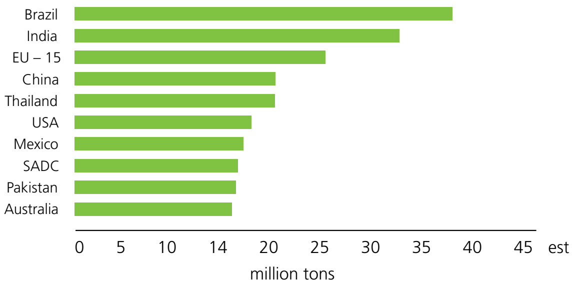
Global sugar consumption growth continues to demonstrate steady growth of approximately 2% per annum.

Global sugar production surplus/deficit balance versus world sugar price



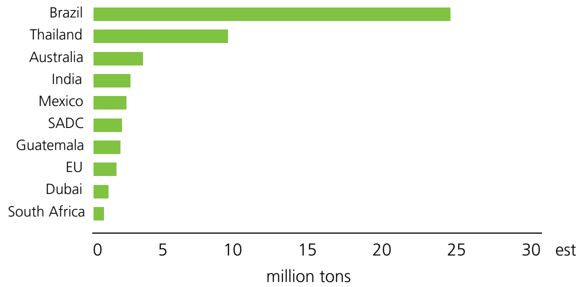
World raw sugar prices have fallen over the past four years in response to an extended period of global sugar production surplus which has resulted in a significant build-up of stocks at origin and destination.

Top sugar producers 2014/15 estimate
(South Africa is a member of the SADC)



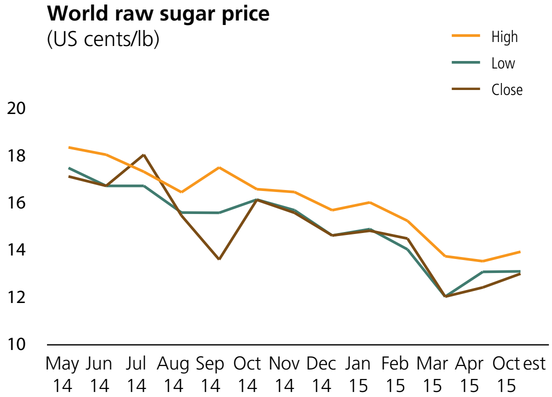
Brazil and India combined account for around 37% of global sugar production which is estimated at 184.9 million tons in the current 2014/15 international sugar season.

Top sugar exporters 2014/15 estimate
(South Africa is a member of the SADC)



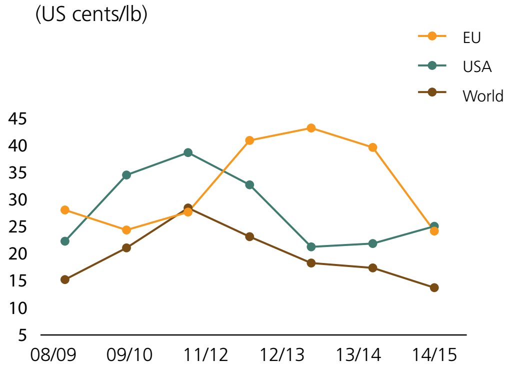
Approximately 67% of total world sugar production is consumed in the country of origin. Brazil represents approximately 50% of global exports.

World raw sugar price
(US cents/lb)



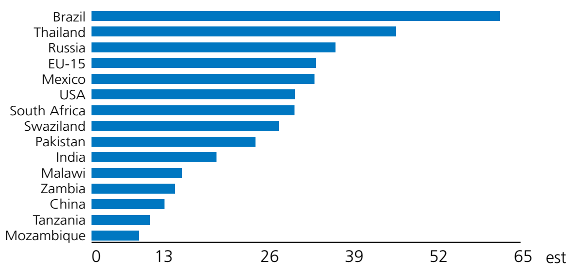
World raw sugar prices continued to trend downwards as the result of the weak Brazilian Real, low oil price, Indian and Thailand sugar export subsidies and four consecutive years of global sugar production exceeding consumption and the consequent high level of international sugar stocks that have built up at origin and destination.

Preferential prices (free on board)
(US cents/lb)



EU market prices have continued to trend downward in the run up to the deregulation of the EU sugar industry in October 2017. The main reasons behind this have been the effect of "exceptional measures" used by the European Commission in previous years to increase supply of "in quota" sugar, together with the improved supply prospects from existing ACP/LDC countries and new quota holders in Latin American countries.

Per capita consumption 2014/15
(kilograms per annum)



GDP growth across Africa generally has continued to increase at a rate in excess of other developed economies across the globe and therefore the prospect for enhanced levels of consumption growth on the continent remains positive.

The Southern African sugar season runs from April to March

Southern African Development Community statistics

SADC countries

ANGOLA

BOTSWANA

*D R CONGO

LESOTHO

*MADAGASCAR

*MALAWI

*MAURITIUS

*MOZAMBIQUE

NAMIBIA

*SEYCHELLES

*SOUTH AFRICA

*SWAZILAND

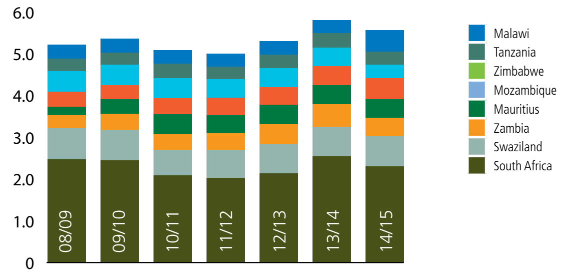
*TANZANIA

*ZAMBIA

*ZIMBABWE

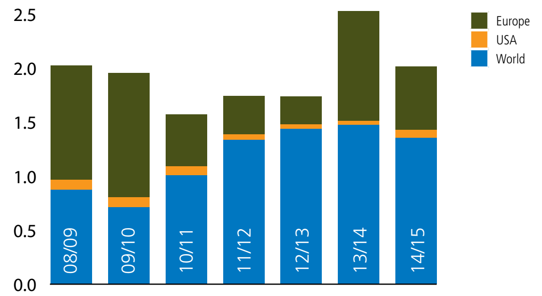
Sugar producers

Sugar production by country (million tons) est



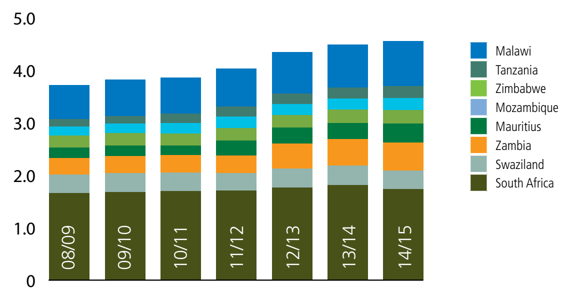
Total sugar production across the SADC has fallen to 5.6 million tons largely as a result of decreased production in South Africa due to drought and frost damage.

Export markets (million tons) est



Exports from the SADC region onto the world market are expected to drop significantly in the current 2014/15 international sugar season due primarily to the lower production in South Africa and unattractive world sugar prices.

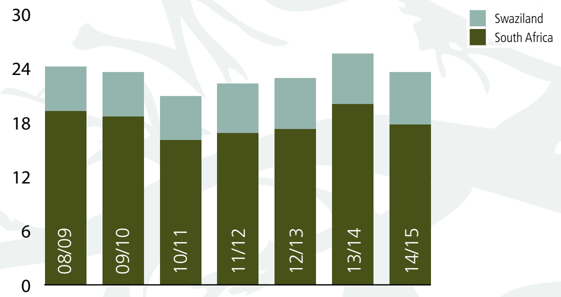
Local consumption (million tons) est



Sugar consumption continued to grow with SADC sugar-producing countries consuming around 4.5 million tons domestically.

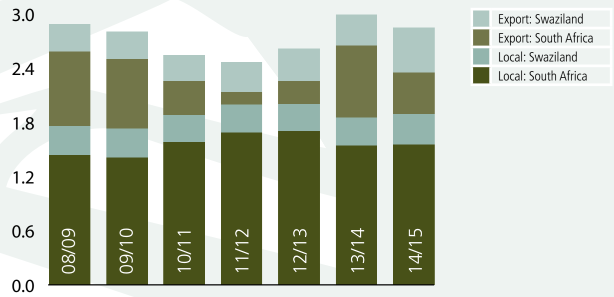
South African Custom Unions statistics

Cane production (million tons)



Cane production in Swaziland grew marginally above the previous season but recorded a more than two million ton drop in the South African crop due to drought.

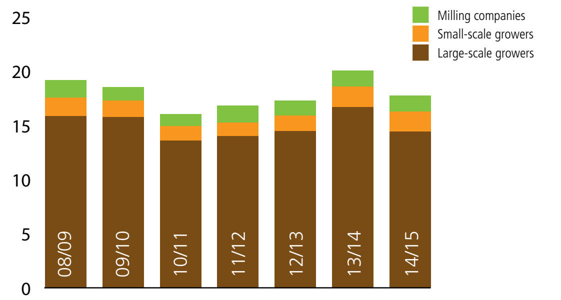
Sugar production and markets (million tons)



As a consequence of the drop in South African sugar cane yields due to drought, sugar production decreased marginally below that of the 2013/14 season.

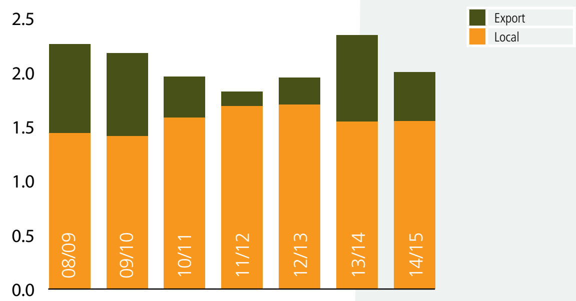
South African statistics

Cane production (million tons)



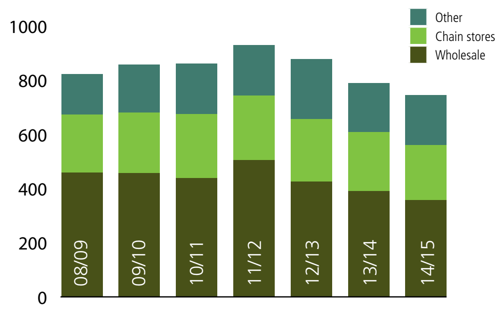
Reduced cane production of almost 2.3 million tons in 2014/15 was attributed to the adverse impact of drought throughout KwaZulu-Natal and severe frost in the Midlands.

Sugar production and markets (million tons)



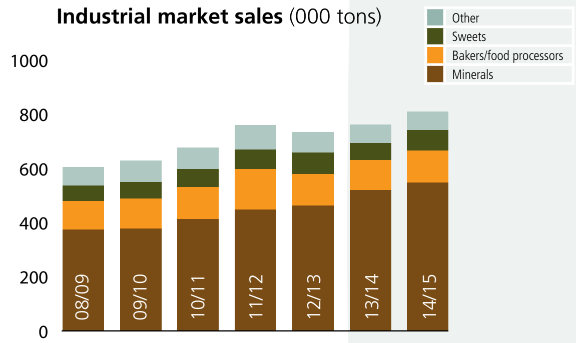
The quality and quantity of drought and frost-affected cane supplied to sugar mills during the season resulted in the reduction of South African sugar production to 2.013 million tons from 2.344 million tons produced in 2013/14. The domestic market continued to be impacted negatively by high volumes of imported sugar stocks that entered the country duty-free prior to the implementation of the revised tariff. It is expected that this trend will be reversed following the significant reduction in imports during the 2014/15 season.

Consumer market sales (000 tons)



Local consumer markets supplied by South African producers were again negatively affected by the influx of low-cost duty-free imports, largely from Brazil.

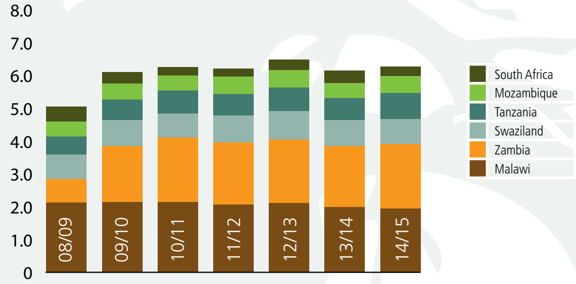
Industrial market sales (000 tons)



Industrial market sales by South African producers also felt the negative impact of increasing volumes of duty-free imports entering South Africa.

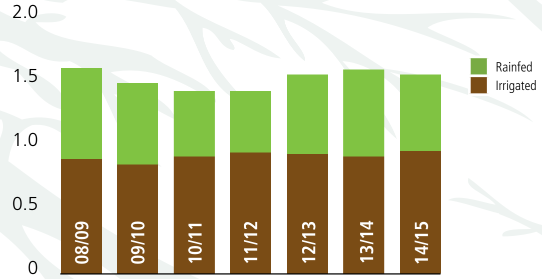
Illovo group statistics

Cane production (million tons)



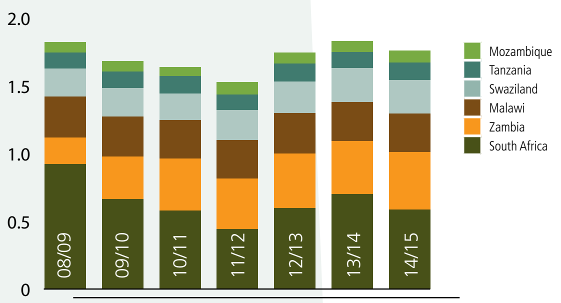
Group cane production of 6.3 million tons was marginally above that produced in the previous season (2014: 6.1 million tons) while total cane from independent farmers decreased to 8.8 million tons (2014: 9.4 million tons). Record cane production was achieved in Zambia, Mozambique and at Dwangwa in Malawi.

Raw material throughout
(million tons/including outgrowers)



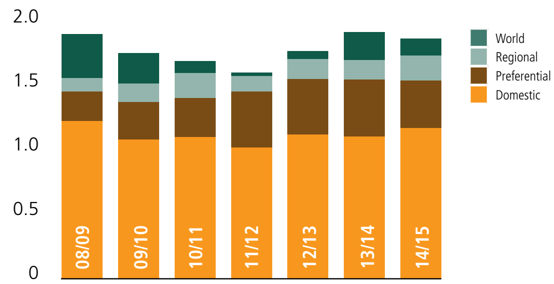
Around 61% of cane throughput provided by the group's own agricultural estates and by private growers in 2014/15 was cultivated under irrigation. Excluding South Africa, this proportion increases to 89%.

Sugar production (million tons)



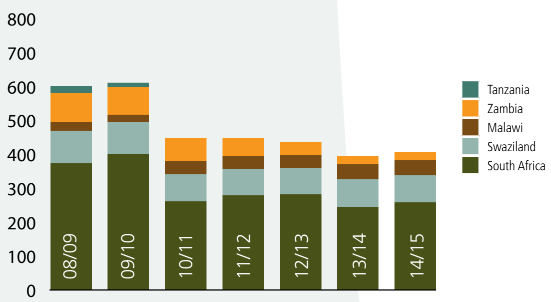
A significant reduction in cane yields due to the drought in South Africa impacted on total group sugar production, declining from 1.83 million tons in 2013/14 to 1.76 million tons in 2014/15. Record sugar production was achieved in Zambia, Mozambique and at Dwangwa in Malawi.

Group markets (million tons)



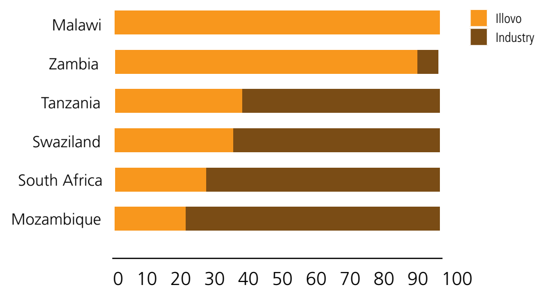
Approximately 63% of the group's sales volume continues to be sold into the domestic markets where we produce sugar. In 2014/15, these sales amounted to 1.121 million tons, sold via a range of prepacked and bulk industrial and direct consumption sugars in brown and refined sugar offerings.

Refined sugar production (000 tons)



Refined sugar production was marginally above that of the previous season. The Zambian refinery expansion project has commenced and will increase the group's refined sugar capacity by around 100 tons.

Illovo share of industry production (%)



Illovo remains a significant producer in each of the countries in which it operates.

Both alcohol distilleries at Merebank and Glendale performed well during the year, producing a new South African potable alcohol production record of 58 033 kℓ.

Governance framework and accountability

In pursuance of its ongoing commitment to ensure that the group is managed in an efficient, responsible and ethical manner and in the interests of all its stakeholders, Illovo remains committed to achieving the highest standards of corporate governance and corporate citizenship, by adhering to the relevant codes of best practice, principles of fairness, accountability, responsibility, transparency and integrity. We strive for continuous improvement, recognising that the achievement of a long-term sustainable business is dependent on stable, well-functioning and well-governed environmental, social, economic and governance practices.

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in all the countries in which we operate, including the South African Companies Act 2008 and Companies Regulations 2011, the Listings Requirements of the JSE, and the requirements of King III.

In addition, our business operations are guided by the principles contained in the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

Our board of directors, committees and management are responsible for embedding practices into our businesses, consistent with these principles, in the six countries in which the group operates. This is achieved through group policies and guidelines, as well as audit and assurance procedures, which ensure compliance by all group companies with the applicable laws and regulations as well as the recognised codes of good practice. During the year under review, we embarked upon a restructuring of our group governance framework, with the aim of ensuring that the group businesses are well-managed and driven by socio-economic imperatives producing responsible, accountable and sustainable outcomes. The refinements include enhanced socio-economic impact audits, human rights impact assessments and due diligence processes in relation to our existing businesses and proposed new projects, as well as our supply-chain.

Board responsibilities

The company's board of directors is ultimately responsible for the effective control of the group and its management and is involved in all decisions that are material for this purpose.

The board functions in terms of a formal Board Charter which requires that there is an appropriate balance of power and authority on the board, and in terms of which the board takes responsibility for, *inter alia*:

- exercising leadership, enterprise, integrity and judgement in directing the company so as to achieve its Strategic Intent, and goals and objectives;
- acting as a focal point for and custodian of corporate governance;
- approving the strategic direction, and the goals and objectives of the company; always appreciating that strategy, risk, performance and sustainability are inseparable;
- ensuring that the business is a going concern;
- considering and approving annually the company's strategic plan and its operating and capital budgets;
- considering and approving all material investments, and acquisitions and disposals of business activities;
- defining and monitoring levels of materiality, reserving specific powers to itself and delegating other appropriate matters to the relevant board committees and/or management;
- determining the terms of reference of the board committees, and appointing or recommending the appointment of, as the case may be, the members of such committees;
- ensuring that appropriate policies, procedures and practices are in place and are duly observed;
- identifying and monitoring the non-financial sustainability issues relevant to the business of the company;
- ensuring that the company maintains and develops good corporate governance standards, the governance of risk, identifying and monitoring the company's key risks and key performance indicators, ensuring that there is due compliance with all risk-related policies, procedures and standards, and that internal controls are effectively maintained and, where necessary, reviewed;
- ensuring that the company has an effective internal audit function;
- overseeing the preparation of and approving the company's annual financial statements, and its interim and final results announcements, ensuring that these meet regulatory requirements, and determining distributions to shareholders;
- ensuring that succession planning is undertaken, the remuneration strategy of the company is appropriate to the business, and remuneration levels of directors and senior management are appropriate;
- recommending to shareholders at the annual general meeting, the level of fees payable to the non-executive directors; and
- ensuring that there is effective communication with the company's shareholders and other key stakeholders.

The Board Charter is reviewed annually, and during the year under review, the board satisfied its responsibilities in compliance therewith.

Each group operating subsidiary company is governed by a board of directors, established in accordance with the laws and regulations of the country in which it operates. Certain of the members of the Illovo executive committee serve as directors on the boards of the subsidiary companies and report to the Illovo board on their activities at each board meeting.

Board of directors

Illovo has a unitary board of directors, which during the year under review, comprised 14 directors, 10 of whom are non-executive directors. As required by King III, the majority of the non-executive directors are independent and are chosen for their business acumen and skills pertinent to the business of the group. Brief curricula vitae of the directors appear on pages 107 to 108 of this report.

New appointments to the board are made in accordance with the recommendations of the Remuneration/Nomination

Committee and, following approval by the board, are subject to confirmation by shareholders at the next annual general meeting.

The roles of the chairman and chief executive are distinct and separate. The chairman is an independent non-executive director who is appointed annually by the board, on the recommendation of the Remuneration/Nomination Committee.

In accordance with the company's Memorandum of Incorporation, at each annual general meeting, not less than one-third of the non-executive directors (being those who have been longest in office since their appointment or last re-election) must retire, but may be proposed for re-election. The Nomination Committee conducts an assessment of the performance of each of the retiring directors who makes himself or herself available for re-election and submits its recommendations to the board. In turn, the board makes appropriate recommendations to the shareholders relative to the re-election of directors.

At the 2015 annual general meeting, Messrs D G MacLeod and Hankinson, Prof P M Madi and Mrs C W N Molope will retire. Mr Hankinson and Mrs Molope have made themselves available for re-election and based on the favourable evaluations carried out in respect of each of them (see further page 64 dealing with the annual evaluations), the board, on the recommendation of the Nomination Committee, recommends their re-appointment.

The non-executive directors do not have service contracts with the company and all remuneration paid to non-executive directors is in accordance with the approval given by the shareholders at each annual general meeting.

The executive directors are full-time employees of the company and, as such, each has an employment contract, the terms of which are substantially in accordance with the company's standard conditions of service, but with a notice period of three months and more comprehensive confidentiality undertakings. The executive employment contracts undergo annual external and internal review. The Memorandum of Incorporation of the company provides that an executive director's appointment as a director terminates immediately upon the termination of his employment for any reason.

At each meeting of the board and committees, directors are required to declare other directorships held and any other interests that might create a conflict of interest with their responsibilities as directors of Illovo, or in relation to any matter for discussion at a board or committee meeting.

Members of the board may, in appropriate circumstances, take independent professional advice at the company's expense. The company provides insurance cover for directors' and officers' legal liabilities within the ambit of that permitted in terms of the Companies Act.

Provision is made for professional development programmes for directors if required, but having regard to the level of experience and expertise of the current members of the board, this has not been considered necessary during the year under review. The Company Secretary provides the directors with updates on amendments to relevant laws, regulations and the JSE Listings Requirements.

Board meetings

The board has six regular meetings each year and the company's Memorandum of Incorporation makes provision for decisions to be taken between meetings by way of written resolutions, when required. During the year under review, six meetings were held.

Resignations from and appointments to the board

During the year under review, Mr G M Rhodes resigned as a non-executive director with effect from 31 October 2014 and Mr J Cowper was appointed as non-executive director with effect from 10 March 2015. Following the year-end, Mr G Gomwe was appointed as an independent non-executive with effect from 1 June 2015 and Dr S Kana was nominated as a director subject to his election by the shareholders at the annual general meeting on 15 July 2015.

The board of directors has appointed Mr T Munday as Chairman of the board with effect from the close of the annual general meeting on 15 July 2015.

Board committees

To assist the board in carrying out its responsibilities, various functions are delegated to board committees and management.

The board committees operate under board approved mandates and Terms of Reference, which define their functions and responsibilities. The Terms of Reference are reviewed annually and updated when necessary to keep them aligned with current best practice.

With the exception of the executive committee, all committees are chaired by independent non-executive directors who attend the annual general meeting to respond to any shareholder queries. The chairmen of the committees report to the board on all matters delegated to them.

Attendance at board and committee meetings during the year ended 31 March 2015

	Board		Audit Committee		Remuneration/ Nomination Committee		Risk Management Committee		Social and Ethics Committee		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B	A	B
Abdool-Samad M H	6	6	3	3[++]	n/a	n/a	3	3	2	2	1	1
Carr Dr M I	6	5	n/a	n/a	5	4	n/a	n/a	n/a	n/a	1	1
Cowper J[#]	1	1	n/a	n/a	n/a	n/a	1	1	n/a	n/a	n/a	n/a
Dalgleish G B	6	6	3	3[++]	5	5	3	2	2	2	1	1
Hankinson M J	6	6	3	3	5	5	3	2	n/a	n/a	1	1
Hulley J P	6	6	n/a	n/a	n/a	n/a	3	3	2	2	1	1
Konar Dr D	6	5	3	3	n/a	n/a	3	3	n/a	n/a	1	1
Lister P A	6	5	n/a	n/a	n/a	n/a	n/a	n/a	2	0	1	1
MacLeod D G	6	6	3	3**	5	5	3	3	2	2	1	1
Madi P M	6	5	n/a	n/a	1	0	n/a	n/a	2	2	1	1
Molope C W N	6	4	3	1	n/a	n/a	n/a	n/a	2	2	1	0
Mpungwe A R	6	5	n/a	n/a	n/a	n/a	3	3	1	0	1	1
Munday T S	6	6	3	3	5	5	3	3	2	2	1	1
Riddle L W	6	6	3	2[++]	n/a	n/a	n/a	n/a	2	2	1	1
Rhodes G M[^]	3	2	2	1[+]	n/a	n/a	2	2	n/a	n/a	1	0

Column A indicates the number of meetings held during the year while the director was a member of the board/committee.
Column B indicates the number of meetings attended by the director.
++ *Participation in his capacity as a member of the executive committee, as an attendee.*
+ *Participation in his capacity as a non-independent, non-executive director, as an attendee.*
** *Participation in his capacity as Chairman of the board, as an attendee.*
^ *Mr Rhodes resigned as a director with effect from 31 October 2014.*
# *Mr Cowper was appointed as a director with effect from 10 March 2015.*

Audit Committee
In compliance with the Companies Act, King III and the JSE Listings Requirements, the company has appointed an Audit Committee, whose responsibilities and activities are covered in the Audit Committee Report. Audit committees are also established at each of the operating subsidiaries.

Social and Ethics Committee
In terms of the Companies Act and the Companies Regulations, a Social and Ethics Committee was established in March 2012. The composition and responsibilities of the committee are covered in the Social and Ethics Committee Report.

Remuneration/Nomination Committee
The Remuneration Committee and Nomination Committee are combined to form the Remuneration/Nomination Committee which consists of four non-executive directors, three of whom are independent. The members of the committee are Messrs M J Hankinson, D G MacLeod, T S Munday, and Dr M I Carr. Prof P M Madi, who was also a member, resigned from the committee during the course of the year.

When dealing with remuneration matters, the committee is chaired by Mr M J Hankinson and when dealing with nomination matters, by Mr D G MacLeod, the Chairman of the board. The Managing Director (Mr G B Dalgleish) and the Human Resources Executive (Mr N M Hawley) attend meetings by invitation. The group Company Secretary acts as secretary to the committee. The committee meets at least three times a year. In the past year, five meetings were held.

The committee acts under formal Terms of Reference approved by the board and is responsible for the assessment and approval of the remuneration strategy for the group.

The responsibilities and activities of the Remuneration Committee are set out in the Remuneration Report.

The Nomination Committee gives consideration to the composition of the board and board committees and makes appropriate recommendations in this regard to the board. On an annual basis, the committee reviews the group's succession plan and plays an integral role in relation to senior executive appointments. In addition to the assessments mentioned above in this report, the committee also carries out formal assessments of the performance of the Managing Director, and considers the Managing Director's reports on the performance of the executive directors and senior management.

For the year under review, the Remuneration/Nomination Committee met its responsibilities in compliance with its Terms of Reference.

Risk Management Committee
During the year under review, the Risk Management Committee comprised five non-executive directors (four of whom are independent) and three executive directors. Mr G M Rhodes ceased to be a member of the committee with effect from 31 October 2014, when he resigned as a director, and Mr J Cowper was appointed as a committee member with effect from 10 March 2015.

The committee meetings are also attended by the Company Secretary and five members of senior management, one of whom acts as the secretary of the committee.

The committee meets at least twice a year and is responsible for reviewing the company's risk philosophy, strategy and policies; ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the company's risk management function; ensuring the implementation of an ongoing process for risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the group; reviewing any significant legal matters; reviewing the adequacy of insurance coverage; and providing reports and information to the board as well as the Social and Ethics Committee in relation to matters relevant to the latter. The committee gives particular focus to operational risks, including health and safety and compliance with the legislative and regulatory requirements in each country of operation.

The group ERM Policy, ERM Framework and Combined Assurance Framework which were implemented in 2013 for the purposes of procuring effective and consistent risk management across all group operations, is more fully dealt with in the Risk Management Report.

During the year under review, the committee satisfied its responsibilities under its Terms of Reference.

Executive Committee

The four executive directors constitute the Executive Committee, whose meetings are also attended by the human resource executive and the Company Secretary. Under the leadership of the Managing Director, the Executive Committee is responsible for pursuing the Strategic Intent, implementing the strategic plan and managing its business and affairs generally. It acts as a medium of communication and co-ordination between the board and the operations and functions of the company, and reports to the board and board committees on all pertinent matters.

The Executive Committee meets on a weekly basis and reviews operational performance, capital programmes, major investment and capital expenditure proposals, as well as issues of strategic importance to the group, for recommendation to the board. Daily involvement of the members of the Executive Committee with operational and functional executives ensures the interactive nature of the overall management reporting structure.

Annual evaluations

Formal annual evaluations, following the requirements outlined in the Companies Act and King III, are carried out to assess the performance of the board and the board committees, which are presented to and discussed at the meetings of the board and the relevant board committees. The evaluations include operational and strategic performance on economic, environmental, social and governance factors. Those undertaken in March 2015 concluded that the performance of the board and its committees was good and no deficiencies were identified.

Annual assessments are carried out to confirm the continued independence of each of the independent non-executive directors, including the Chairman, and written confirmation is obtained that each of them continues to meet the requirements for independence contemplated in paragraph 67 of Chapter 2 of King III and the Companies Act. In addition, the Nomination Committee carried out separate assessments in respect of those directors who have served on the board as independent non-executive directors for more than nine years (ie, Dr D Konar and Mr A R Mpungwe), both of whom were, after taking into account all relevant factors, found to remain independent and continue to have the necessary objectivity of business judgement, business acumen and skills pertinent to the businesses of the company. Based on these assessments, their re-appointment is recommended by the board.

The Nomination Committee also carried out assessments of the retiring directors who have made themselves available for re-election (ie, Mr M J Hankinson and Mrs C W N Molope), which were favourable, taking into account the relevant factors mentioned above, and based on such assessments, the board recommends their re-appointment.

In accordance with King III and the JSE Listings Requirements, an annual evaluation of the Company Secretary was carried out by the board and an assessment of the appropriateness of the expertise and experience of the Financial Director, Mr M H Abdool-Samad, was carried out by the Audit Committee, both of which evaluations were favourable.

Company Secretary

The Company Secretary, Ms J A Kunst, is responsible for carrying out all the duties of a Company Secretary as prescribed by section 88 of the Companies Act, King III and the JSE Listings Requirements, which she is appropriately empowered by the board to fulfil. She is also responsible for overseeing the legal, secretarial, governance, compliance, sustainability and corporate citizenship functions. Ms Kunst holds a BA LLB, Dip Mar Law, was a practising attorney for 35 years, and is considered by the board to be suitably qualified to carry out her functions. All directors have access to the professional services and support of the Company Secretary, *inter alia*, with regard to legal, corporate governance and compliance matters.

In accordance with the JSE Listings Requirements the board carried out a formal annual evaluation of the Company Secretary's performance during the year under review, which was favourable. The board also evaluated and concluded that the Company Secretary retains an arm's-length relationship with the board having regard to the fact that she is not a director or a major shareholder of the company or any of its subsidiaries; is not related to, or in any other manner connected with, any of the directors in any manner which could cause there to be a conflict of interest; is independent from management and does not have extensive executive duties and responsibilities in addition to the core responsibilities of a Company Secretary; is empowered by the board to act as the gatekeeper of good corporate governance; is not a party to any major contractual relationship which may affect her independence; and there are no matters affecting the Company Secretary's ability to adequately and effectively perform her company secretarial duties. The board concluded that the Company Secretary continues to be competent to perform her duties as such and is a fit and proper person to hold the position.

JSE sponsor

J P Morgan Equities South Africa Proprietary Limited is appointed the company's sponsor, in compliance with the JSE Listings Requirements.

Code of conduct and Business Ethics

Our Strategic Intent requires all group operations to conduct business with honesty, integrity and in accordance with the highest legal and ethical standards.

Our Code of Conduct and Business Ethics, which can be found on our website at www.illovosugar.com, embodies our key values and prescribes the conduct required of all employees to achieve these. The Code applies to all our businesses and business relationships. It prescribes the standards required not only from all our group employees, but also from our suppliers, service providers and representatives. The Code is reviewed annually to ensure that it keeps abreast of international best practice and the latest practices in relation to the 10 principles of the UN Global Compact and other internationally recognised human rights and guidelines.

Anti-bribery and corruption

Our zero tolerance approach to all forms of bribery and corruption is enshrined in our Anti-Bribery and Corruption, Fraud and Whistle-blowing policies, which apply to all our business relationships, and require all our businesses to work against corruption in all its forms, including extortion and bribery. All our business units are assessed for bribery and corruption risks and are regularly monitored as part of Illovo's Enterprise Risk Management process. We have a robust anti-bribery and corruption assessment procedure for our suppliers, which incorporates an ongoing risk assessment.

The giving and receiving of bribes and facilitation payments and the making of political donations is strictly forbidden. The stringent procedures prescribed by these policies are implemented throughout the group operations and all group businesses are audited for risks relating to bribery, corruption, fraud and theft. A group-wide monitoring process requires detailed registers of gifts and hospitality to be kept by Anti-Bribery and Corruption officers appointed at each of the group operations, which is reviewed by the internal audit personnel.

In compliance with section 159 of the Companies Act, Illovo has established and maintains a system to receive whistle-blowing disclosures. All reports are dealt with confidentially and routinely and the availability of the system is published regularly. The Illovo Tip-Offs Anonymous and Crime-line reporting process operates throughout the group and enables both internal and external stakeholders to report any suspected wrongdoings anonymously. The reporting line is operated by independent service providers, Deloitte & Touche, and all matters reported are appropriately investigated.

During the year under review, 78 reports were received through the Tip-Offs Anonymous line, all of which were investigated. This process resulted in 11 disciplinary enquiries which led to the dismissal of six employees. An investigation into corruption at the Swaziland operation was carried over from 2014. The allegations were substantiated and disciplinary enquiries are currently in progress.

Compliance

Illovo's compliance methodology, whilst aligned to international best practice, has been formulated and adapted to meet the growing needs of our geographically diverse businesses throughout the group. Our methodology focuses on a number of key areas, with a view to ensuring the efficient and sustainable management of our businesses and underpinned by our commitment to comply with the myriad of local and international laws, rules, codes and standards that apply to our various operations. Given the challenging regulatory environments within which we operate, compliance is built into the fabric of our corporate governance structures and frameworks.

The compliance function monitors and assesses compliance with, and the impact of, the applicable laws and regulations on the business, as well as assessing compliance with our internal and external policies and procedures, including the implementation and monitoring of, and reporting on, the Anti-Bribery and Corruption procedures. Governance developments are monitored on an ongoing basis to ensure adherence to local regulatory requirements.

The compliance officers who are appointed at each of the operating group companies, report to the head office Compliance Manager, who in turn reports to the group Company Secretary. The reporting structure of the function enforces the independence of the compliance department and ensures that dedicated focus is given to compliance matters throughout all business areas in the group. This is an important component of good corporate governance and is a requirement of King III and other legislation.

Group compliance utilises a risk-based methodology for monitoring. Assessment of the group's legal compliance is also embodied in, and forms an integral part of, our comprehensive ERM framework which is more fully reported on pages 80 to 81 of this report.

Compliance and compliance risks are monitored and tracked by management, internal audit and group compliance.

The board monitors compliance by means of committee reports, which are supported by annual compliance certificates submitted by each of the operational group companies. Where required, external specialists are engaged to assist and advise in this regard.

During the year under review, the Audit Committee reviewed the Compliance Policy, Compliance Manual and Compliance Plan. In accordance with the Compliance Plan, various initiatives to embed effective compliance and governance practices throughout our business were initiated, with focus being given to the following areas:

- **Identification and implementation of changes in regulatory requirements:** The group operates in a dynamic and continuously evolving regulatory and supervisory environment. A regulatory universe is compiled annually and all key legislation is continually monitored.
- **Compliance frameworks:** Our group compliance framework has been developed to embed the group strategy of compliance with all applicable laws and regulations, adherence to ethical corporate behaviour, and managing compliance for business value.
- **Compliance training:** Annual compliance and governance training is carried out at all our operations, as part of our "Do the Right Thing" campaign.
- **Revision of group policies and procedures:** A group-wide project was implemented to review group policies and procedures in order to align these with the environmental, social and governance (ESG) principles espoused by the company, the UN Global Compact Principles and various other international standards.

During the year under review, no instances of material non-compliance were noted and no judgements, damages, penalties or fines were recorded or levied against any group company, its directors or employees for non-compliance with any legislation. No legal proceedings for anti-competitive behaviour, anti-trust or monopoly practices were instituted against any of the group companies.

Training

Since 2012 we have carried out an extensive training programme for employees and suppliers, aimed at eliminating corruption and promoting ethical behaviour on the part of employees and third party service providers, who are also contractually required to comply with the company's Code of Conduct and Business Ethics and the policies and guidelines referred to therein.

To date, approximately one-third of our permanent employees have undergone governance, fraud, anti-corruption, and compliance training and all key employees have undergone dawn-raid and competition law training. This training also forms part of the induction process for new employees and the annual compliance and governance refresher training sessions conducted at all operations.

Supplier assessments

In pursuance of our commitment to adhere to high levels of compliance with both local and international law and best practice, our contracts with our contractors, service providers and representatives require them to comply with (and to seek to develop relationships with their own supply-chains consistent with) the principles set out in our Code of Conduct and the policies and guidelines referred to therein, and to be compliant with all the applicable local laws and codes of best practice in the countries in which they operate, failing which the contract may be terminated for breach.

As an initial step in our Ethical Supply-Chain assessment process, we have embarked upon assessments of our top seven suppliers (ie, those making up more than 50% of the total procurement spend) which assess them for their compliance with the United Nations Global Compact Principles, and other matters referred to in our Code of Conduct. We have also implemented measures to assess our supply-chain through eg, Fairtrade audits, educational programmes and awareness initiatives, to embed a culture that promotes human rights and is committed to abolishing all forms of human rights violations (including forced and child labour, land rights and fair labour practices).

Consumer and product legislation

Illovo manufactures a wide range of sugar and downstream products which are sold into domestic, regional and international markets. We endeavour to produce consistently high-quality products for our customers and as such have a formalised support structure to ensure an appropriate, ordered, group-wide response towards product stewardship. This includes a set of detailed standards relating to raw materials, packaging materials and to production processes.

The group's adherence to the consumer protection laws in the countries in which it operates is monitored regularly, particularly with reference to the following:

- ***Customer health and safety***

  The health and safety of our customers is of utmost importance for Illovo. We comply with all relevant safety, health, environmental and quality legislation in the relevant countries of operation as well as industry best practice standards. All our production facilities have been certified under the ISO 9001:2008 quality management system. In South Africa, our Noodsberg and Umzimkulu operations, as well as our Eston syrup factory have received FSSC 22000 certification (Food Safety Management System), our downstream plants at Sezela and Merebank have achieved HACCP and ISO 22000 certification (Food Safety Management System) respectively, while the Eston and Sezela mill operations are currently making progress towards this FSSC 22000 certification. Our warehousing facilities in Germiston, Pietermaritzburg and Cape Town have also received ISO 22000 certifications. Our Nchalo (Malawi), Nakambala (Zambia) and Ubombo (Swaziland) operations have received the FSSC 22000 certification while other operations in Malawi, Tanzania and Mozambique are currently making progress towards this certification. Noodsberg, Umzimkulu, Illovo Syrup and the operations in Malawi and Zambia are registered with the Supplier Ethical Data Exchange (SEDEX), a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply-chains.

  Certain downstream products, ie, furfural, furfuryl alcohol, diacetyl, 2,3-Pentanedione, methanol and ethyl alcohol require specific handling and storage as they may be considered hazardous. To this end, all of our products are supported with Material Safety Data Sheet (MSDS) documentation, together with certificates of analysis which endorse the quality of the products, and provide recommended procedures relating to health, safety, handling and storage. This documentation is available on our website at www.illovosugar.com.

  The growing sugar and health debate is of concern to us, particularly the linkage between sugar consumption and increasing obesity rates. Illovo advocates the promotion of a balanced and healthy lifestyle. AB Sugar's "Making Sense of Sugar" campaign, which was launched last year, aims to educate people about sugar and the role it can play in a healthy balanced diet. We aim to provide factual information, based on robust science, so that everyone is able to make informed choices about what to consume. Further information can be found at www.makingsenseofsugar.com.

- ***Product and service labelling***

  All products carry product labels containing pertinent product information, in compliance with the respective country legislation and labelling regulations. In addition, downstream products supplying the pharmaceutical industry are highly regulated and are required to meet the South African Food and Drugs Act standards. Any amendments to food labelling and advertising legislation is promptly adopted.

- ***Market communications***

  We strive to conduct all marketing and communication activities in a responsible manner and in accordance with the relevant legislation and country-specific requirements. Together with our advertising agencies, we subscribe to good marketing practices and the code of responsible advertising, including the communication rules and guidelines as prescribed by the Advertising Association of South Africa. There were no incident reports relating to marketing and communications, including advertising, promotion and sponsorship during the year under review. Our annual Cane to Customer course was presented to our South African sugar operations' customers at our Noodsberg mill and was attended by representatives from Nestle, National Brands, Unilever and Coca Cola franchise bottlers.

- ***Customer relations***

  Formal complaints from our customers are processed through an internal sugar customer care line facility in South Africa, Malawi and Zambia, contact details of which are reflected on all domestic sugar and syrup prepacks. This enables customers to contact Illovo directly to address any issues relating to products and/or service. Customer complaint procedures are implemented according to the company's group complaints procedures, which provide guidelines and best practice on how customer complaints are required to be handled and resolved and for maintaining an accurate customer complaints register. Support for our industrial customers is provided by a specialised department, providing valuable assistance to the group's industrial customers in all the countries in which we operate.

  Regular supplier and customer audits are undertaken, while customer feedback mechanisms guarantee open communication between Illovo and our customers subsequent to complaints and investigations. All relevant customer queries and complaints are investigated internally by Illovo operations and rectified where appropriate.

During the year under review, we did not experience any incidents of material non-compliance with any laws, regulations, standards or voluntary codes concerning product responsibility, ie, customer health and safety, product and service labelling, marketing communications and customer privacy.

Combined assurance

In accordance with the combined assurance model introduced by King III, Illovo's combined assurance framework provides for a comprehensive combined assurance process across the group, as more fully reported in the Risk Management Report.

The Audit Committee and the Risk Management Committee are each responsible for monitoring the appropriateness of the group's combined assurance model, to ensure that it caters for the integration, coordination, and alignment of risk management and assurance processes, thereby optimising and maximising the level of risk, governance and control oversight across the group.

The Company Secretary ensures that the board receives an annual report on matters related to combined assurance.

Internal audit and controls

The group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. These controls and systems are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored in a number of ways, including internal audits and audit reports, internal control checks and reporting procedures, fraud, theft and defalcation reporting procedures.

The purpose, authority and responsibility of the internal audit department are defined in a formal charter approved by the Audit Committee and the board. The department acts as an independent appraisal function established to conduct reviews of operations and procedures and report findings and recommendations to management, the Audit Committee or the board, as may be appropriate. The head of the department reports functionally to the Chairman of the Audit Committee and administratively to the Financial Director, and also has unrestricted access to the Managing Director, the Audit Committee, and the Chairman of the board.

The independent auditors, through the audit work they perform, confirm that these monitoring procedures have been implemented. During the year under review, nothing has come to the attention of the directors or the independent auditors to indicate any material breakdown in the functioning of the group's internal controls and systems.

Information technology (IT)

The IT policies and procedures cover, *inter alia*, the use and safeguarding of the company's information and IT systems, the use of social media, disaster recovery plans, and the regular updating and improvement of IT technology.

The Audit Committee is responsible for monitoring IT governance. An IT Steering Committee, under the chairmanship of the Financial Director, is responsible for carrying out the responsibilities assigned to it in terms of an IT Steering Committee Charter, which includes, *inter alia,* motivating and monitoring IT project budgets, the IT governance framework, integrating a strategic IT planning process in line with the business strategy development process and identifying and exploiting opportunities for IT to improve the company's performance and sustainability. The General Manager: Group IT reports to the Audit Committee on all these matters.

Management conducts an annual assessment of the relevant provisions of King III relative to its IT management philosophy, governance framework and processes.

Dealing in securities

In terms of the company's Code of Conduct for Dealing in Securities, the directors and Company Secretaries of Illovo and its major subsidiaries are required to obtain clearance from either the group Chairman or Managing Director before dealing in the securities of the company and its listed subsidiaries. Directors and officers of the group who have access to unpublished, price-sensitive information in respect of any of these companies are prohibited from dealing in the shares of such companies during defined prohibited periods, including those periods immediately prior to the announcement of interim and final financial results and periods during which cautionary announcements are operative.

Access to information

The company has complied with the requirements of the Promotion of Access to Information Act, 2000. The relevant manuals are available on the company's website at: www.illovosugar.com. No requests for access to records or other information were received during the year under review.

King III index

On an annual basis, the application of the King III principles is reviewed by the board, and in accordance with the recommendations of the JSE, a register recording the respects in which the 75 principles of King III are applied has been compiled and may be viewed on our website at www.illovosugar.com. The following table summarises the respects to which Illovo applies these principles:

King Code of Governance for South Africa 2009 – Compliance Assessment Summary

Chapter 1 – Ethical leadership and corporate citizenship	
1.1	The board should provide effective leadership based on an ethical foundation
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen
1.3	The board should ensure that the company's ethics are managed effectively
Chapter 2 – Boards and directors	
2.1	The board should act as the focal point for the custodian of corporate governance
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable
2.3	The board should provide effective leadership based on an ethical foundation
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen
2.5	The board should ensure that the company's ethics are managed effectively
2.6	The board should ensure that the company has an effective and independent audit committee
2.7	The board should be responsible for the governance of risk
2.8	The board should be responsible for information technology (IT) governance
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
2.10	The board should ensure that there is an effective risk-based internal audit
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation
2.12	The board should ensure the integrity of the company's Integrated Annual Report
2.13	The board should report on the effectiveness of the company's system of internal controls
2.14	The board and its directors should act in the best interests of the company
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act (**note 1**)
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent
2.19	Directors should be appointed through a formal process
2.20	The induction of, and ongoing training and development of, directors should be conducted through formal processes (**note 2**)
2.21	The board should be assisted by a competent, suitably qualified and experienced Company Secretary
2.22	The evaluation of the board, its committees and the individual directors should be performed every year
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities
2.24	A governance framework should be agreed between the group and its subsidiary boards (**note 3**)
2.25	Companies should remunerate directors and executives fairly and responsibly (**note 4**)
2.26	Companies should disclose the remuneration of each individual director and prescribed officer
2.27	Shareholders should approve the company's remuneration policy

Chapter 3 – Audit committees	
3.1	The board should ensure that the company has an effective and independent audit committee
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors
3.3	The audit committee should be chaired by an independent non-executive director
3.4	The audit committee should oversee integrated reporting (**note 5**)
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities (**note 5**)
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function
3.7	The audit committee should be responsible for overseeing of internal audit
3.8	The audit committee should be an integral component of the risk management process
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties
Chapter 4 – The governance of risk	
4.1	The board should be responsible for the governance of risk
4.2	The board should determine the levels of risk tolerance
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan
4.5	The board should ensure that risk assessments are performed on a continual basis
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
4.7	The board should ensure that management considers and implements appropriate risk responses
4.8	The board should ensure continual risk monitoring by management
4.9	The board should receive assurance regarding the effectiveness of the risk management process
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders
Chapter 5 – The governance of information technology	
5.1	The board should be responsible for information technology (IT) governance
5.2	IT should be aligned with the performance and sustainability objectives of the company
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework
5.4	The board should monitor and evaluate significant IT investments and expenditure
5.5	IT should form an integral part of the company's risk management
5.6	The board should ensure that information assets are managed effectively
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities
Chapter 6 – Compliance with laws, rules, codes and standards	
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business
6.3	Compliance risk should form an integral part of the company's risk management process
6.4	The board should delegate to management the implementation of an effective compliance framework and processes
Chapter 7 – Internal Audit	
7.1	The board should ensure that there is an effective risk-based internal audit
7.2	Internal audit should follow a risk-based approach to its plan
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management
7.4	The audit committee should be responsible for overseeing internal audit
7.5	Internal audit should be strategically positioned to achieve its objectives

Governance processes continued

Chapter 8 – Governing stakeholder relationships	
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation
8.2	The board should delegate to management to proactively deal with stakeholder relationships
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company
8.4	Companies should ensure the equitable treatment of shareholders
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible
Chapter 9 – Integrated reporting and disclosure	
9.1	The board should ensure the integrity of the company's Integrated Annual Report
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting
9.3	Sustainability reporting and disclosure should be independently assured

Notes to index

1. *It has not been necessary to consider business rescue proceedings during the year under review. However, in terms of paragraphs 2.15.1 and 2.15.2 of King III, the board ensures that the solvency and liquidity of the company are continuously monitored.*
2. *Given the level of experience and expertise of the board members, mentorship and professional development programmes have not been considered necessary during the year under review.*
3. *A governance framework applies across the group, but as five of the company's six operating subsidiaries are registered and operate in countries outside South Africa, those subsidiaries are guided by local reporting and listings requirements.*
4. *Fees are determined with due regard to relevant market surveys. However, given the high level of attendance at meetings and other input received, the non-executive directors' fees do not comprise a meeting attendance fee in addition to a base fee.*
5. *The Audit Committee reviews all disclosures in this report. Non-financial sustainability matters are also dealt with by the Risk Management Committee.*

Reporting to stakeholders

As described in the Stakeholder Engagement section of this report and the Social and Ethics Committee Report, the company is committed to the timeous and transparent reporting of all relevant matters to its shareholders and other stakeholders as required in terms of the Companies Act, the JSE Listings Requirements and best practice guidelines, recognising that our long-term sustainability objectives are supported through engaging with our stakeholders to address matters of mutual interest.

Going concern assessment

The directors regularly assess the solvency and liquidity of the company as well as its ability to continue to operate as a going concern. Having conducted a review, the directors are of the opinion that the company's business will be a going concern in the year ahead and the independent auditors concur with the opinion of the directors.

Financial statements

The company's directors are responsible for overseeing the preparation of the financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the group's business operations. The independent auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings.

The annual financial statements are prepared in accordance with IFRS and the Companies Act. They are based on appropriate accounting policies which have been consistently applied, except when otherwise stated, in which case full disclosure is made.

Independent third-party assurance

Integrated Reporting & Assurance Services (IRAS) has provided independent third-party assurance over the sustainability information contained within this report, confirming that it meets the GRI's Application Level B requirements (B+ with its assurance). A summary of this assurance statement is provided below, and the full statement appears on our website.

IRAS was engaged by Illovo to provide Independent Third Party Assurance (ITPA) over the sustainability content within Illovo's 2015 Integrated Annual Report.

Our engagement was limited to the sustainability content within the Integrated Annual Report. Based on our reviews of the Integrated Annual Report, as well as our interviews and desktop research exercises at both the group and operational level (inclusive of site visits to Nchalo, Ubombo and Noodsberg), the information contained within this Integrated Annual Report is deemed fair, factual and reflective of Illovo's adherence to AccountAbility's AA1000AS principles of Inclusivity, Materiality and Responsiveness and meets the GRI G3 Level B+. A comprehensive assurance statement has been submitted to Illovo, and will be available on the company's website at www.illovosugar.com.

For information about our assurance processes and/or findings, please email michael@iras.co.za.

Michael H Rea, Managing Partner
Integrated Reporting & Assurance Services

May 2015
Johannesburg

The company's Social and Ethics Committee is a statutory committee, established by the board in March 2012 in accordance with the Companies Act.

This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2015 and will be presented to the shareholders at the annual general meeting to be held on 15 July 2015.

Membership of the committee

The committee comprises six non-executive directors (four of whom are independent), four executive directors, the human resources executive and the Company Secretary. A member of senior management acts as secretary to the committee.

Meetings

In accordance with its Terms of Reference, the committee meets at least twice a year. During the year under review, the committee met in May and September 2014. The attendance of the committee members at those meetings is indicated in the table on page 63 of this report.

At each of its meetings the committee receives reports from other committees and management, and in turn reports on relevant matters within its mandate to the board.

Responsibilities

In accordance with its Terms of Reference and annual work plan, the committee fulfils the functions and responsibilities assigned to it in terms of the Companies Regulations and such other functions as may be assigned to it by the board from time to time in order to assist the board in ensuring that the group remains a responsible corporate citizen.

The key objectives and responsibilities of the committee, which are aligned with the committee's statutory functions as set out in the Companies Act and Companies Regulations, and which form the basis of its annual work plan, include the following:

- social and economic development;
- the group's standing relative to the United Nations Global Compact Principles, the OECD recommendations regarding the combating of corruption, the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, and the Voluntary Principles on Security and Human Rights;
- compliance with South Africa's Employment Equity Act and B-BBEE legislation;
- good corporate citizenship, including the group's contribution to the development of communities in which it operates or markets its goods and the group's record of sponsorships, donations and charitable giving;
- good corporate citizenship, including the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption;
- promotion of equality and transformation and preventing unfair discrimination, through its Code of Conduct and Business Ethics and other social responsibility policies and strategies;
- the environment, health and public safety, including the impacts of the group's activities and products on the environment and society;
- consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws;
- labour and employment, including the group's standing relative to the ILO Protocol on Decent Work and Working Conditions, and the group's employment relationships and contribution to the educational development of its employees; and
- generally, the monitoring of the social, ethics, economic, governance, employment and environmental activities of the group against internationally recognised human rights principles and other relevant best practice standards.

The committee monitors adherence to the relevant legislation, regulations and codes of best practice in relation to matters within its mandate. It also monitors the company's adherence to its Code of Conduct and Business Ethics (available on the company's website: www.illovosugar.com) which prescribes the standards required from all group employees, suppliers, service providers and representatives, and which is reviewed annually.

Key focus areas

UN Global Compact Principles

During the year under review, the company introduced a process to track the implementation of the UN Global Compact Principles across the group's operations, the intention being to implement practices across the group in a cohesive manner, and to embed the principles into the business practices. A gap analysis was conducted and the key areas identified are tracked by the committee and progress is reported on at each meeting.

Code of Conduct and Business Ethics

The company's Code of Conduct and Business Ethics ("Code of Conduct") was reviewed against the internationally recognised human rights, including those set out in the United Nations Global Compact Principles, the OECD recommendations regarding the combating of corruption, the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, the Voluntary Principles on Security and Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

In terms of the Code of Conduct, the group businesses are required:

- to avoid any complicity in, and to adopt practices to protect against, abuses of human rights in their activities and in their business relationships with others;
- to conduct business in compliance with all applicable legal requirements and in a manner that respects the rights and dignity of all their employees and the local communities in which they operate, including legitimate tenure rights and freedom of association;
- to adhere to the principle of free, prior and informed consent in all dealings with the local communities in the areas in which our businesses operate;
- to procure that any adverse impacts resulting from their activities are minimised and justly and fairly compensated; and
- to encourage all suppliers and other persons contracting with Illovo to adhere to the same principles.

Social and Ethics Committee Report

During the year under review, a project was implemented to conduct a comprehensive review of all group policies and procedures and to align these with internationally recognised human rights standards and best practice. This process was aligned with a restructure of the group's assurance processes, which incorporate consolidated, streamlined and enhanced third party assessments of the group's operations, and the measuring of these against the group's policies and internationally recognised standards.

Our contracts with our contractors, service providers and representatives require them to comply with (and to seek to develop relationships with their own supply-chains consistent with) the principles set out in the Code of Conduct (available on the company's website at www.illovosugar.com) and the policies and guidelines referred to therein, failing which the contract may be terminated for breach. Our ethical supply-chain monitoring process is elaborated upon in the Corporate Governance Report.

Land and land rights

Following a stakeholder engagement process with NGOs and other interested parties, the company implemented its Land and Land Rights Guidelines (available on the company's website at www.illovosugar.com), re-affirming its zero tolerance approach to land grabbing.

The guidelines complement our Strategic Intent and Code of Conduct, and ensure alignment with Illovo's comprehensive business sustainability and corporate social investment profile, with preservation of community land rights forming a key component.

In terms of the guidelines, we recognise our responsibility to take action and to use our influence to protect the land rights of the communities in the areas in which we operate and endeavour to ensure that impacts on the land and livelihood of local communities resulting from our initiatives are minimised and that any unavoidable impacts are managed for the mutual benefit of all stakeholders. Mechanisms to achieve these objectives include:

- assessing the social, economic and environmental impact of our activities to ensure that our projects and other business activities are in line with, and are assessed according to, accepted international standards;
- stakeholder engagement with local communities and public authorities on matters affecting their land ownership and land use rights;
- implementing and providing technical and facilitating financial support to local communities, farmers and small-scale grower schemes, in collaboration with reputable non-governmental organisations, development organisations and banks.

All proposed projects are required to undergo a stringent stage and gate process, including legal investigation of land tenure rights, adherence to local legislative frameworks and land reform programmes, consultation with local communities and public authorities, ensuring mutually agreed compensation where communities are affected by our operations, and working with reputable development organisations to ensure projects are in line with accepted international standards.

Key projects for the ensuing year include:

- a comprehensive examination of land rights registration in the area surrounding our Mozambique operation. This forms part of a process to develop guidelines to be implemented in relation to smallholder land development, which is being piloted through a multi-stakeholder forum which includes representatives of all key stakeholders and development partners; and
- a multi-stakeholder process, including representatives of the local communities, outgrower organisations, the government, land experts, development partners and international NGOs, with the aim of reaching a fair and equitable resolution of the ongoing competing land rights claims in the areas in which we operate in Malawi.

In South Africa, where Illovo has voluntarily disposed of 52% of its agricultural land holdings (26 682 hectares, with an area under cane of approximately 17 120 hectares) to black South Africans, it continues with its innovative assistance programmes to ensure the continued commercial viability of the transferred land, through technical and financial assistance to new emerging cane growers, ensuring the long-term sustainability of the farms now under black ownership.

Forced and child labour

The company adopts a zero tolerance to all forms of forced and child labour in its operations and, through the implementation of its Forced Labour and Child Labour Guidelines, is committed to driving the elimination of all forms of forced labour and child labour in its supply-chain, in line with the UN Global Compact Principles 4 and 5.

The guidelines align with the company's Code of Conduct, pursuant to which all suppliers are required to provide contractual undertakings to adhere to the Code. In addition, we take measures to assess the risk of child and forced labour in our supply-chain through eg, Fairtrade audits, supplier assessments, educational programmes and awareness initiatives, to embed a culture that promotes human rights and is committed to abolishing these forms of human rights violations.

Environment

The precautionary approach to environmental challenges, required by UN Global Compact Principle 7, which also reports on our continued initiatives relative to the development of environmentally friendly technologies, is dealt with in our Climate Change Report.

Our group environmental strategy, which covers a range of objectives and responsibilities, defines a five-year approach to our environmental management. Our environmental initiatives continue to include participation in the CDP water and CDP climate change reporting process. Our water foot-printing process, carried out by our consultants, WSP, continues to assist the company in determining its water risk profile and identifying water-related opportunities.

Ethics

Our Anti-Bribery and Corruption Policy, Fraud Policy and Code of Conduct embody our key principles and values.

The group Whistle-Blowing Policy, which facilitates the Illovo Tip-Offs Anonymous reporting line and Crime-line, operated by Deloitte & Touche, continues to provide an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. A review of the Tip-Offs Anonymous and Crime-line reporting process is carried out regularly, and during the year training on these facilities was conducted by Deloitte & Touche in conjunction with the company's compliance personnel at all group operations. We also initiated a group-wide anti-corruption campaign, enforcing our zero tolerance to any forms of corruption in our business as well as our supply-chain.

Labour
Our Employment Equity Policies embody our commitment to implementing employment equity across the group. Our Employment Equity forums continue to provide input into the employment equity management of the group.

As indicated in our Human Capital Report, skills development remains an area of focus, implemented through various skills development programmes across the group. Our initiatives relative to the Broad-Based Black Economic Empowerment Act and Codes in South Africa, as well as localisation in the other countries in which we operate, include the development and advancement of local talent and are elaborated upon in the Human Capital Report.

Entry level accommodation conditions across the group continues to be reviewed and improvements made according to the group minimum accommodation standards, formulated in accordance with the International Finance Corporation (World Bank) Guidelines.

Health and safety
Our health and safety practices continued to improve annually, as reported more fully in our Human Capital Report under occupational safety.

Safe evacuation of employees from various territories in emergency situations remains a priority and our crisis management plan and evacuation procedures were reviewed and tested. In relation to health measures, attention continues to be given to the impact of HIV and AIDS and malaria initiatives. Our extensive health care programmes are reported on more fully in the Human Capital Report.

Socio-economic development
One of the key pillars of Illovo's Strategic Intent and sustainability model is to be welcomed in the communities in which it operates, without whose co-operation the group would not be able to sustain its businesses. Accordingly, Illovo strives to support the advancement of these communities, and our Corporate Social Investment Policy entrenches this philosophy. Sustainable community development is achieved, *inter alia*, through employment, procurement and supply-chain development.

As indicated by the independent socio-economic impact assessments carried out by our consultants, Corporate Citizenship (available on the company's website at www.illovosugar.com), the group provides much-needed employment and other social benefits in the areas in which it operates, as well as providing revenue to the emergent farmers who supply sugar cane to our factories and other suppliers of services and goods, thereby directly and indirectly benefiting the surrounding communities as a whole.

The numerous contributions we make are also addressed in our Socio-economic Impact Report (which may be viewed on our website at www.illovosugar.com).

Sustainability
As more fully set out in our Climate Change Report, the group's sustainability policy gives focus to energy and emissions, biodiversity, water, sustainable farming practices, economic factors, including outgrower development, agricultural productivity and product responsibility.

The key sustainability risks and opportunities which received focus in the year under review were energy and carbon management, water usage (by adopting a water footprint methodology), CI and "doing more with less" in agricultural productivity (an initiative which is being embedded across the group).

Consumer legislation
In terms of regulation 43(5)(a)(iv) of the Companies Regulations 2011, the committee continues to review compliance with applicable consumer laws.

Evaluation of committee performance

During March 2015, an evaluation of the committee's performance, carried out as part of the evaluation process (detailed in the Corporate Governance Report) indicated that the committee had generally fulfilled its obligations in a consistently good fashion.

On behalf of the Social and Ethics Committee

Prof P M Madi
Social and Ethics Committee Chairman

May 2015

Role and responsibility of the Remuneration Committee

The committee is tasked with the development and determination of the company's general policy on executive and senior management remuneration, and the positioning of senior executive salary packages relative to local and international industry benchmarks, such that they are sufficient to attract, retain and motivate executives of the quality required by the company. The remuneration packages include basic salary, performance-based incentives, share-related incentives and retirement benefits.

For the year under review, the committee met its responsibilities in compliance with its Terms of Reference.

On an annual basis, the committee:

- reviews the company's remuneration policy for approval by the board and shareholders;
- reviews and approves the remuneration packages of the executive directors and senior managers of the group;
- approves the salary mandate to be implemented for the group's employees in the various countries of operation, which includes the foreign allowances paid to employees who are deployed on assignment into the countries of operation outside South Africa;
- approves the group's short-term performance bonus scheme for the forthcoming year and the awards achieved in the prior year;
- approves the annual award of options and shares in terms of the group's longer-term performance Phantom Share Scheme (PSS) and Forfeitable Share Plan (FSP) respectively;
- makes recommendations to the board on the fees payable to the company's non-executive directors; and
- ensures compliance with relevant legislation.

During the course of the year, the committee engaged the services of remuneration consultants to audit and review the level of the executive directors' remuneration packages when compared with the market. On the basis of the resultant report, the committee was satisfied that these are in line with positions of similar content and complexity in the market.

In terms of the committee's Terms of Reference, the Chairman is required to report to the board after each meeting and attend the annual general meeting to respond to any questions from shareholders on remuneration.

Remuneration philosophy and policy

In line with the company's strategy, the remuneration philosophy and policies recognise the importance of our people in the continued growth and sustainability of the group and its overall performance.

The committee strives to align the remuneration policy with the interests of shareholders and also seeks to encourage and reward the longer-term sustainable growth of the group. The principles of the remuneration policy are designed not only to attract, retain and motivate employees, but also to reward them for their contribution to the group's operating and financial performance, taking into account market conditions at both industry and country levels.

Apart from fixed remuneration, an element of variable remuneration that is aligned to value creation in the form of short and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives. This also assists in attracting and retaining key personnel.

General salary and wage reviews

The committee ratifies the salary mandates, along with mandates that determine substantive wages and benefits for the unionised category of employees, through collective bargaining processes with representative trade unions in all countries of operation.

Criteria adopted for determining non-negotiated salary and wage increases include:

- individual performance reviews;
- CPI (inflation);
- market surveys, where the group subscribes to pegging key high-performing employees at the median to upper quartile of the market;
- internal equity where applicable;
- short-term incentives, whereby all employees participate in a performance-related bonus scheme (PRBS) designed and implemented on a financial year basis, and are remunerated against pre-set performance criteria at the end of the group's financial year. The targets are both of a financial and operational nature, directly relevant to the performance expectations for each operation in the ensuing year. The former are set against financial parameters such as HEPS, as well as achievement of relevant return on net assets (RONA) targets. The operational targets typically relate to the achievement of line-of-sight production forecasts and safety standards and well defined operational efficiency metrics which are readily measured and in respect of which progress towards achievement thereof is communicated to participants on an ongoing basis; and
- long-term incentives are catered for by the PSS referred to below, which is extended to key senior staff members. The PSS is directly aligned to the company's share performance and incorporate a performance hurdle, thus only being of value when beneficial to shareholders.

Other substantive benefits include in-house health care facilities, medical aid contribution subsidisation and provident and pension funds. In countries where these do not exist, company contributions to national security insurance-type funds are paid.

Executive remuneration

The executive directors are full-time employees of the company and, as such, each has an employment agreement, the terms of which are in accordance with the company's standard conditions of service, but with a notice period of three months and more comprehensive confidentiality undertakings.

The group aims to adhere to the broad guidelines of executive remuneration as contemplated by King III, in respect of remuneration packages of the company's executive directors and senior managers, ensuring that the following is achieved:

Guaranteed remuneration
The positioning of guaranteed remuneration packages is aligned between the market median and upper quartile of local and international industry benchmarks. To this end, external consultants are used to ensure that these levels are conducive to the attraction and retention of key skills. The guaranteed remuneration packages are based on the

complexity of the role of each director and senior manager and his/her performance and contribution to the group's overall performance. Contributions towards medical, retirement and disability benefits, as well as car allowances are applicable to all senior employees in accordance with the rules of the relevant company scheme.

Short-term incentive
The PRBS mentioned above is also applicable to executive management, focusing on specific annual targets (including social and environmental performance targets).

In addition to the financial targets mentioned above, individual specific objectives identified by the Remuneration Committee for that particular executive function are also set. The attainment of these targets contributes towards the achievement of the company's strategic objectives, which are aligned to the delivery of sustained shareholder value. The principle of paying for performance is a key underpin to the PRBS and any variable payments achieved are directly aligned to performance outcomes.

The PRBS is capped at 125% of annual salary for executive directors and senior general managers. For the executive directors, the breakdown of the targets, the relative bonus caps as a percentage of annual salary, and the average payments for the year under review were as follows:

Executive directors' performance bonus criteria	Bonus cap (% of annual salary)	Executive directors' performance average achievement %
Group financial results	80	5.0
Working capital management	10	0
Key performance objectives	35	27.6
Total	125	32.6

Long-term incentive
Long-term incentives were provided by the Illovo Sugar 1992 Share Option Scheme (the options under which have now all been exercised or forfeited) and later by the PSS, which was introduced in 2005. Recognising that the PSS does not necessarily provide an adequate incentive or retention mechanism to enable the company to attract and retain executives and other key management whose skills are necessary for the company to fulfil its long-term goals, the company introduced the FSP in 2014 as an additional long-term incentive plan for directors and selected key executive senior employees. Details of these schemes are set out below.

Share schemes

The shares in the company held by the directors as at 31 March 2015 are reflected in the Directors' Report.

Illovo Sugar 1992 Share Option Scheme (Option Scheme)

None of the directors hold any options in terms of the closed Option Scheme, all such options having been exercised.

Illovo Sugar Phantom Share Scheme

Further information regarding the PSS is set out in the Directors' Report.

The PSS is "cash-settled" and therefore is not classified as a share incentive scheme in terms of the JSE Listings Requirements. It is directly aligned to the company's share performance. It incorporates a financial performance hurdle and benefits only accrue where positive real growth in shareholder returns has been achieved, which entails that one-third of the options granted may only be exercised in each of the third, fourth and fifth years following the date of grant, provided that certain financial hurdles are met. During the year under review, there were 154 recipients of the scheme.

Financial performance hurdle, information and allocations:

A performance base is set as being the average HEPS achieved over the preceding three financial years, with one-third of the options granted in that year vesting in years three, four and five. In 2007, performance target hurdles were also introduced. During the period 2007 until 2014, the performance hurdles required that the group HEPS cumulative performance from year of grant must exceed the cumulative South African gross domestic product (GDP) for the same period, as follows:

- cumulative GDP plus 2.5% for 50% of the vested options to become exercisable; or
- cumulative GDP plus 5.0% for 100% of vested options to become exercisable.

With effect from 2014, the performance target hurdle was amended, with the South African Consumer Price Index (CPI) replacing GDP and requiring that the group HEPS cumulative performance from year of grant must exceed the cumulative CPI for the same period, as follows:

- cumulative CPI plus 1.5% for 50% of the vested options to become exercisable; or
- cumulative CPI plus 3.0% for 100% of vested options to become exercisable.

Each option remains in force for a period for 10 years after the date of grant thereof (unless it lapses in terms of the rules of the scheme), but is only exercisable if and when the target hurdles are met. In addition, if the target hurdles are met, the options are only capable of being exercised in tranches, ie, as to one-third after three years from the date of grant, two-thirds after four years and the balance after five years.

The performance against the performance targets since 2007 has been as follows:

- grant date 2007: HEPS outperformed GDP plus 5% at the end of year three (2010). Therefore, vested options are exercisable;
- grant date 2008: HEPS outperformed GDP plus 2.5% at the end of year five (2013). Therefore, 50% of the options are exercisable as the hurdle has been met at GDP plus 2.5%. The GDP plus 5% target is still to be achieved and 50% of the options therefore remain unexercisable;
- grant date 2009: HEPS has underperformed GDP plus 2.5% to date (at the end of year six). Therefore, vested options remain unexercisable;
- grant date 2010: HEPS has underperformed GDP plus 2.5% to date (at the end of year five). Therefore, vested options remain unexercisable;

- grant date 2011: HEPS outperformed GDP plus 2.5% at the end of year three (2014). Therefore, 50% of the options are exercisable as the hurdle has been met at GDP plus 2.5% (subject to the "vesting rule" referred to above). The GDP plus 5% target is still to be achieved and 50% of the options therefore remain unexercisable;
- grant date 2012: HEPS outperformed GDP plus 5% at end of year three. Therefore, 100% of the options for this allocation are exercisable (subject to the "vesting rule" referred to above); and
- the 2013 and 2014 allocations are still to be measured against the three-year HEPS target.

Phantom options granted to executive directors
The table below reflects the phantom options previously granted to executive directors, those granted during the year under review, any phantom options exercised during the year under review, and the unexpired and unexercised phantom options as at 31 March 2015:

	Options as at 31 March 2014	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options forfeited during the year	Options as at 31 March 2015	Expiry date
Abdool-Samad M H	150 000	2 702		–	–		150 000	26.05.2021
	63 100	2 573		–	–		63 100	22.05.2022
	68 500	3 445		–	–		68 500	21.05.2023
		2 878	31 000				31 000	20.05.2024
	281 600		31 000		–		312 600	
Dalgleish G B	8 500	1 634		–	–		8 500	29.10.2016
	12 500	2 364		–	–		12 500	23.07.2017
	20 000	2 702		–	–		20 000	26.05.2021
	141 500	2 573		–	–		141 500	22.05.2022
	77 500	3 445					77 500	21.05.2023
		2 878	75 000				75 000	20.05.2024
	260 000		75 000				335 000	
Hulley J P	5 500	2 364		–	–		5 500	23.07.2017
	20 000	2 867		–	–		20 000	09.07.2018
	25 000	2 808		–			25 000	13.07.2019
	11 000	2 856		–	—		11 000	20.07.2020
	10 500	2 702		–	–		10 500	26.05.2021
	15 500	2 573		–	–		15 500	22.05.2022
	13 000	3 445					13 000	21.05.2023
		2 878	33 000				33 000	20.05.2024
	100 500		33 000	–	–		133 500	
MacLeod D G#	100 000	2 364		50 000	3 038		50 000	23.07.2017
	140 000	2 867		–	–		140 000	09.07.2018
	240 000			50 000	–		190 000	
Riddle L W	33 500	2 364		–	–		33 500	23.07.2017
	25 000	2 867		–	–		25 000	09.07.2018
	60 000	2 808		–	–		60 000	13.07.2019
	56 000	2 856		–	–		56 000	20.07.2020
	36 000	2 702		–	–		36 000	26.05.2021
	51 500	2 573		–	–		51 500	22.05.2022
	77 000	3 445					77 000	21.05.2023
		2 878	24 000				24 000	20.05.2024
	339 000		24 000		–		363 000	
	1 221 100		163 000	50 000	–		1 334 100	

 # Options granted to Mr D G MacLeod while an executive director

Forfeitable Share Plan

The FSP was approved in May 2014, with the intention of introducing a long-term incentive plan for directors and selected executive senior employees and providing a mechanism to enable the company to attract and retain executives and other key management whose skills are necessary to enable the company to fulfil its long-term goals, which the PSS does not provide due to the relative stability of the Illovo share price.

The FSP is not a share option scheme contemplated in Schedule 14 of the JSE Listings Requirements. Shares allocated under the FSP are purchased on the market and paid for by the company. The FSP therefore does not entail the issue of any equity securities (including options) and does not result in a dilution of the shareholdings of its equity securities holders.

The FSP provides for the award of shares to executive directors and a limited number of senior key employees. Ownership of the awarded shares vests immediately following an award, allowing participants to receive the benefits of ownership (ie, dividends and voting rights), but in order to achieve an alignment of the interests of management and shareholders, performance conditions in the form of continuing employment and financial hurdle achievements must be met, failing which the allocated shares are forfeited.

The total number of shares which may be allocated under the plan may not exceed 1% (one percent) of the issued ordinary shares (ie, a total of 4 607 305), and the maximum number of shares that may be issued to any one person in terms of the FSP is 0.1% of the issued ordinary shares, which equates to 460 730 shares.

In terms of the FSP Rules, the Company's Remuneration Committee ("Committee") has the final authority to grant awards of shares to participants and to set the conditions attaching to each such award. Awards of Shares may comprise "Performance Shares" or "Restricted Shares". Performance Shares may be awarded by the Committee on an annual basis as soon as practicable after the publication of the company's annual or interim results for any period. Performance Shares are subject to the fulfilment of specified performance conditions ("Performance Conditions") measured over a specified period which is aligned with the financial years of the company ("Performance Period") determined by the Committee, as well as the condition that the participant remains employed with the Illovo group for a specified period determined by the Committee ("Employment Condition"). Restricted Shares will only be awarded in exceptional circumstances in order to retain or attract a key executive, and any award of Restricted Shares will also be conditional upon the participant remaining in the employ of the Illovo group for a specified period determined by the Committee.

In line with good corporate governance principles, Performance Conditions are not retested if they are not met at the end of the Performance Period. To the extent that the Employment Condition or Performance Condition(s) (as the case may be) are not met, the relevant Performance Shares or Restricted Shares (as the case may be) in relation to which the conditions are not met will be forfeited. Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will forfeit all unvested awards. Forfeited shares are sold on the market and not repurchased by the company.

The FSP is aimed at approximately 30 executives and senior managers of the Illovo group. The Committee may, however, in its discretion, include any other permanent employee of any company in the Illovo group for participation in the FSP in exceptional circumstances.

Award levels are determined by the Committee having regard to a participant's salary, grade, performance, retention requirements and market practice, as well as other relevant circumstances at that time. Annual awards are made having regard to a market-related level of remuneration as well as the overall affordability to the employer company. Indicative fair value of allocations under the FSP and the PSS will in the aggregate remain similar before and after the introduction of the FSP.

The conditions of the FSP will continue to be reviewed in line with best practice.

In May 2014, the Committee awarded 224 000 shares to executive directors and senior employees. These shares were purchased and transferred to the relevant participants on 2 December 2014.

The table below reflects the forfeitable shares allocated, purchased and transferred to executive directors, as at 31 March 2015:

	Number of shares
Abdool-Samad M H	**31 000**
Dalgleish G B	**75 000**
Hulley J P	**33 000**
Riddle L W	**24 000**

Compensation of directors/prescribed officers

Executive directors

The remuneration of executive directors for the year ended 31 March 2015 was as follows:

	Salary R000	Bonus R000	Retirement, medical and UIF contributions R000	Car allowances R000	Total reward R000
Abdool-Samad M H	3 445	1 034	455	230	**5 164**
Dalgleish G B	4 806	1 300	587	379	**7 072**
Hulley J P	2 715	718	367	275	**4 075**
Riddle L W	2 659	997	370	295	**4 321**
Total	**13 625**	**4 049**	**1 779**	**1 179**	**20 632**

The remuneration of executive directors for the year ended 31 March 2014 was as follows:

	Salary R000	Bonus R000	Retirement, medical and UIF contributions R000	Car allowances R000	Housing re-location allowance R000	Option gains R000	Total reward R000
Abdool-Samad M H	3 069	1 320	407	261	–	–	**5 057**
Clark G J*	2 942	–	843	260	–	2 713	**6 758**
Dalgleish G B	3 167	1 140	400	323	–	–	**5 030**
Hulley J P#	1 223	351	171	151	358	–	**2 254**
Riddle L W	2 361	826	330	240	–	445	**4 202**
Total	**12 762**	**3 637**	**2 151**	**1 235**	**358**	**3 158**	**23 301**

* *Resigned on 31 August 2013*
\# *Appointed on 1 September 2013*

Other than the directors, there are no employees of the company who are "prescribed officers", as defined in the Companies Act, the directors being the only persons who exercise, and who are empowered to exercise, or who regularly participate to a material degree in the exercise of, general executive control over and management of the whole, or a significant portion of the business and activities of the company, as contemplated in regulation 38 of the Companies Regulations.

Non-executive directors

The fees paid to non-executive directors for the years ended 31 March 2014 and 31 March 2015 were as follows:

	2015 R'000	2014 R'000
Hankinson M J	**664**	597
Konar Dr D	**525**	501
MacLeod D G**	**2 200**	2 200
Madi Prof P M	**430**	447
Molope C W N	**484**	436
Mpungwe A R	**421**	317
Munday T S	**736**	630
Carr Dr M I#	**–**	–
Cowper J#	**–**	–
Lister P A#	**–**	–
Rhodes G M#	**–**	–
Total	**5 460**	5 128

** *The Chairman's remuneration is approved by the Remuneration Committee, having regard to the extent of the duties that he assumes. The Chairman attends all board committee meetings of the company.*

These directors, who are nominated for appointment by Illovo's majority shareholder, have each elected not to receive the payment of the fees due to them as non-executive members of the board and the board committees on which they serve.

Post-retirement medical aid

Post-retirement medical aid contributions paid on behalf of past directors amounted to R128 685 for the year under review, compared to R83 463 for the year ended 31 March 2014.

Risk Management Report

The acceptance of risk is an integral part of Illovo's businesses. Management of that risk is therefore critical to Illovo's continuing profitability. The Illovo board regards risk management as a key process in the responsible pursuit of strategic objectives and the effective management of related material issues across the group. Where risk is assumed it is undertaken within a calculated and controlled framework that assigns clear roles and responsibilities.

Illovo's risk management culture is underpinned by a three-tiered approach. The first is that the primary responsibility for risk management lies at the business level, and risk owners throughout the group at corporate and country level are responsible for their identified risks and the appropriate management thereof. The following tier is the risk management function which guides effective risk identification and mitigation processes applied on a daily basis, through the group Enterprise Risk Management (ERM) system, including internal controls, monitoring mechanisms and relevant stakeholder engagement activities. The final tier is the group's internal audit function responsible for independent review of the group ERM process, systems and controls. In accordance with the group's risk philosophy, business activities and plans are aligned to the group's governance, economic, environmental and social aspirations, and form an integral component of Illovo's materiality assessment processes.

Our ERM process is designed to facilitate the achievement of our business strategy and plans, through the identification and maximisation of opportunities that meet the risk appetite criteria set by the board, and to ensure that the risk profiles of our business activities and investments are maintained within the approved risk tolerance levels, thereby optimising the risk return parameters for the creation of sustainable growth and value for shareholders and stakeholders.

The Risk Management Committee is responsible for the oversight of the ERM process and embedding of the ERM framework across the group. Management is tasked with the process of developing and enhancing our comprehensive systems for risk identification and management. Risk assessments in line with the ERM framework are conducted regularly at both group and country level, with the resulting risk improvement plans being monitored closely. These procedures form an integral part of the risk management process, and ensure that any residual risk exposures are properly and timeously managed.

The ERM process considers strategic, operational, commercial, financial, compliance and reputational risks. Other risks inherent in the sugar industry generally are also identified, monitored, recorded and appropriately managed. Risk indicators and levels of risk appetite are reviewed and approved by the board annually, or more frequently if required. Our risk appetite represents the amount and type of risk we are willing to accept in pursuit of our business objectives. Salient risks and their relevant mitigating strategies are subject to regular assessment by the Risk Management Committee and underpin the annual strategic plan approved by the board.

Business continuity plans for all group operations are incorporated within the ERM framework, and training and testing to ensure capability and capacity to deal with interruptions to the business is carried out at all operations.

The following risks were identified through our ERM process in the year under review as being the most important strategic, commercial, financial and operational risks which are considered as potentially having the most material impact upon the group, should they occur:

- ***Price and market***

  Exposure to pricing variations (particularly due to world sugar price volatility), changes in market demand and supply (particularly where market supply exceeds market demand), and the lack of market protective measures implemented by governments create an inability to maintain acceptable margins. Mitigating controls include improvement to logistics and a refocus on markets that offer trade advantages. This risk and mitigating actions are also dealt with in the Commercial Director's Review.

- ***Weather***

  The impact of abnormal weather conditions is a significant risk to the business. Causes may be related to global warming and resultant deforestation which impact on cane yields, resulting in the inability of our factories to utilise installed capacity. Current controls in place to mitigate against adverse weather conditions include:

  - development of agriculture infrastructure including drainage systems, dykes and canals;
  - irrigation systems in place at most non-South African operations;
  - use of weather forecasting tools and early warning systems for flooding; and
  - continually evaluating and selecting drought tolerant cane varieties.

- ***Sugar imports***

  The importation of duty-free sugar into the countries in which we operate presents a risk to our being able to compete at acceptable margins. Such market conditions are caused primarily on the world market by way of a range of production subsidies which are granted to global sugar producers. Together with the imminent de-regulation of the EU sugar regime, these conditions can lead to unfair competition and lower prices in our own markets, resulting in the loss of revenue and profits. The mitigating controls are referred to in the Commercial Director's Review and include the focus on improving the existing regulatory frameworks in the countries in which we operate.

- ***Interest rate exposure***

  Exposure to fluctuations in interest rates due to both country risk and macroeconomic factors, for example the inflationary effect of a strengthening US Dollar forcing emerging markets to increase interest rates so as to protect their local currencies, has a significant effect on financing costs as well as putting the affordability of capital projects at risk. The mitigating controls are referred to in the Financial Director's Review.

- ***Quality***

  Poor product quality (sugar and downstream) and non-compliance with quality control standards impact upon the company's reputation and may result in reduced sales. This risk has assumed increasing importance as our direct exports into the EU of high-value speciality sugars have grown in volume. The mitigating controls are referred to in the Operations Director's Review and include a project to obtain FSSC 22000 certification at all our operations.

- ***Bulk water supply***

  This is the inability to secure water required for agriculture and factory processes as well as potable consumption by employees and communities. Potential causes of this key risk is Illovo having drought or abstraction permits revoked, as well as poor maintenance of our canal systems and irrigation infrastructure. This will lead to lower yields which will impact the ability of factories to utilise capacity. Amongst the current controls for this risk are planned maintenance and replacement of infrastructure, irrigation scheduling and drought mitigation strategies.

- ***Exceptional input cost increases***

  This key risk is best described by cost pressures on fuel, electricity, fertiliser, salaries and wages, impacting margins and long-term competitiveness. Any one of these risks, or a combination, could potentially result in a margin squeeze on the business. Among the controls in place to mitigate the risk include:

  - centralised supply-chain contracts;
  - natural hedges to purchase US Dollar goods and services, in particular, in Malawi and Zambia; and
  - operation's executives CI targets.

- ***Cane supply***

  Cane supply, cane yields and cane quality are vital for the business. Challenges to the former include land tenure and expropriation, competitive crops, competition for cane supply, as well as the viability of our supplying outgrowers. In terms of cane yield and quality, abnormal weather conditions, power supply interruptions, pests and diseases, can also pose their own risks, all of which could potentially lead to lower cane yields and impact the ability of our factories to utilise their installed capacity. Various controls are in place to mitigate the risk including:

  - sustainable cane variety selection;
  - increased cane replant programmes;
  - proactive engagement with government and financial institutions/donors to provide cost effective funding for grower development and ratoon management; and
  - strategies for managing flooding, drought conditions, and frosted cane.

- ***Country and investment***

  Broad political/government relations issues as a result for example, of changes in government or civil unrest can cause political uncertainty and lead to lack of availability of foreign exchange, reduction in regulatory support (eg, import tariffs), shortage of basic commodities and a deteriorating infrastructure. The stakeholder engagement initiatives referred to on page 18 are an important mitigating factor. Additional controls include monitoring of political situations in operating countries through specialist service providers and ongoing country risk assessments.

- ***Factory utilisation and performance***

  Sub-optimal factory utilisation and performance continues to be risks to the business. These risks are caused primarily as a result of no cane stops, poor quality of the cane received (which impact recoveries of sugar from cane) and unplanned breakdown of equipment. Risk control measures include:

  - consideration of detailed weekly reports covering factory statistics;
  - de-bottlenecking programmes;
  - securing cane supply; and
  - continuous improvement via capability development and improved logistic management.

Illovo recognises that an effective risk management framework depends on robust processes and controls, together with an embedded and mature risk culture across the business which results in clear goal and expectation setting and leads to the efficient monitoring, measuring and management of key performance indicators at an executive level.

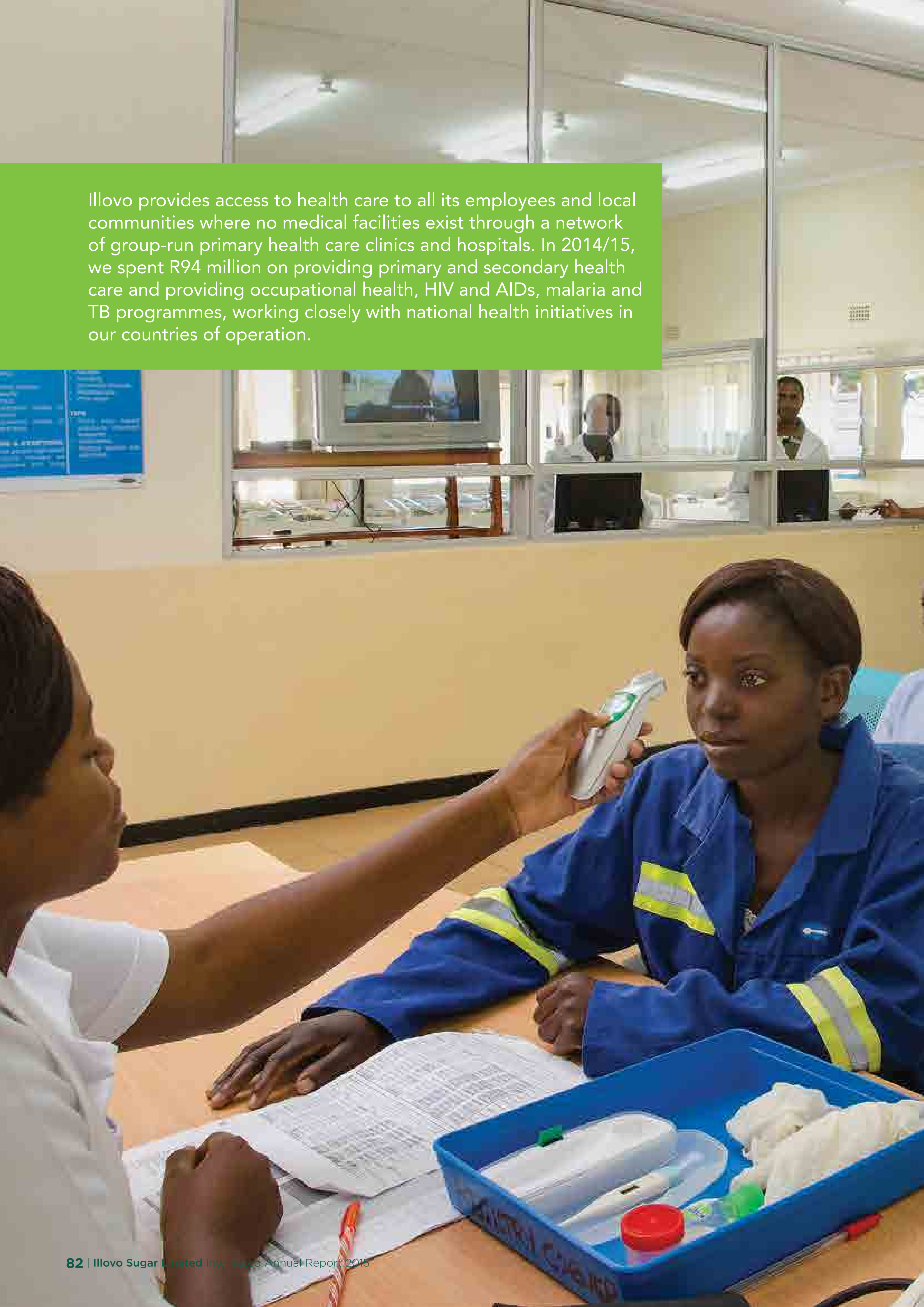
Combined assurance

Our custom-designed combined assurance framework, implemented throughout the group, is aimed at providing the assurance that all identified risks are adequately managed and coordinating the assurance efforts of management, internal assurance providers and external assurance providers. Collectively, they provide the board with assurances that effective controls are in place to mitigate against the identified risks during risk assessments, and as part of the governance practice recommended by King III.

Our combined assurance framework, which covers all the business operations of the group, is monitored by the Audit Committee and the Risk Management Committee, ensuring the integration, coordination, and alignment of risk management and assurance processes, and thereby optimising and maximising the level of risk, governance and control oversight across the group.

A risk management forum, which meets twice yearly, assesses feedback relating to the effectiveness of the internal controls received from the assurance providers in a coordinated manner so as to identify gaps or improvement areas in the internal control framework. The forum also provides assurance that current control measures in place are adequate. The combined assurance plan is reviewed and updated on a quarterly basis and is used to provide an overall opinion and assurance to the Risk Management Committee on an annual basis. One of the most important outcomes of the combined assurance process is to ensure that each operation is continually benchmarked in terms of the assurance that is provided to uphold best practice and limit duplication of effort.

Our materiality assessment is covered in full on pages 16 and 17.



Illovo provides access to health care to all its employees and local communities where no medical facilities exist through a network of group-run primary health care clinics and hospitals. In 2014/15, we spent R94 million on providing primary and secondary health care and providing occupational health, HIV and AIDs, malaria and TB programmes, working closely with national health initiatives in our countries of operation.

Summary consolidated financial statements

The full consolidated financial statements may be found on the company's website at www.illovosugar.com

Approval of summary consolidated financial statements

The directors of Illovo are responsible for overseeing the preparation and the integrity of the summary consolidated financial statements of the group 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 summary consolidated financial statements, which have been prepared in terms of the measurement and recognition requirements of International Financial Reporting Standards, the information required by IAS 34 Interim Financial Reporting and the Companies Act, are an extract of the audited consolidated annual financial statements. These consolidated financial statements, which have been prepared under the supervision of Mr M H Abdool-Samad, CA(SA), are electronically available on the group's website at www.illovosugar.com.

The group's independent auditors, Deloitte & Touche, have confirmed that the summary consolidated financial statements are derived from the consolidated annual financial statements and their unmodified report appears on pages 92.

The summary consolidated financial statements which were prepared on the going concern basis, including the Directors' Report and the Audit Committee Report, which appear on pages 85 to 91, were approved by the board on 21 May 2015 and are signed on its behalf by:

D G MacLeod
Chairman

G B Dalgleish
Managing Director

Lodgement of returns with the Companies and Intellectual Property Commission

I hereby certify that for the year ended 31 March 2015, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up-to-date.

J A Kunst
Company Secretary

Mount Edgecombe
21 May 2015

The directors have pleasure in presenting their report which forms part of the summary consolidated financial statements of the group, for the year ended 31 March 2015.

Nature of business and review of operations

The nature of the business of the company and its subsidiaries, as well as detailed commentary on the group's operations are provided in the Business Overview section of this report.

Share capital

As at 31 March 2015, the authorised share capital of the company was 900 000 000 ordinary shares of 4 cents each and the issued share capital was 460 730 557 ordinary shares of 4 cents each. Further details are set out in note 24 to the annual financial statements, available on the company's website: www.illovosugar.com.

During the year under review, the issued ordinary share capital of the company increased from 460 622 957 shares to 460 730 557 shares as a result of options being exercised in respect of 107 600 shares in terms of the Illovo Sugar Limited 1992 Share Option Scheme.

Shareholders

An analysis of shareholders and their shareholdings appear in the Corporate Governance Report.

An analysis of the relevant disclosures by nominee shareholders as at 31 March 2015, pursuant to section 56(3) of the Companies Act, revealed four beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital, details of which appear on page 101.

Illovo Sugar Limited 1992 Share Option Scheme

During the financial year ended 31 March 2006, the Illovo Sugar Limited Phantom Share Scheme replaced the further granting of share options in terms of the Illovo Sugar 1992 Share Option Scheme (the option scheme). All share options previously granted have now been exercised or forfeited.

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 on the trading day immediately preceding the day on which the relevant options were granted.

As approved at the annual general meeting of shareholders 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. The table below reflects the options granted to, and exercised by, the executive directors and senior managers as at 31 March 2015:

	Number of shares
Options granted as at 1 April 2014	**27 717 000**
Options expired during the year under review	**(3 600)**
Options granted as at 31 March 2015	**27 713 400**
Options exercised, allotted and issued as at 1 April 2014	27 605 800
Options exercised during the year under review	107 600
Options unexercised as at 31 March 2015	–
Options granted as at 31 March 2015	**27 713 400**

Illovo Sugar Phantom Share Scheme

The board approved the adoption of the PSS in 2005, and in 2007 introduced certain performance hurdles related to the future earnings of the company. These performance hurdles are more fully explained in the Remuneration Report.

While the rules of the PSS are modelled on those of the option scheme, the important difference is that options under the PSS are "cash settled" rather than "equity settled". Accordingly, the PSS is not classified as a share incentive scheme in terms of the JSE Listings Requirements. The vesting periods are the same as those applicable to the option scheme; 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. 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 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 trading day immediately preceding that on which an option is exercised and the grant price. The participants receive the equivalent net proceeds as under the option scheme, but without incurring broking fees.

The advantages of the PSS include that there is no necessity to issue new shares when options are exercised (ie, no share dilution) and ease of administration.

The Remuneration/Nomination Committee approves the granting of all share options in terms of the PSS. Phantom options granted to and exercised by executive directors and senior managers as at 31 March 2015 are as follows:

Options granted	Phantom shares
Options granted as at 1 April 2014	**11 992 625**
New options granted during the year under review	**1 552 500**
Options forfeited during the year under review	**(492 100)**
Options granted as at 31 March 2015	**13 053 025**
Options exercised as at 1 April 2014	**2 782 550**
Options exercised during the year under review	**156 150**
Options unexercised as at 31 March 2015	**10 114 325**
Options granted as at 31 March 2015	**13 053 025**

The options granted and unexercised as at 31 March 2015 are as follows:

Expiry date	Option price (cents)	Number of shares
12 July 2015	**829**	**191 550**
29 October 2016	**1 634**	**213 600**
23 July 2017	**2 364**	**538 700**
9 July 2018	**2 867**	**1 113 875**
13 July 2019	**2 808**	**1 588 000**
20 July 2020	**2 856**	**1 113 000**
26 May 2021	**2 702**	**1 124 500**
22 May 2022	**2 573**	**1 453 100**
21 May 2023	**3 445**	**1 284 000**
20 May 2024	**2 878**	**1 494 000**
		10 114 325

Details of options granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2015, are provided in the Remuneration Report.

With the introduction of the FSP (referred to below), the future annual awards made to a recipient in terms of the PSS are reduced having regard to the quantum of any shares awarded to him in terms of the FSP.

Forfeitable Share Plan

As more fully described in the Remuneration Report, the FSP was introduced in May 2014 to provide a long-term incentive plan for directors and selected senior employees, thereby providing a mechanism to attract and retain executives and other key management whose skills are required to enable the company to fulfil its long-term goals, which the PSS does not provide.

The FSP is not a share option scheme contemplated in Schedule 14 of the JSE Listings Requirements.

In May 2014, 224 000 shares were awarded to executive directors and senior employees. These shares were purchased and transferred to the relevant participants on 2 December 2014. A schedule of the shares awarded to the executive directors of the company appears in the Remuneration Report.

Illovo Sugar Limited Employees' Share Purchase Scheme

The Illovo Sugar Limited Employees' Share Purchase Scheme (ESPS) was established in 1996 to enable employees to share directly in the profitability and growth of the company, by assisting them to acquire shares in the company. 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. Employees may acquire up to 5 000 shares in aggregate and 1 000 shares in a continuous 12-month period, by means of regular monthly contributions (deducted from their salaries) or a lump sum payment. The ESPS is administered by a trust, the trustees of which are appointed by the board. A similar purchase scheme is operated in Malawi in respect of shares in Illovo Sugar (Malawi) Limited.

During the year under review, the trustees of the ESPS undertook net purchases of 42 816 shares in the company, thereby increasing the total number of shares held to 279 025. Of these shares, which are all registered in the name of the trust, 279 024 are held on behalf of 633 participants. All such shares have been fully paid for by the participants.

Capital distributions

An interim capital distribution (number 46) of 37.0 cents per share which was declared on 28 November 2014 and a final capital distribution (number 47) of 53.0 cents per share was declared on 21 May 2015 (both by way of a reduction of contributed tax capital), making a total distribution for the year of 90.0 cents per share.

In respect of the final capital distribution, pursuant to the requirements of section 46 of the Companies Act, after due consideration the board concluded that the company would satisfy the relevant solvency and liquidity test immediately after completing the proposed distribution.

The interim capital distribution was paid on 12 January 2015 and the final capital distribution will be paid on 6 July 2015.

Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in the notes to the financial statements which may be accessed on our website at www.illovosugar.com.

Directorate and Company Secretary

The names of the directors and the Company Secretary in office at the date of this report are reflected on pages 34 to 36 of this report. The details of the company's business and postal addresses are set out on the inside back cover.

Resignations and appointments

During the year under review, Mr G M Rhodes resigned as a non-executive director with effect from 31 October 2014 and Mr J Cowper was appointed as non-executive director with effect from 10 March 2015. Subsequent to the year-end, Mr G Gomwe was appointed as an independent non-executive director with effect from 1 June 2015 and Dr S Kana was nominated as a director subject to his election by the shareholders at the annual general meeting on 15 July 2015.

In terms of the company's Memorandum of Incorporation, one-third of the non-executive directors must retire at the company's annual general meeting, being those who have been longest in office. Prof P M Madi, Messrs D G MacLeod and M J Hankinson and Mrs C W N Molope will retire at the forthcoming annual general meeting. Mr MacLeod and Prof Madi have not made themselves available for re-election and will retire from the board with effect from the close of the annual general meeting.

Mr Hankinson and Mrs Molope have made themselves available for re-election as non-executive directors at the annual general meeting. The board recommends their re-appointment to the shareholders, based on the recommendation of the Nomination Committee following a formal assessment of their performance as directors (as reported in the Corporate Governance Report).

Consequent upon Mr MacLeod's retirement, the board of directors has appointed Mr T Munday as Chairman of the board, with effect from the close of the annual general meeting on 15 July 2015.

Evaluations

As indicated in the Corporate Governance Report, in addition to the annual evaluations of the board and the individual directors, the Nomination Committee carried out formal evaluations of:

- the performance of the non-executive directors standing for re-election (ie, Mr M J Hankinson and Mrs C W N Molope); and
- the independence and performance of those non-executive directors who have held office as such for more than nine years (ie, Dr D Konar and Mr A R Mpungwe), both of whom were found to be independent, taking into account all relevant factors, including that there were no relationships or circumstances likely to affect, or appearing to affect, the relevant director's judgement.

In addition, written confirmation was obtained from each of the independent non-executive directors that he/she continues to meet the requirements for independence in accordance with the criteria contemplated in paragraph 67 of Chapter 2 of King III.

Beneficial interests

The beneficial interests of the directors holding office in the issued ordinary share capital of the company were as follows:

	18 June 2015		**31 March 2015**		31 March 2014	
	Direct	**Indirect**	**Direct**	**Indirect**	Direct	Indirect
Hankinson M J	**3 925**	**3 925**	**3 925**	**3 925**	3 925	3 925
MacLeod D G	**225 000**		**225 000**		450 000	
Dalgleish G B	**172 000#**		**75 000#**			
Abdool-Samad M H	**62 000#**		**31 000#**			
Hulley J P	**92 000#**		**33 000#**			
Riddle L W	**47 000#**		**24 000#**			
Total	**601 925**	**3 925**	**391 925**	**3 925**	453 925	3 925

Shares held in terms of Forfeitable Share Plan.

No non-beneficial interests were held by any of the directors. The register of interests of directors in the shares of the company is available for inspection at the registered office.

Directors' remuneration

At the forthcoming annual general meeting, shareholders will be requested to pass a non-binding advisory vote, approving the company's remuneration policy, as contemplated by King III.

Pursuant to the requirements of section 66(9) of the Companies Act, shareholders will also be requested to pass special resolutions to approve the following annual fees payable to the non-executive directors with effect from 1 April 2015, as well as an additional fee of R28 000 per day for any unscheduled board or board committee meetings:

	Current R	Proposed R
Board		
Chairman*	2 200 000	
For the period 1 April to 15 July 2015#		**638 904**
For the period 16 July 2015 to 31 March 2016##		**1 068 493**
Director	270 000	**287 000**
Audit Committee		
Chairman	255 000	**272 000**
Member	127 500	**135 500**
Remuneration/Nomination Committee		
Chairman	180 000	**192 000**
Member	120 000	**128 000**
Risk Management Committee		
Chairman	129 750	**138 000**
Member	86 500	**92 000**
Social and Ethics Committee		
Chairman	129 750	**138 000**
Member	86 500	**92 000**

Notes:

* *The fee paid to Mr D G MacLeod as Chairman of the board is inclusive of all other committee membership fees and is payable monthly in arrears. All other fees are paid quarterly in arrears.*

This amount represents a pro rata share of an annual fee of R2.2 million.

This amount represents a pro rata share of an annual fee of R1.5 million.

Given the generally high level of attendance at meetings, the board does not consider it appropriate for non-executive directors' fees to comprise a meeting attendance fee as well as a base fee.

Having taken appropriate advice, the directors are of the view that section 66(9) of the Companies Act does not apply to the remuneration paid to the executive directors as employees of the company.

This report is made pursuant to the requirements of section 94(7)(f) of the Companies Act.

Terms of Reference and objectives

Illovo's Audit Committee ("committee") operates in accordance with formal Terms of Reference and an annual work plan, which comply with the requirements of King III and are approved by the board of directors. The Terms of Reference and work plan are reviewed annually and amended as required.

The main objectives of the committee, in accordance with its Terms of Reference, include the following:

- promoting the overall effectiveness of corporate governance within the Illovo group;
- acting as an effective means of communication between the board, and the independent external auditors and the internal auditors;
- satisfying the board that adequate internal financial controls are in place, and that material financial risks have been identified and are being effectively managed and monitored;
- assessing the impact of the general control environment on the statutory audit, and reporting to executive management any areas of perceived control weaknesses; and
- the effective discharge of its statutory and regulatory duties.

Composition of the committee

The committee comprises four independent non-executive directors with the expertise required to enable the committee to discharge its statutory and regulatory duties and functions, as well as to provide the requisite advice and guidance to the board on matters within its mandate.

The members of the committee for the year ended 31 March 2015 were Dr D Konar, Messrs M J Hankinson and T S Munday, and Mrs C W N Molope. The committee chairman is Dr D Konar who attends the annual general meeting in his capacity as such.

The company's independent external auditors and internal auditors have unrestricted access to the committee and its chairman.

Meetings and attendance

During the year under review, three meetings of the committee were held, attendance at which is reflected in the Corporate Governance Report at page 63 of this report.

The meetings of the committee are also attended by the independent external auditor, the internal auditors, the Chairman of the board, the Financial Director, a non-executive director nominated by Illovo's holding company, as well as other members of the company's executive committee and senior management.

Before each meeting of the committee, the chairman of the committee also holds separate meetings with the company's Financial Director, the head of internal audit and Mr G Tweedy as the registered auditor responsible for the company's external audit.

Annual evaluation

In accordance with the provisions of King III, a formal annual evaluation of the Audit Committee was carried out in March 2015. The evaluation indicated that the committee had carried out its duties and responsibilities in an effective and professional manner and that the members of the committee had the requisite skills required to discharge their functions.

In relation to the chairman of the committee, the annual evaluations indicated that he remained independent and continued to bring sound knowledge and expertise to the committee, including in relation to the increasingly complex accounting environment, cyber security and combined assurance, which is invaluable to management.

Compliance with duties

During the year under review, the committee satisfied its responsibilities in compliance with its Terms of Reference, including the following:

- reviewing and approving the scope of the independent and internal audits;
- reviewing the level of effectiveness of both the independent and internal auditors;
- reviewing the internal audit charter, and in conjunction with executive management, assessing the competence of the group internal audit manager, and approval of the performance of the internal audit function;
- recommending the appointment of the independent external auditors to the board for approval by the shareholders, and approving their remuneration;
- approving the extent of non-audit services undertaken by the independent external auditors, in accordance with the approved policy;
- reviewing reports from both the independent and internal auditors, including management's responses thereto;
- assessing the effectiveness of internal policies and procedures;
- ensuring that all material financial risks are identified, assessed, monitored and managed;
- monitoring that there are no material breakdowns in internal controls;
- considering the company's accounting policies and reviewing their compliance with International Financial Reporting Standards and other relevant regulatory requirements;
- reviewing and recording going concern assumptions;
- reviewing the company's interim reports, results announcements, and annual reports;

- monitoring that management suitably addresses information technology risks and information security;
- monitoring compliance with the JSE's Listings Requirements; and
- receiving and dealing with any complaints relating to accounting practices, independent and internal audits, and the content or auditing of financial statements or any related matter.

Statutory duties
In the execution of its statutory duties, during the year under review, the committee:

- confirmed the appointment of both Deloitte & Touche as the independent external auditors and Mr G Tweedy as the registered auditor responsible for the audit;
- satisfied itself that the independent external auditors were independent of the company;
- agreed the terms of engagement of and determined the fees payable to the independent external auditors;
- ensured that the appointment of the independent external auditors and the registered auditor complied with the provisions of the Companies Act;
- pre-approved the non-audit services provided by the independent external auditors, in terms of a policy in this regard previously adopted by the committee;
- noted that it had not received any complaints, either from within or outside the company, relating to the accounting practices, the independent and internal audits of the company, or to the content or auditing of its financial statements or any related matter; and
- performed its other functions in accordance with its Terms of Reference.

Risk management
The board has assigned oversight of the company's risk management to the Risk Management Committee. However, the Audit Committee oversees financial reporting risks, internal financial controls, as well as fraud risk and information technology risks as these relate to financial reporting. The chairman of the Audit Committee attends the Risk Management Committee meetings and the chairman of the Risk Management Committee is also a member of the Audit Committee.

Internal audit
The committee has responsibility for overseeing, reviewing and providing assurance on the adequacy of the internal control environment across the group's operations and approves the annual internal audit plan, which follows a risk-based approach. The head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee at each committee meeting.

The head of internal audit has direct access to the Audit Committee members, through the chairman of the committee, and reports to the committee in relation to any incidents of alleged fraud and corruption as well as any "whistle-blowing" reports. The committee is satisfied that appropriate interventions have been put in place to deal with these.

Legal, regulatory and corporate governance requirements
The committee has reviewed legal matters that could have a material impact on the group and has considered reports provided by management, legal advisors, internal audit and the independent external auditors regarding compliance with legal and regulatory requirements.

Pursuant to the provisions of the JSE's Listings Requirements, during the past financial year, the committee has monitored compliance with the company's policy on non-audit services provided by the independent external auditors and has satisfied itself that the appointed independent external auditors and registered auditor were duly accredited as such on the JSE's list of auditors.

Expertise and experience of Financial Director and finance function
The committee carried out a formal evaluation of the company's Financial Director (Mr M H Abdool-Samad) and satisfied itself that he has the appropriate expertise and experience contemplated by paragraph 3.84(h) of the JSE Listings Requirements.

Pursuant to King III, and based on specific procedures performed by the independent external auditors, the committee also satisfied itself with the expertise, resources and experience of the senior management responsible for the company's financial function.

Internal financial controls
Based on the review of the design, implementation and effectiveness of the group's system of internal financial controls conducted by the internal audit function during the year under review, and reports made by the independent external auditors on the results of their audit and management reports, the committee is satisfied that the company's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

Annual financial statements
Having reviewed the audited annual financial statements of the group, which are available on the group's website at www.illovosugar.com, particularly to ensure that disclosure was adequate and that fair presentation had been achieved, the committee recommended the approval of the annual financial statements to the board.

Subsequent events
There have been no material changes in the affairs or financial position of the company and its subsidiaries since 31 March 2015.

Going concern

The committee reviewed management's assessment of the going concern premise of the company and the group before recommending to the board that the company and the group will be a going concern in the foreseeable future.

Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51.3% 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.

Matters for consideration at annual general meeting

Election of committee members

The audit committee is a statutory committee elected by the shareholders and in terms of section 94(2) of the Companies Act, read with chapter 3 of King III, the shareholders of a public company must elect the members of an audit committee at each annual general meeting. In terms of regulation 42 the Companies Regulations, at least one-third of the members of the company's audit committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Based on the annual evaluations of the performance of the committee and its members, referred to above, and having evaluated their experience, qualifications and expertise, the Nomination Committee recommends that Dr D Konar (chairman), Mr M J Hankinson, Dr S Kana and Mrs C W N Molope be appointed as members of the Audit Committee, subject to their being appointed as directors of the company at the forthcoming annual general meeting. As Mr T S Munday has been appointed as Chairman of the board with effect from the close of the annual general meeting, he will no longer be eligible for membership of the committee, but will attend committee meetings as an attendee. As evidenced by the curricula vitae of the proposed members, which appear on pages 107 to 108, they have the relevant experience and expertise required for membership of the committee.

Appointment of independent external auditors

In accordance with section 90(1) read with section 61(8) of the Companies Act (which requires that shareholders approve the appointment of the independent external auditors on an annual basis) the committee has recommended to the board, which in turn has recommended to the shareholders that Deloitte & Touche be appointed as the company's independent registered auditors for the year ending 31 March 2016 at the forthcoming annual general meeting.

On behalf of the Audit Committee

Dr D Konar
Audit Committee Chairman

May 2015

Independent Auditor's Report

Independent auditor's report on summary consolidated financial statements to the shareholders of Illovo Sugar Limited

The accompanying summary consolidated financial statements of Illovo Sugar Limited, which comprise the summary consolidated statement of financial position as at 31 March 2015, the summary consolidated statements of comprehensive income, summary consolidated changes in equity and summary consolidated cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Illovo Sugar Limited for the year ended 31 March 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 21 May 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph, "Other reports required by the Companies Act" (included below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Illovo Sugar Limited.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the framework concepts, and the measurement and recognition requirements of International Financial Reporting Standards and the requirements of the Companies Act of South Africa, set out in note 1 to the summary consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Illovo Sugar Limited for the year ended 31 March 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the conceptual framework and the measurement and recognition requirements of International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "Other reports required by the Companies Act" paragraph in our audit report dated 21 May 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 March 2015, we have read the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

Deloitte & Touche
Registered Auditors

Per G C Tweedy
Partner

21 May 2015
Durban

National executive: L L Bam (Chief executive), A E Swiegers (Chief operating officer), G M Pinnock (Audit), D L Kennedy (Risk advisory and legal services), N B Kader (Tax), T P Pillay (Consulting), K Black (Client and industries), J K Mazzacco (Talent and transformation), C R Beukman (Finance), M Jordan (Strategy), S Gwala (Special projects), T J Brown (Chairman of the board), M J Comber (Deputy chairman of the board)

Regional leader: G C Brazier

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Summary consolidated income statement

		Notes	Year ended 31 March 2015 Rm	2014 Rm
Revenue			**13 266.5**	13 190.1
Cost of sales			**8 206.1**	8 108.7
Gross profit			**5 060.4**	5 081.4
Distribution expenses			**1 155.2**	1 141.1
Administrative expenses			**1 517.8**	1 277.1
Other operating expenses			**732.3**	776.3
Operating profit			**1 655.1**	1 886.9
Dividend income			**2.8**	5.1
Net financing costs		2	**355.8**	336.4
Profit before non-trading items			**1 302.1**	1 555.6
Share of profit from joint venture			**4.6**	12.9
Share of profit from associates			**22.1**	12.3
Material items		3	**3.0**	24.5
Profit before taxation			**1 331.8**	1 605.3
Taxation			**388.0**	486.8
Profit for the year			**943.8**	1 118.5
Attributable to:				
Shareholders of Illovo Sugar Limited			**826.4**	916.3
Non-controlling interest			**117.4**	202.2
			943.8	1 118.5
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains on post-retirement obligations			**43.2**	2.6
Tax effect of actuarial gains on post-retirement obligations			**(13.4)**	(3.0)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences			**(408.9)**	209.7
Adjustments in respect of cash flow hedges			**(13.7)**	(51.4)
Tax effect of cash flow hedges			**2.3**	3.2
Hedge of net investment in foreign subsidiaries			**(26.1)**	(231.3)
Tax effect of hedge of net investment in foreign subsidiaries			**11.7**	1.2
Total comprehensive income for the year			**538.9**	1 049.5
Attributable to:				
Shareholders of Illovo Sugar Limited			**431.1**	821.8
Non-controlling interest			**107.8**	227.7
			538.9	1 049.5
Earnings per share				
Basic	(cents)		**179.4**	199.0
Diluted	(cents)		**179.4**	198.9
Distribution per share	(cents)	5	**90.0**	97.0

Summary consolidated statement of financial position

	Year ended 31 March 2015 Rm	2014 Rm
ASSETS		
Non-current assets	**9 472.9**	8 895.0
Property, plant and equipment	**7 043.3**	6 783.3
Cane roots	**1 776.4**	1 531.0
Intangible assets	**311.9**	288.0
Investment in joint venture	**0.7**	0.7
Investment in associates	**73.5**	67.6
Investments	**74.7**	22.5
Loans	**163.9**	157.8
Deferred taxation asset	**28.5**	44.1
Current assets	**5 353.6**	4 924.8
Inventories	**1 022.6**	998.9
Growing cane	**1 797.2**	1 662.5
Trade and other receivables	**1 660.9**	1 309.2
Factory overhaul costs	**372.0**	338.6
Derivative financial instruments	**24.4**	18.5
Cash and cash equivalents	**476.5**	597.1
Total assets	**14 826.5**	13 819.8
EQUITY AND LIABILITIES		
Equity attributable to shareholders of Illovo Sugar Limited	**6 472.4**	6 340.3
Share capital and premium	**1 196.1**	1 609.9
Share-based payment reserve	**7.2**	13.1
Non-distributable reserves	**(3.9)**	5.8
Distribution reserve	**244.1**	276.4
Retained earnings	**5 028.9**	4 435.1
Non-controlling interest	**1 203.3**	1 128.3
Total equity	**7 675.7**	7 468.6
Non-current liabilities	**3 754.4**	3 320.8
Long-term borrowings	**2 042.9**	1 824.8
Deferred taxation liability	**1 412.6**	1 189.9
Deferred income	**101.8**	111.7
Provisions	**197.1**	194.4
Current liabilities	**3 396.4**	3 030.4
Short-term borrowings	**714.4**	447.9
Trade and other payables	**2 042.5**	1 933.5
Bank overdraft	**450.2**	410.3
Taxation	**64.9**	126.8
Provisions	**43.3**	50.4
Derivative financial instruments	**81.1**	61.5
Total liabilities	**7 150.8**	6 351.2
Total equity and liabilities	**14 826.5**	13 819.8

Summary consolidated statement of cash flows

	Year ended 31 March 2015 Rm	2014 Rm
Cash flows from operating activities		
Cash operating profit	**1 663.7**	1 922.4
Working capital movements	**(314.1)**	105.2
Cash generated from operations	**1 349.6**	2 027.6
Net financing costs	**(355.8)**	(336.4)
Taxation paid	**(252.7)**	(298.6)
Dividend income	**2.8**	5.1
Distributions/dividends paid	**(575.9)**	(556.9)
Net cash inflows from operating activities	**168.0**	840.8
Cash flows from investing activities		
Replacement capital expenditure	**(365.6)**	(342.6)
Expansion/opportunity capital expenditure	**(318.3)**	(366.2)
Expansion of area under cane	**(5.7)**	(7.9)
Capitalisation of product registrations	**(9.9)**	(5.3)
Proceeds on disposal of property, plant and equipment	**9.6**	8.7
Movement on investments and loans	**21.5**	(17.1)
Acquisition of business	**–**	15.6
Proceeds on disposal of shareholding in joint ventures	**–**	9.5
Net cash outflows from investing activities	**(668.4)**	(705.3)
Net cash (outflows)/inflows before financing activities	**(500.4)**	135.5
Cash flows from financing activities		
Long-term borrowings repaid	**(79.6)**	(175.3)
Short-term borrowings raised	**276.2**	226.9
Issue of share capital	**0.8**	1.3
Purchase of shares in terms of forfeitable share plan	**(5.9)**	–
Proceeds on part-disposal of shareholding in subsidiary	**189.3**	–
Net cash inflows from financing activities	**380.8**	52.9
Net (decrease)/increase in cash and cash equivalents	**(119.6)**	188.4
Cash and cash equivalents at beginning of the year	**597.1**	453.5
Exchange rate translation	**(1.0)**	(44.8)
Cash and cash equivalents at end of the year	**476.5**	597.1

Summary consolidated statement of changes in equity

	Share capital and premium Rm	Share-based payment reserve Rm	Translation reserve Rm	Other non-distributable reserves Rm	Distribution reserve Rm	Retained earnings Rm	Equity holders' interest Rm	Non-controlling interest Rm	Total Rm
Balance at 31 March 2013	2 055.4	13.1	–	42.3	280.9	3 576.8	5 968.5	1 006.2	6 974.7
Total comprehensive income for the year	–	–	(64.9)	(36.5)	–	923.2	821.8	227.7	1 049.5
Profit for the year						916.3	916.3	202.2	1 118.5
Actuarial gains/(losses) on post-retirement obligations						6.9	6.9	(7.3)	(0.4)
Cash flow hedges				(36.5)			(36.5)	(11.7)	(48.2)
Hedge of net investment in foreign subsidiaries			(229.9)				(229.9)	(0.2)	(230.1)
Foreign currency translation differences			165.0				165.0	44.7	209.7
Issue of share capital	1.3						1.3		1.3
Distributions/dividends paid					(451.3)		(451.3)	(105.6)	(556.9)
Transfer to distribution reserve	(446.8)				446.8		–		–
Transfer of debit foreign currency translation reserve to retained earnings			64.9			(64.9)	–		–
Balance at 31 March 2014	1 609.9	13.1	–	5.8	276.4	4 435.1	**6 340.3**	1 128.3	7 468.6
Total comprehensive income for the year:	–	–	(416.8)	(9.7)	–	857.6	**431.1**	107.8	538.9
Profit for the year						826.4	**826.4**	117.4	943.8
Actuarial gains/(losses) on post-retirement obligations						31.2	**31.2**	(1.4)	29.8
Cash flow hedges				(9.7)			**(9.7)**	(1.7)	(11.4)
Hedge of net investment in foreign subsidiaries			(11.9)				**(11.9)**	(2.5)	(14.4)
Foreign currency translation differences			(404.9)				**(404.9)**	(4.0)	(408.9)
Issue of share capital	0.8						**0.8**		0.8
Purchase of shares in terms of forfeitable share plan		(5.9)					**(5.9)**		(5.9)
Gain on part-disposal of shareholding in subsidiary						93.1	**93.1**	96.2	189.3
Gain on liquidation of subsidiary						59.9	**59.9**		59.9
Distributions/dividends paid					(446.9)		**(446.9)**	(129.0)	(575.9)
Transfer to distribution reserve	(414.6)				414.6		**–**		–
Transfer of debit foreign currency translation reserve to retained earnings			416.8			(416.8)	**–**		–
Balance at 31 March 2015	1 196.1	7.2	–	(3.9)	244.1	5 028.9	**6 472.4**	1 203.3	7 675.7

1. Basis of preparation

The summarised consolidated financial statements for the year ended 31 March 2015 have been prepared in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations issued respectively by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, in particular International Accounting Standard 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2014, and the South African Companies Act 2008.

The accounting policies applied in preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The audited summarised consolidated financial statements have been prepared under the supervision of the group Financial Director, Mr M H Abdool-Samad CA(SA). The summarised consolidated financial statements were approved by the board of directors on 21 May 2015.

The full consolidated annual financial statements from which these summarised consolidated financial statements were derived are available on the group's website, www.illovosugar.com.

		Year ended 31 March	
		2015	2014
		Rm	Rm
2. Net financing costs			
Interest paid		**362.9**	353.5
Less: Capitalised to property, plant and equipment		**(4.0)**	(20.8)
		358.9	332.7
Interest received		**(13.4)**	(8.3)
Foreign exchange losses		**10.3**	12.0
		355.8	336.4
3. Material items			
Profit on disposal of property		**3.0**	1.3
Profit on disposal of previously impaired assets		**–**	0.1
Gain on bargain purchase		**–**	2.2
Proceeds received from insurance claim		**–**	19.1
Disposal and deregistration of businesses		**–**	1.8
		3.0	24.5
4. Determination of headline earnings			
Profit attributable to shareholders of Illovo Sugar Limited		**826.4**	916.3
Adjusted for:			
– Profit on disposal of property		**(3.0)**	(1.3)
– Profit on disposal of previously impaired assets		**–**	(0.1)
– Gain on bargain purchase		**–**	(2.2)
– Proceeds received from insurance claim		**–**	(19.1)
– Disposal and deregistration of businesses		**–**	(1.8)
Total tax effect of adjustments		**–**	1.4
Total non-controlling interest effect of adjustments		**1.2**	0.4
Headline earnings		**824.6**	893.6
Number of shares in issue	(millions)	**460.7**	460.6
Weighted average number of shares on which headline earnings per share is based	(millions)	**460.7**	460.5
Headline earnings per share			
Basic	(cents)	**179.0**	194.0
Diluted	(cents)	**179.0**	194.0

		Year ended 31 March 2015 Rm	2014 Rm
5. Distributions paid			
– Distribution #43 of 61.0 cents per share (final 2013) – paid 8 July 2013			280.9
– Distribution #44 of 37.0 cents per share (interim 2014) – paid 13 January 2014			170.4
– Distribution #45 of 60.0 cents per share (final 2014) – 7 July 2014		**276.4**	
– Distribution #46 of 37.0 cents per share (interim 2015) – 12 January 2015		**170.5**	
		446.9	451.3

In respect of the year under review, the directors declared a final capital distribution of 53.0 cents per share which will be paid to shareholders on 6 July 2015. The distribution will be regarded as a return of capital and shareholders will be liable for any potential capital gains tax consequences. No liability has been raised for this distribution in these financial statements.

		2015 Rm	2014 Rm
6. Solvency ratios			
Net debt:equity ratio	(%)	**35.6**	27.9
Gearing	(%)	**26.2**	21.8

The net debt: equity ratio is calculated as interest-bearing liabilities, net of cash and cash equivalents, divided by total equity.

	2015 Rm	2014 Rm
7. Commitments and contingencies		
Capital commitments	**1 868.4**	1 042.2
– Contracted	**326.9**	255.1
– Approved but not contracted	**1 541.5**	787.1
Lease commitments	**189.3**	220.7
Contingent liabilities	**155.9**	116.5

8. Financial instruments

The fair values of financial instruments are determined using inputs that are observable, either directly (ie, as prices) or indirectly (ie, derived from prices), other than quoted prices in an active market and therefore fall into the level 2 fair value category. The fair values of non-financial assets are determined using inputs that are unobservable, using the best information available in the circumstances for using the assets and therefore fall into the level 3 fair value category.

This report does not include the information required pursuant to paragraph 16A(j) of IAS 34 – *Interim Financial Reporting*. The full consolidated annual financial statements is available for inspection on the group's website, together with the required disclosures.

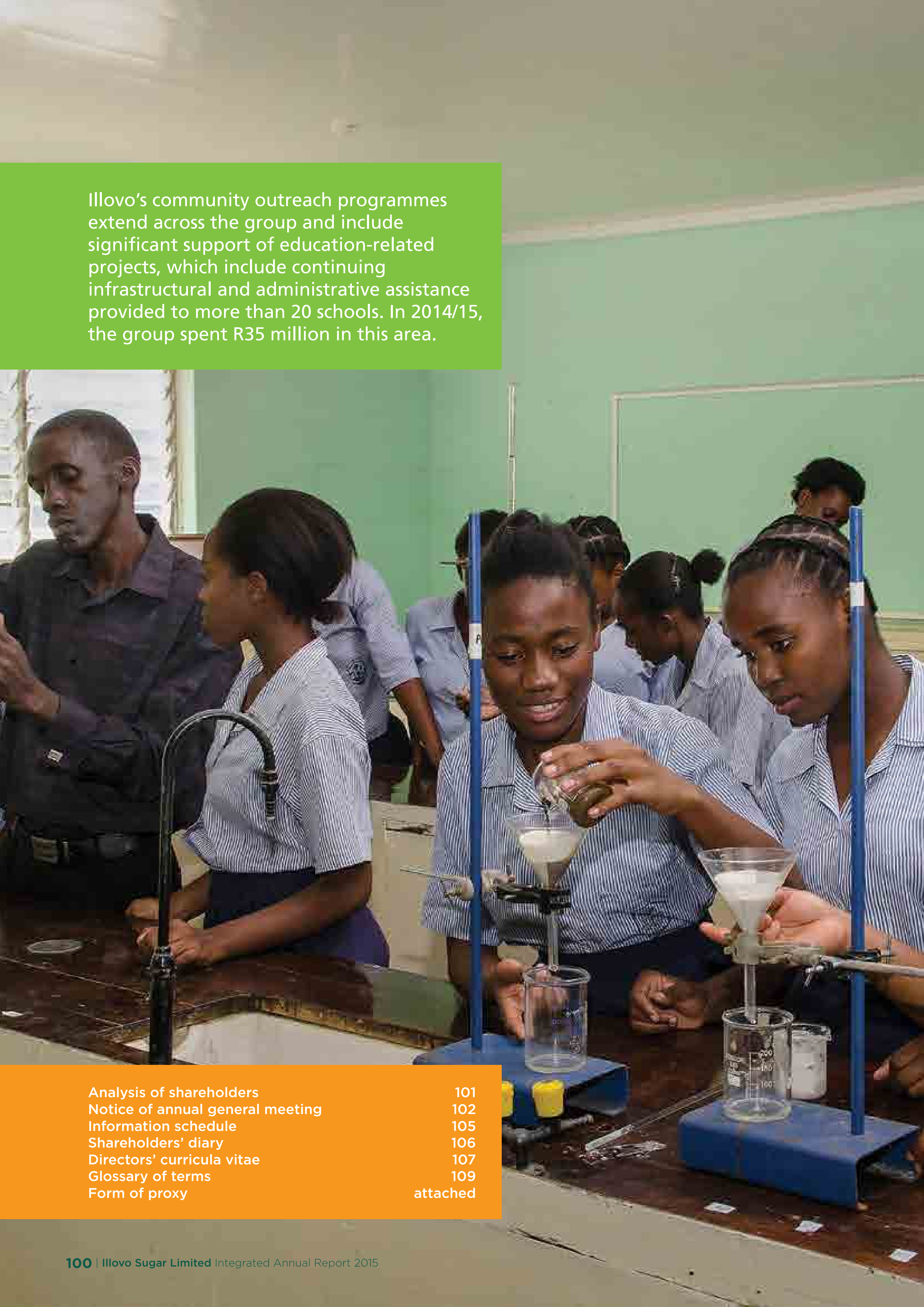
9. Post-balance sheet events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

10. Segmental analysis

Business segments	Revenue Rm	Operating profit Rm	Capital expenditure Rm
Year to 31 March 2015			
Sugar production	**9 242.3**	**1 179.8**	**455.1**
Cane growing	**2 848.3**	**207.4**	**218.5**
Downstream and co-generation	**1 175.9**	**267.9**	**25.9**
	13 266.5	**1 655.1**	**699.5**
Year to 31 March 2014			
Sugar production	9 355.7	1 320.3	480.8
Cane growing	2 856.2	388.8	161.8
Downstream and co-generation	978.2	177.8	79.4
	13 190.1	1 886.9	722.0

Geographic segments	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm
Year to 31 March 2015				
Malawi	**2 362.7**	**625.3**	**2 878.7**	**178.1**
Mozambique	**593.3**	**24.6**	**944.7**	**39.1**
South Africa	**4 481.6**	**215.2**	**2 857.6**	**223.5**
Swaziland	**1 396.5**	**68.7**	**2 033.2**	**67.7**
Tanzania	**1 247.4**	**145.0**	**1 598.8**	**32.1**
Zambia	**3 185.0**	**576.3**	**3 984.1**	**159.0**
	13 266.5	**1 655.1**	**14 297.1**	**699.5**
Year to 31 March 2014				
Malawi	2 341.5	762.0	2 052.8	190.9
Mozambique	552.8	32.5	918.9	31.4
South Africa	4 504.1	265.8	2 658.7	217.3
Swaziland	1 601.1	257.5	2 046.0	36.0
Tanzania	924.7	11.0	1 690.3	145.3
Zambia	3 265.9	558.1	3 793.4	101.1
	13 190.1	1 886.9	13 160.1	722.0



Illovo's community outreach programmes extend across the group and include significant support of education-related projects, which include continuing infrastructural and administrative assistance provided to more than 20 schools. In 2014/15, the group spent R35 million in this area.

Analysis of shareholders

	Number of ordinary shares held	Percentage of ordinary shares held	Number of shareholders
An analysis of the register of members as at 31 March 2015 revealed the following categories of membership			
1 – 1 000	**750 702**	**0.2**	**1 910**
1 001 – 10 000	**3 995 060**	**0.9**	**1 211**
10 001 – 100 000	**13 361 352**	**2.9**	**369**
100 001 – 1 000 000	**61 059 783**	**13.2**	**198**
Over 1 000 000	**381 563 660**	**82.8**	**38**
	460 730 557	**100.0**	**3 726**

Of the total number of shareholders, 3 335 held their shares in dematerialised form while 391 remained as certificated holders. Of the total number of shares in issue, 48.6% has 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:

	Number of ordinary shares held	Percentage of ordinary shares held	Number of shareholders
Pension funds	**82 043 860**	**17.8**	**162**
Unit trusts	**68 951 730**	**15.0**	**97**
Banks	**30 884 910**	**6.7**	**70**
Insurance companies	**7 253 318**	**1.6**	**31**
Individuals	**4 911 251**	**1.1**	**2 594**
Other corporate bodies	**266 685 488**	**57.8**	**772**
	460 730 557	**100.0**	**3 726**

Disclosures by nominee shareholders

Pursuant to the provisions of section 56 of the Companies Act, 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:

	Number of ordinary shares held	Percentage of ordinary shares held
ABF Overseas Limited	**236 569 232**	**51.3**
Allan Gray Limited	**74 023 679**	**16.1**
Public Investment Corporation	**33 581 890**	**7.3**
Investec Asset Management	**29 947 781**	**6.5**

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

Shareholder spread	Number of ordinary shares held	Percentage of ordinary shares held	Number of shareholders
Non-public shareholders			
Holding company	**236 569 232**		**1**
Directors	**341 925**		**6**
Employees and former employees holding shares in terms of the Illovo Sugar 1992 Share Option Scheme	**1 237 766**		**54**
Trustees of the Illovo Sugar Employees' Share Purchase Trust	**279 025**		**1**
	238 427 948	**51.7**	**62**
Public shareholders	**222 302 609**	**48.3**	**3 664**
	460 730 557	**100.0**	**3 726**

Notice of annual general meeting

Notice is hereby given that the 100th annual general meeting of the shareholders of Illovo Sugar Limited ("the company") will be held at the offices of the company at Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal, on Wednesday, 15 July 2015 at 14:00, to transact the following business:

1. Financial statements

To present the consolidated audited annual financial statements of the company for the year ended 31 March 2015, incorporating the reports of the independent external auditors, the Audit Committee and the directors, as required in terms of section 30(3) (d) of the Companies Act, No 71 of 2008 ("the Companies Act").

A copy of the annual financial statements appears on pages 84 to 99 of the Integrated Annual Report of which this notice of meeting forms a part. The notes to the financial statements are not included in the report and may be found online at www.illovosugar.com

2. Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to vote.

2.1 ***Ordinary resolution number 1 – Confirmation of appointment of Mr J Cowper as non-executive director***
To confirm the appointment of Mr Jonathan Cowper, who was appointed by the board as a non-executive director with effect from 10 March 2015.

A brief curriculum vitae of Mr Cowper appears on page 107 of the Integrated Annual Report.

2.2 ***Ordinary resolution number 2 – Confirmation of appointment of Mr G Gomwe as independent non-executive director***
To confirm the appointment of Mr G Gomwe as an independent non-executive director with effect from 1 June 2015.

A brief curriculum vitae of Mr Gomwe appears on page 107 of the Integrated Annual Report.

2.3 ***Ordinary resolution number 3 – Appointment of Dr S Kana as independent non-executive director***
To elect Dr S Kana as an independent non-executive director with effect from the close of the annual general meeting.

A brief curriculum vitae of Dr Kana appears on page 107 of the Integrated Annual Report.

2.4 ***Ordinary resolution number 4 – Re-election of retiring non-executive directors retiring by rotation***
To re-elect each of Mr M J Hankinson and Mrs C W N Molope, who retire by rotation in terms of article 86 of the company's Memorandum of Incorporation, and who, being eligible, offer themselves for re-election.

The motions for re-election will be moved individually.

The curricula vitae of these directors are provided on pages 107 to 108 of the Integrated Annual Report.

Based on the recommendations of the Nomination Committee, which has conducted a formal assessment of each of the abovementioned candidates, the board recommends their re-election to shareholders.

In terms of article 86, Mr D G MacLeod and Prof P M Madi also retire as non-executive directors but have not made themselves available for re-election.

2.5 ***Ordinary resolution number 5 – Appointment of the members of the Audit Committee***
Pursuant to the requirements of section 94(2) of the Companies Act, to appoint the following independent non-executive, directors of the company as members of the Audit Committee until the conclusion of the next annual general meeting. The motions for election of each director will be moved individually:

Dr D Konar (chairman) as well as Mr M J Hankinson, Dr S Kana and Mrs C W N Molope**,** subject to their appointment as directors of the company being confirmed at the annual general meeting.

The brief curricula vitae of these directors are provided on pages 107 to 108 of the Integrated Annual Report.

2.6 ***Ordinary resolution number 6 – Appointment of the independent registered auditor***
Pursuant to the requirements of section 90(1) read with section 61(8)(c) of the Companies Act, and as nominated by the company's Audit Committee, to resolve that Deloitte & Touche be re-elected as the company's independent registered auditor for the financial year ending 31 March 2016, with Mr G Tweedy as the individual designated auditor responsible for the audit.

2.7 ***Ordinary resolution number 7 – Non-binding advisory approval of the remuneration policy***
To resolve that the company's remuneration policy be approved as a non-binding advisory vote.

King III recommends that the company's remuneration policy (which appears on pages 74 to 79 of the Integrated Annual Report) be tabled to shareholders for a non-binding advisory vote at each annual general meeting.

2.8 ***Ordinary resolution number 8 – Authority to implement the aforesaid ordinary and the undermentioned special resolutions***
To authorise any two directors of the company, alternatively any director and the Company Secretary, to do all such things, sign all such documentation and take all such actions as may be necessary to implement the ordinary and special resolutions passed at the annual general meeting.

3. Special resolutions

To consider and if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to vote.

3.1 *Special resolution number 1 – Non-executive directors' fees*

"Resolved as a special resolution that, unless otherwise determined by the company in general meeting, with effect from 1 April 2015, the following annual fees payable by the company to its non-executive directors, are approved:

	Current R	Proposed R
Board		
Chairman*	**2 200 000**	
For the period 1 April to 15 July 2015#		**638 904**
For the period 16 July 2015 to 31 March 2016##		**1 068 493**
Director	**270 000**	**287 000**
Audit Committee		
Chairman	**255 000**	**272 000**
Member	**127 500**	**135 500**
Remuneration/Nomination Committee		
Chairman	**180 000**	**192 000**
Member	**120 000**	**128 000**
Risk Management Committee		
Chairman	**129 750**	**138 000**
Member	**86 500**	**92 000**
Social and Ethics Committee		
Chairman	**129 750**	**138 000**
Member	**86 500**	**92 000**

Notes:

This amount represents a pro rata share of an annual fee of R2.2 million payable to Mr D G MacLeod.

This amount represents a pro rata share of the proposed annual fee of R1.5 million for Mr T S Munday.

* *The fee paid to the Chairman of the board is inclusive of all other committee membership fees and is payable monthly in arrears. All other fees are paid quarterly in arrears.*

Explanation

In terms of section 66(9) of the Companies Act remuneration may only be paid to directors, for their services as directors, in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay the abovementioned fees to its non-executive directors for their services as directors. The executive directors receive no fees or other remuneration for their services as directors.

As indicated in the Remuneration Report, the non-executive directors who are nominated for appointment by the company's majority shareholder have elected not to receive payment of directors' fees as non-executive members of the board and the board committees on which they serve.

No increase is proposed to the fee paid to the current Chairman of the board (Mr D G MacLeod), who will retire on 15 July 2015. His fee was previously set taking into account his depth of expertise in the sugar industry and the time devoted to his duties as Chairman of the company and its subsidiaries across six African countries. His proposed fee for the period from 1 April 2015 until 15 July 2015, as reflected above, is a proportion of his annual fee of R2.2 million.

Mr T S Munday will assume office as Chairman of the board with effect from the close of the annual general meeting and his proposed fee, as indicated above, represents a *pro rata* share of an annual amount of R1.5 million.

Due to the inclusive nature of the Chairman's fee, no additional fees are payable to him as Chairman or member of any of the board committees.

The Remuneration Committee has reviewed and recommended the fees payable to the other non-executive directors (ie, other than the Chairman of the board) having due regard to the findings of a survey conducted by external remuneration consultants who reviewed the non-executive directors' fees against that paid to the non-executive directors of a comparator group of listed companies. The particular skills, experience and capabilities of the non-executive directors were also considered. The proposed fee levels indicated above are to ensure that their remuneration remains market-related and accords with the increasing level of responsibility placed on them.

In determining the proposed fees for the chairmen and members of each of the board committees, regard was had to the number of committee meetings held each year and the complexity of their responsibilities. A methodology was adopted whereby a set multiple was used to determine the fees of the chairman of each committee in relation to the fee of the members of that committee.

The board has accepted the recommendations of the Remuneration Committee as set out above.

3.2 ***Special resolution number 2 – Fee payable to non-executive directors for participating in unscheduled board and board committee meetings***

"Resolved as a special resolution that, with effect from 1 April 2015, the company is authorised to pay an additional fee of R28 000 per day to each of its non-executive directors for any unscheduled board or board committee meetings."

Explanation

In light of the provisions of section 66(9) of the Companies Act, the reason for, and effect of, special resolution number 2 is to grant the company the authority to pay the abovementioned additional daily fee to its non-executive directors for their attendance at unscheduled board and board committee meetings. The Remuneration Committee has considered and recommended the abovementioned additional daily fee, and the board has accepted the recommendation of the Remuneration Committee.

4. Report of the Social and Ethics Committee

The Social and Ethics Committee Report at page 71 of the Integrated Annual Report of which this notice forms a part, is tabled pursuant to regulation 43(5)(c) of the Companies Regulations, 2011.

5. Other business

To transact such other business as may be transacted at an annual general meeting of shareholders.

RECORD DATE

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is **Friday, 10 July 2015**. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is **Friday, 3 July 2015**.

Proxies/representation at the meeting

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed him.

A proxy form is included at the back of the Integrated Annual Report. Duly completed proxy forms must be returned to the transfer secretaries, Link Market Services South Africa Proprietary Limited (PO Box 4844, Johannesburg, 2000 or Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001) by no later than 12:00 on **Monday, 13 July 2015**.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

Identification

Pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification.

Electronic communication

With regard to section 61(10) of the Companies Act, any shareholder or proxy eligible to attend the annual general meeting but unable to do so, may make arrangements with the company to be connected to the meeting via a teleconference facility. Voting will not be possible via the electronic facilities and shareholders who wish to vote at the meeting must be represented at the meeting either in person, by proxy or by letter of representation, as provided for in the notice of meeting.

Should any shareholder or proxy wish to use this facility, he/she should contact the company's group corporate affairs manager, Mr L M Smith, telephone number +27 31 508 4303, or email lsmith@illovo.co.za by no later than 12:00 on **Friday, 10 July 2015**, so as to be advised of the relevant dial-in requirements.

By order of the board

J A Kunst
Company Secretary

Mount Edgecombe
June 2015

Shareholders' diary

Financial year-end		March
Annual general meeting		July
Reports and profit statements		
Interim report		November
Preliminary report		May
Integrated annual report		June
Distributions		
Interim distribution	Declaration	November
	Payment	January
Final distribution	Declaration	May
	Payment	July

Shareholders are reminded to notify the transfer secretaries of any change in address.

Non-executive directors

M I (Mark) Carr (Dr) (52) BSc, PhD, MBA, CertEng, FIMechE (British): Dr Carr was appointed as a non-executive director of Illovo in 2006. As chief executive of the AB Sugar Group since April 2004, he has led the development of Associated British Foods' sugar activities across the world. He has also served on the executive of the World Sugar Research Organisation and the European Confederation of Sugar Producers. Prior to joining the sugar industry, Dr Carr held a variety of senior positions within Corus Group plc, formerly British Steel plc, including assignments in the USA and Europe. He gained a doctorate in mechanical engineering at Swansea University and an MBA from Warwick University. He is a director of Vivergo Fuels Limited, the World Sugar Research Organisation and chairman of Azucarera Ebro SA.

J (Jonathan) Cowper (40) MSc, ACMA, MAAT (British): Mr Cowper was appointed as a non-executive director of Illovo with effect from 10 March 2015. He is the Financial Director of AB Sugar and he is also a director of British Sugar Plc. Mr Cowper is a Chartered Management Accountant with a Master's degree in Strategic Business Management. Prior to his appointment at British Sugar Plc, he held a number of senior management positions in the AMEC Plc group of companies, including business unit finance director and divisional finance director of AMEC Power & Process from 2003 until 2009, regional director of AMEC Asia Pacific based in Australia from 2009 until 2015, and operations director for AMEC's Philippines based business from January 2012 until 2015.

G (Godfrey) Gomwe (59) BAcc, CA(Z), MBL (Zimbabwean): Mr Gomwe was appointed as an independent non-executive director with effect from 1 June 2015. Prior to his retirement on 31 March 2014, Mr Gomwe held the position of chief executive officer of Anglo American Thermal Coal, prior to which he was the executive director of Anglo American South Africa and served on a number of Anglo American operating boards and executive committees. He is also a past director of World Coal Association and chairman of its Energy and Climate Committee. Whilst CEO of Anglo American Zimbabwe Limited, Mr Gomwe also chaired Hippo Valley Estates, one of the largest irrigation sugar estates in Africa, as well as National Foods Limited. He is currently chairman of Tshikululu Social Investments and a director of Thebe Investment Corporation, AECI Limited and Econet Wireless Zimbabwe.

M J (Mike) Hankinson (66) BCom, CA(SA) (South African): Mr Hankinson was appointed as an independent non-executive director in 2008. After qualifying as a chartered accountant, he joined the Romatex group in 1976 where he rose to the position of group chief executive in 1994. In 1997 he joined Dunlop as chief executive officer, and during his tenure presided over the sale of the business to a private consortium, its delisting from the JSE, and its sale to Apollo Tyres Limited. In 2007, he was appointed as a non-executive director of Apollo Tyres and relinquished his position at Dunlop. Currently he is chairman of The Spar Group Limited (having been appointed as such in 2004). He has been a non-executive director of Grindrod Limited since 2009 and its chairman since May 2014.

S (Suresh) Kana (Dr) (60) MCom, BCompt (Hons), CA(SA) (South African): Dr Kana has been appointed by the board as an independent non-executive director with effect from 15 July 2015. As a member of the King Committee on Governance in South Africa, he was convenor of its Accounting and Auditing Task Force for King III, and with effect from 1 July 2015, he will join the central committee responsible for drafting King IV. He is chairman of the South African Institute of Chartered Accountants (SAICA) and the Financial Reporting Standards Council (FRSC), member of the Integrated Reporting Committee of South Africa, trustee of the Constitutional Court Trust and has served on numerous other professional and statutory bodies in the past. Dr Kana joined Coopers & Lybrand (later to become PwC) in 1976 and is currently the Territory Senior Partner of PwC Africa and a member of PwC's Global Strategy Council, until his retirement on 30 June 2015. He also served for four years on PwC's Global Board. He has been appointed a non-executive director of the JSE Limited and Murray & Roberts Holdings Limited with effect from 1 July 2015. Dr Kana is co-author, with Prof Geoff Everingham, of "Corporate Reporting" a leading textbook in financial reporting.

D (Len) Konar (Dr) (61) DCom, MAS (Illinois), CA(SA), CRMA (South African): Dr Konar was appointed as an independent non-executive director in 1995 and as chairman of the Audit Committee in 1997. He qualified as a chartered accountant and is a professional director of companies. He was previously executive director of the Independent Development Trust where, among other activities, he was responsible for the internal audit and investments portfolios. Prior to that he was professor and head of the department of accountancy at the University of Durban Westville. He is a member of the King Committee on Corporate Governance, the Corporate Governance Forum, National Association of Corporate Directors (USA) and the Institute of Directors. He is also chairman of Steinhoff International Holdings Limited, Exxaro Resources Limited and Mustek Limited, and a non-executive director of Alexander Forbes Equity Holdings Proprietary Limited, Sappi Limited and Lonmin plc. He chairs or serves on the audit committees of these and other organisations. He was co-chairman of the Oversight Panel of the World Bank and past chairman and member of the external audit committee of the International Monetary Fund in Washington.

P A (Paul) Lister (51) LLB (British): Mr Lister was appointed to the board in 2006. He is currently Director of Legal Services and Company Secretary of Associated British Foods plc, having been appointed as such in January 2001. He was formerly associate general counsel of Diageo plc. He holds a law degree from University College London and is a qualified solicitor in England and Wales.

D G (Don) MacLeod (68) BCom, AMP (Oxford) (South African): Mr MacLeod joined the South African sugar industry in 1971 and became part of the Illovo group in 1973. He spent 10 years in various management positions before being appointed to the board in 1983. He was previously finance director, was appointed Managing Director in 1992 and became chief executive in 1995. Upon his retirement in 2009 he became deputy chairman and in 2011 was appointed Chairman. He is a past chairman of the South African Sugar Association and the South African Sugar Millers' Association.

P M (Phinda) Madi (Prof) (51) BProc (Unizul), EDP (HEC – Paris), EDP (Northwestern – Chicago, USA) (South African): Professor Madi was appointed as an independent non-executive director in November 2002. He obtained his law degree from the University of Zululand in 1987, and joined the French Bank of South Africa in that year as corporate banking and legal officer. From 1992 to 1994 he acted as in-house consultant on employment equity for the Standard Bank group. A founding member and commissioner of South Africa's Black Economic Empowerment Commission, he is also a founder of several consulting and publishing companies and author of three books on business strategy and transformation. In 2001, he was appointed visiting professor of business leadership studies at Rhodes University. He is a non-executive director of Nampak Limited, Sovereign Food Investments Limited and The Spar Group Limited. He is also controlling shareholder and chairman of Allcare Medical Aid Administrators Proprietary Limited and Respiratory Care Africa Proprietary Limited.

C W N (Nosipho) Molope (50) BSc (Medical Sciences), BCompt (Hons), CA(SA) (South African): Mrs Molope was appointed as an independent non-executive director in 2008. After qualifying as a chartered accountant in 1999, she was appointed finance executive of Akulalwa Corporate Advisors. In 2001, she joined Wipcapital as manager: specialised funds management, and later that year was appointed group financial executive of Viamax, a subsidiary of Transnet Limited. In 2004, she joined Zungu Investments Company as financial director, and in 2005 was appointed as chief financial officer of the Financial Services Board. She resigned in December 2008 to focus on her role as a professional non-executive director of companies. She is also a director of several other companies including Andulela Investments Holdings Limited, BHP Billiton Energy Coal South Africa, Engen Limited, Nampak Limited, Old Mutual Life Assurance Company (South Africa), Old Mutual Life Holdings (South Africa) Limited, Toyota Financial Services (South Africa) Limited, MTN Proprietary Limited and four other MTN subsidiaries.

A R (Ami) Mpungwe (64) BA (Hons); PGD International Law and Diplomacy (University of Zambia); SMP (University of Pretoria); Leadership Certificate Programme (Kagiso Leadership School) (Tanzanian): Mr Mpungwe was appointed as an independent non-executive director with effect from 1 September 2009. He was the first Tanzanian High Commissioner to South Africa. He retired in 1999 after 25 years' service in the Tanzanian diplomatic service, and has a wealth of political and commercial experience in operating on the African continent. He is a non-executive director of three of Illovo's operating subsidiaries; Illovo Sugar (Malawi) Limited which is listed on the Malawi Stock Exchange, Zambia Sugar Plc which is listed on the Lusaka Stock Exchange, and Kilombero Sugar Company Limited in Tanzania. He is also a director of a number of other companies in Tanzania, and was previously a director of Illovo from 2001 to 2006.

T S (Trevor) Munday (65) BCom (South African): Mr Munday was appointed as an independent non-executive director with effect from 9 March 2010, and as its Chairman with effect from 15 July 2015. After spending his formative years, from 1971, in a wide-ranging number of roles in financial and commercial management positions both in southern Africa and Europe, in the late 1980s, Mr Munday was appointed finance and commercial director of AECI Explosives and Chemicals Limited. In 1990, he was appointed managing director of Dulux Paints and thereafter managing director of Polifin Limited. In 2001, he was appointed executive director and chief financial officer of Sasol Limited with responsibility also for corporate affairs and various other portfolios. In 2003, he assumed global responsibility for Sasol's chemical businesses and in 2005 he became deputy chief executive of Sasol Limited. At the end of 2006 he retired from executive roles and became a non-executive director of various companies. He is currently chairman of Reunert Limited and the lead independent director of Barclays Africa Group Limited and Absa Bank Limited. He was also previously lead independent director of Life Healthcare Group Holdings Limited, prior to stepping down on 30 January 2014.

Executive directors

G B (Gavin) Dalgleish (49) BScEng(Chem), MScEng(Chem) (South African): Mr Dalgleish was appointed to the board in September 2011, assumed the position of operations director in 2012, and was appointed Managing Director with effect from 1 September 2013. He holds a master's degree in chemical engineering and first joined Illovo in 1988 as a postgraduate student. He has since held a number of technical, business-development, operational and general management positions in Illovo. Most recently he spent three years leading the Australia-based global technology unit of AB Mauri, a yeast business which is a subsidiary of Illovo's holding company, Associated British Foods plc, before returning to Illovo in December 2010.

M H (Mohammed) Abdool-Samad (44) BCom, CA(SA) (South African): Mr Abdool-Samad was appointed to the board as Financial Director in 2011. He holds a BCom degree and qualified as a chartered accountant in 1996. From 1996 to 2000, he held various managerial positions at Deloitte & Touche. In 2001 he joined Anglo American plc, providing risk management and treasury audit services to the group. He was appointed senior finance manager of Anglo Coal South Africa in 2005, chief financial officer in 2006, and after a restructure, chief financial officer of Anglo American Thermal Coal in 2009, responsible for Anglo American's global thermal coal assets.

J P (John) Hulley (55) NatDipMechEng, MDP (General Management) UNISA (South African): Mr Hulley was appointed to the board on 1 September 2013 as its Operations Director. From 1978 until 1993 he served the company in various positions and, after rejoining the company again in 2000, he held various management positions in the company's South African operations, before being appointed General Manager of the company's Swaziland subsidiary, Ubombo Sugar Limited in 2008, and subsequently its Managing Director. He also held management positions in other companies in the sugar industry, including a leading engineering and project management consulting company providing services to the sugar industry and other heavy engineering industries.

L W (Larry) Riddle (55) BCom, CA(SA) (South African): Mr Riddle was appointed to the board on 1 April 2009 as Commercial Director. After qualifying as a chartered accountant, he joined Illovo Sugar in 1986. He held a number of senior management positions within the company prior to his appointment as a director. He is a past chairman of the South African Sugar Millers' Association and the Ethanol Producers' Association of South Africa.

Glossary of terms

In this circular and its annexures, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings assigned to them in the second column and words in the singular shall include the plural and vice versa, words importing natural persons shall include corporations and associations of persons and expressions denoting any gender shall include the other genders.

Definition/Abbreviation	Description
"the company" or "Illovo"	Illovo Sugar Limited (Registration number 1906/000622/06), a public company incorporated in the Republic of South Africa and listed on the JSE;
"ACP/LDC"	African, Caribbean, Pacific/Least Developed Countries;
"board"	Illovo's board of directors;
"B-BBEE"	broad-based black economic empowerment;
"BOD"	biochemical oxygen demand;
CDP	Carbon Disclosure Project;
"certificated shares"	the shares of shareholders who have not dematerialised their share certificates in terms of STRATE;
"CI"	Continuous Improvement;
CMS	Concentrated Molasses Solids (from which fertiliser is produced);
COD	chemical oxygen demand;
"Companies Act"	the Companies Act, No. 71 of 2008;
"Companies Regulations"	the Companies Regulations, 2011;
"dematerialised"	the process by which certificated shares are converted to an electronic form as uncertified shares and are recorded in the sub-register of shareholders maintained by the CSDP;
"DIFR"	disabling injury frequency rate;
"directors"	the directors of Illovo;
"ERM"	enterprise risk management;
"EU"	European Union;
"FSSC"	Food Safety System Certification;
"GHG emissions"	greenhouse gas emissions;
"GRI" or "GRI Index"	the Global Reporting Initiative's G3 Guidelines;
"group" or "Illovo group"	Illovo and its subsidiaries;
"GWh"	gigawatt hour;
"HEPS"	headline earnings per share
"IAS"	International Accounting Standards;
"IFRS"	International Financial Reporting Standards;
"IRAS"	Integrated Reporting & Assurance Services;
"Illovo SA"	Illovo Sugar (South Africa) Limited;
"Illovo shareholder" or "shareholder(s)"	a holder or holders of Illovo ordinary shares of 0.04 cents each, who are entered as such in the company's certificated or uncertificated securities registers;
"ILO"	International Labour Organisation;
"JSE"	JSE Limited;

Glossary of terms continued

Definition/Abbreviation	Description
"JSE Listings Requirements"	the Listings Requirements of the JSE;
"King III"	the King Code of Corporate Governance Principles for South Africa, 2009, read with the King Report on Governance for South Africa 2009;
"LUSIP"	Lower Usuthu Smallholder Irrigation Project;
"MWh"	megawatt hour;
"NCDs"	non-communicable diseases;
"NGO"	non-government organisation;
"NOSA"	National Occupational Safety Association;
"OECD"	Organisation for Economic Co-operation and Development;
"ordinary shares"	the ordinary shares in the share capital of Illovo;
"pH"	a measure of acidity/alkalinity;
"PSS"	Illovo Sugar Phantom Share Scheme;
"SACU"	South African Customs Union;
"SASA"	South African Sugar Association;
"SASRI"	South African Sugarcane Research Institute;
"SENS"	the Securities Exchange News Service of the JSE;
"SRI Index"	the Socially Responsible Investment Index of the JSE;
"STRATE"	STRATE Proprietary Limited (Registration number 1998/022242/07), a registered central securities depository in terms of the Custody and Administration of Securities Act, No. 85 of 1992, as amended;
"tCO_2"	tons carbon dioxide;
"tCO_{2e}"	equivalent tons carbon dioxide;
"TIFR"	total injury frequency rate;
"transfer secretaries"	Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated in the Republic of South Africa;
"USA"	United States of America;
<	less than;
>	more than.

Form of proxy for the 100th annual general meeting

Registration number: 1906/000622/06
Share code: ILV ISIN: ZAE000083846

For completion only by shareholders holding certificated shares, and shareholders that have dematerialised their shares and have elected own name registration.

I/We (name/s in block letters)

of (address)

being a shareholder of the abovenamed company and entitled to: Number of votes

1 share = 1 vote

do hereby appoint

1. of or failing him/her,

2. of or failing him/her,

3. the chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the company to be held at the registered office of the company, Illovo Sugar Park, 1 Montgomery Drive, Mount Edgecombe, KwaZulu-Natal on Wednesday, 15 July 2015 at 14:00 and at any adjournment thereof as follows:

		Mark with X where applicable		
Resolution number	**Agenda item**	**For**	**Against**	**Abstain**
	Ordinary resolutions			
Ordinary Resolution 1	Confirmation of appointment of director – J Cowper			
Ordinary Resolution 2	Confirmation of appointment of director – G Gomwe			
Ordinary Resolution 3	Election of director – Dr S Kana			
Ordinary Resolution 4	Re-election of retiring non-executive directors:			
	M J Hankinson			
	C W N Molope			
Ordinary Resolution 5	Appointment of the members of the Audit Committee			
	Dr D Konar (Chairman)			
	M J Hankinson			
	Dr S Kana			
	C W N Molope			
Ordinary Resolution 6	Appointment of Deloitte & Touche as independent registered auditor			
Ordinary Resolution 7	Non-binding advisory approval of the remuneration policy			
Ordinary Resolution 8	Authority to implement the ordinary and special resolutions passed at the annual general meeting			
	Special resolutions			
Special Resolution 1	Approval of non-executive directors' fees			
Special Resolution 2	Approval of additional daily fee for unscheduled board and board committee meetings.			

Signed at on this day of 2015

Signature

Assisted by me (where applicable) (see note 4)

Full name/s of signatory/ies if signing in a representative capacity (see note 5)

Notes to the form of proxy

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.
2. This proxy form is not for completion by those shareholders who have dematerialised their shares (other than those whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant (CSDP). Such shareholders should provide their CSDP/broker with their voting instructions.
3. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
4. A minor must be assisted by his/her guardian.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company.
6. In order to be effective, proxy forms must reach the transfer secretaries, Link Market Services South Africa Proprietary Limited, (PO Box 4844, Johannesburg, 2000 or Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001) no later than 12:00 on Monday, 13 July 2015.
7. The delivery of the duly completed proxy form shall not preclude any shareholder or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
8. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.
9. Proxies attending the meeting will be required to provide satisfactory identification.

Corporate information

Company Secretary	J A Kunst
Business address and registered office	Illovo Sugar Park, 1 Montgomery Drive Mount Edgecombe, KwaZulu-Natal
Postal address:	PO Box 194, Durban, 4000
Telephone:	+27 31 508 4300
Telefax:	+27 31 508 4535
Email:	jkunst@illovo.co.za
Website:	www.illovosugar.com
Group Communications Manager:	C Fitz-Gerald
Email:	cfitzgerald@illovo.co.za
Transfer secretaries:	Link Market Services South Africa Proprietary Limited
Business address	Rennie House, 13th Floor, 19 Ameshoff Street Braamfontein, 2001
Postal address:	PO Box 4844, Johannesburg, 2000
Telephone:	+27 11 834 2266
Telefax:	+27 11 834 4398
Email:	info@linkmarketservices.co.za
Auditors:	Deloitte & Touche
Attorneys:	Garlicke & Bousfield Incorporated
Principal bankers:	The Standard Bank Group Limited
Sponsor:	J P Morgan Equities South Africa Proprietary Limited
Financial adviser:	The Standard Bank Group Limited
Company registration number:	1906/000622/06
Share code:	ILV
International Security Identification Number:	ZAE000083846

Principal Photographer, Russell Cleaver

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