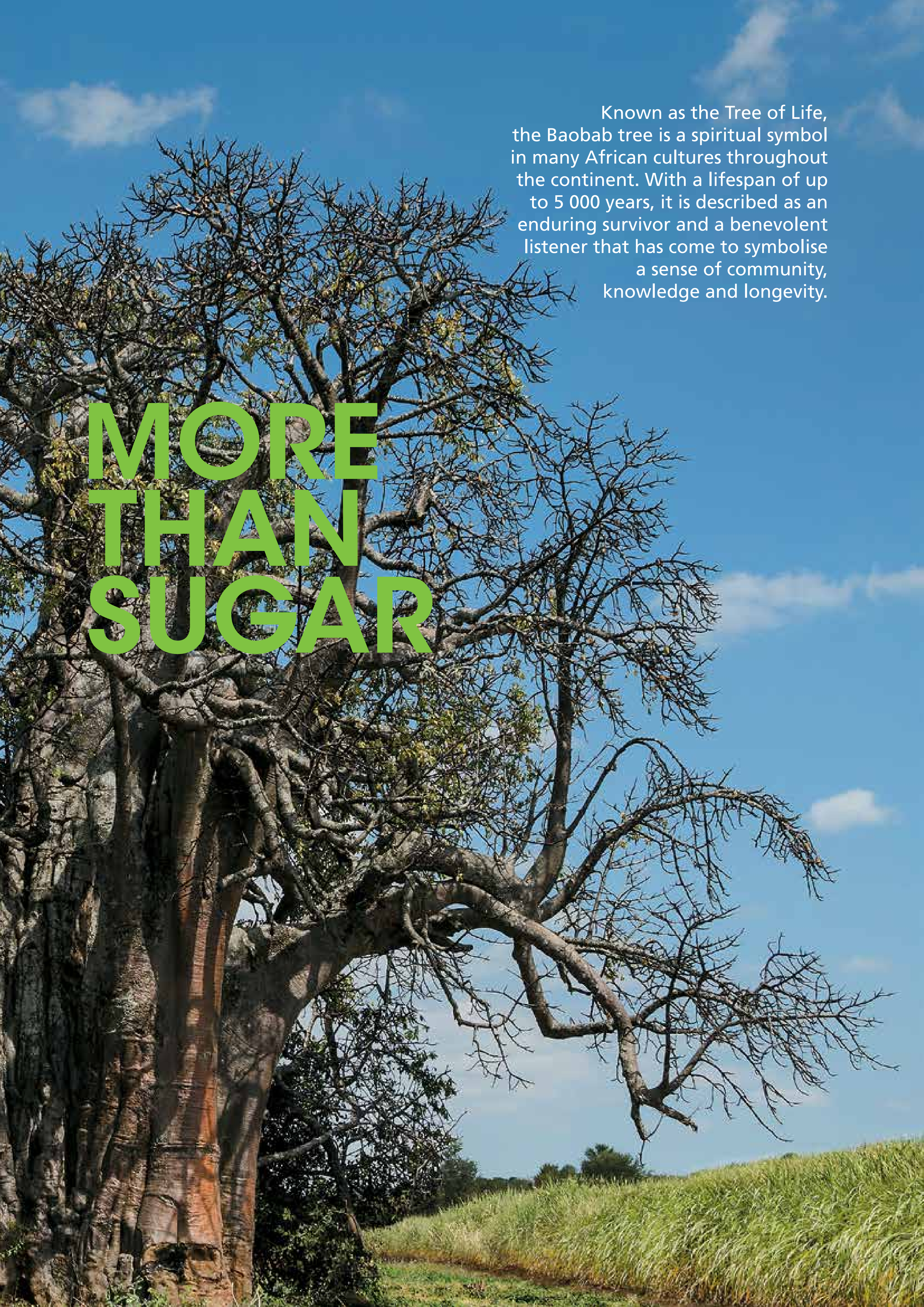
SUGAR ILLOVO LIMITED

MORE THAN SUGAR

Annual Financial Statements

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

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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.

Approval of annual financial statements

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

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

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

These annual financial statements have been prepared under the supervision of Mr M H Abdool-Samad, CA(SA), the group Financial Director.

The Audit Committee, chaired by a non-executive, independent director, meets periodically with the auditors and management to discuss internal accounting controls, auditing and financial reporting matters. The auditors have unrestricted access to the Audit Committee.

The Integrated Annual Report, referred to within these annual financial statements, is electronically available on the group's website www.illovosugar.com.

The annual financial statements of the group and the company which were prepared on the going concern basis, including the Directors' report and the Audit Committee report, and which appear on pages 3 to 58, were approved by the board of directors 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 annual 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 the Integrated Annual Report on pages 2 to 29.

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.

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 Shareholder Information section of the Integrated Annual Report on page 101.

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 of the Integrated Annual Report.

Illovo Sugar Limited 1992 Share Option Scheme

During the financial year ended 31 March 2006, the Illovo Sugar Limited Phantom Share Scheme (PSS) 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 explained in the Remuneration Report on page 75 of the Integrated Annual 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 on page 76 of the Integrated Annual Report.

With the introduction of the Forfeitable Share Plan (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 on page 77 of the Integrated Annual 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 on page 78 of the Integrated Annual 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 note 14 to the financial statements, on pages 32 and 33.

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 the Integrated Annual Report. The details of the company's business and postal addresses are set out on the inside back cover of the Integrated Annual Report.

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 on page 64 of the Integrated Annual 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.

Audit Committee Report

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 on page 63 of the Integrated Annual 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, 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 of the Integrated Annual Report, 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

To the shareholders of Illovo Sugar Limited

We have audited the consolidated and separate financial statements of Illovo Sugar Limited set out on pages 11 to 58, which comprise the statements of financial position as at 31 March 2015, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Illovo Sugar Limited as at 31 March 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche
Registered Auditors

Per: GC Tweedy
Partner

21 May 2015
Durban

National Executive: *LL Bam *Chief Executive* *AE Swiegers *Chief Operating Officer* *GM Pinnock ***Audit*** DL Kennedy *Risk Advisory* *NB Kader *Tax* TP Pillay *Consulting* *K Black *Clients and Industries* *JK Mazzocco *Talent & Transformation* *MJ Jarvis *Finance* *M Jordan *Strategy* S Gwala *Managed Services* *TJ Brown *Chairman of the board* *MJ Comber *Deputy Chairman of the Board*

Regional leader: *GC Brazier

A full list of partners is available on request * *Partner and Registered Auditor*

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

Member of Deloitte Touche Tohmatsu Limited

Income statements for the year ended 31 March 2015

	Notes	Group March 2015 Rm	Group March 2014 Rm	Company March 2015 Rm	Company March 2014 Rm
Revenue	4	**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	**74.4**	53.9
Other operating expenses/(income)		**732.3**	776.3	**(6.8)**	(14.9)
Operating profit/(loss)	5	**1 655.1**	1 886.9	**(67.6)**	(39.0)
Dividend income		**2.8**	5.1	**562.8**	608.8
Net financing costs/(income)	6	**355.8**	336.4	**(140.7)**	(120.3)
Profit before taxation and non-trading items		**1 302.1**	1 555.6	**635.9**	690.1
Share of profit from joint venture	15	**4.6**	12.9		
Share of profit from associates	16	**22.1**	12.3		
Material items	7	**3.0**	24.5	**–**	62.1
Profit before taxation		**1 331.8**	1 605.3	**635.9**	752.2
Taxation	8	**388.0**	486.8	**34.6**	27.8
Profit for the year		**943.8**	1 118.5	**601.3**	724.4
Attributable to:					
Shareholders of Illovo Sugar Limited		**826.4**	916.3	**601.3**	724.4
Non-controlling interest		**117.4**	202.2		
		943.8	1 118.5	**601.3**	724.4
Statements of other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains on post-retirement obligations		**43.2**	2.6	**47.9**	19.3
Tax effect of actuarial gains on post-retirement obligations		**(13.4)**	(3.0)	**(13.4)**	(5.4)
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	**635.8**	738.3
Attributable to:					
Shareholders of Illovo Sugar Limited		**431.1**	821.8	**635.8**	738.3
Non-controlling interest		**107.8**	227.7		
		538.9	1 049.5	**635.8**	738.3
Earnings per share*					
Basic	(cents)	**179.4**	199.0		
Diluted	(cents)	**179.4**	198.9		

** See note 10 for headline earnings per share.*

Statements of financial position as at 31 March 2015

	Notes	Group March 2015 Rm	Group March 2014 Rm	Company March 2015 Rm	Company March 2014 Rm
ASSETS					
Non-current assets		**9 472.9**	8 895.0	**2 282.6**	2 187.5
Property, plant and equipment	11	**7 043.3**	6 783.3	**484.9**	422.4
Cane roots	12	**1 776.4**	1 531.0	**–**	–
Intangible assets	13	**311.9**	288.0	**–**	–
Investment in subsidiaries	14			**1 716.0**	1 716.0
Investment in joint venture	15	**0.7**	0.7	**–**	–
Investment in associates	16	**73.5**	67.6	**–**	–
Investments	17	**74.7**	22.5	**74.7**	22.5
Loans	18	**163.9**	157.8	**0.8**	0.8
Deferred taxation asset	30	**28.5**	44.1	**6.2**	25.8
Current assets		**5 353.6**	4 924.8	**2 376.3**	2 259.0
Inventories	19	**1 022.6**	998.9	**4.2**	6.1
Growing cane	20	**1 797.2**	1 662.5	**–**	–
Trade and other receivables	21	**1 660.9**	1 309.2	**77.0**	105.9
Factory overhaul costs	22	**372.0**	338.6	**–**	–
Derivative financial instruments	23	**24.4**	18.5	**–**	–
Amounts due by subsidiaries	14			**2 096.5**	1 789.1
Cash and cash equivalents		**476.5**	597.1	**198.6**	357.9
Total assets		**14 826.5**	13 819.8	**4 658.9**	4 446.5
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Illovo Sugar Limited		**6 472.4**	6 340.3	**4 128.5**	3 944.7
Share capital and premium	24	**1 196.1**	1 609.9	**1 196.1**	1 609.9
Share-based payment reserve	25	**7.2**	13.1	**7.2**	13.1
Non-distributable reserves	26	**(3.9)**	5.8	**35.6**	35.6
Distribution reserve	27	**244.1**	276.4	**244.1**	276.4
Retained earnings	28	**5 028.9**	4 435.1	**2 645.5**	2 009.7
Non-controlling interest		**1 203.3**	1 128.3		
Total equity		**7 675.7**	7 468.6	**4 128.5**	3 944.7
Non-current liabilities		**3 754.4**	3 320.8	**106.6**	110.7
Long-term borrowings	29	**2 042.9**	1 824.8	**–**	–
Deferred taxation liability	30	**1 412.6**	1 189.9	**–**	–
Deferred income	31	**101.8**	111.7	**–**	–
Provisions	34	**197.1**	194.4	**106.6**	110.7
Current liabilities		**3 396.4**	3 030.4	**423.8**	391.1
Short-term borrowings	32	**714.4**	447.9	**–**	–
Trade and other payables	33	**2 042.5**	1 933.5	**391.9**	354.3
Bank overdraft		**450.2**	410.3	**–**	0.4
Taxation		**64.9**	126.8	**–**	–
Provisions	34	**43.3**	50.4	**30.4**	34.9
Amounts due to subsidiaries	14			**1.5**	1.5
Derivative financial instruments	23	**81.1**	61.5	**–**	–
Total liabilities		**7 150.8**	6 351.2	**530.4**	501.8
Total equity and liabilities		**14 826.5**	13 819.8	**4 658.9**	4 446.5

Statement of changes in equity at 31 March 2015

	Share capital and premium Rm	Share-based payment reserve Rm	Translation reserve Rm	Other non-distributable reserves Rm	Distribution reserve Rm	Retained earnings Rm	Attributable to the shareholders of Illovo Sugar Limited Rm	Non-controlling interest Rm	Total Rm
Group									
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)
Distributions/dividends paid					(446.9)		**(446.9)**	(129.0)	(575.9)
Transfer to distribution reserve	(414.6)				414.6		**–**		–
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
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**
Company									
Balance at 31 March 2013	2 055.4	13.1	–	35.6	280.9	1 271.4	**3 656.4**		
Total comprehensive income for the year:	–	–	–	–	–	738.3	**738.3**		
Profit for the year						724.4	**724.4**		
Actuarial gains on post-retirement obligations						13.9	**13.9**		
Issue of share capital	1.3						**1.3**		
Distributions paid					(451.3)		**(451.3)**		
Transfer to distribution reserve	(446.8)				446.8		**–**		
Balance at 31 March 2014	1 609.9	13.1	–	35.6	276.4	2 009.7	**3 944.7**		
Total comprehensive income for the year:	–	–	–	–	–	635.8	**635.8**		
Profit for the year						601.3	**601.3**		
Actuarial gains on post-retirement obligations						34.5	**34.5**		
Issue of share capital	0.8						**0.8**		
Purchase of shares in terms of forfeitable share plan		(5.9)					**(5.9)**		
Distributions paid					(446.9)		**(446.9)**		
Transfer to distribution reserve	(414.6)		–	–	414.6		**–**		
Balance at 31 March 2015	**1 196.1**	**7.2**	**–**	**35.6**	**244.1**	**2 645.5**	**4 128.5**		

Statements of cash flows for the year ended 31 March 2015

	Notes	Group March 2015 Rm	Group March 2014 Rm	Company March 2015 Rm	Company March 2014 Rm
Cash flows from operating activities					
Cash operating profit/(loss)	a	**1 663.7**	1 922.4	**(54.8)**	(25.0)
Working capital movements	b	**(314.1)**	105.2	**59.8**	4.8
Cash generated from/(utilised in) operations		**1 349.6**	2 027.6	**5.0**	(20.2)
Net financing (costs)/income		**(355.8)**	(336.4)	**140.7**	120.3
Taxation paid	c	**(252.7)**	(298.6)	**(36.2)**	(8.2)
Dividend income		**2.8**	5.1	**562.8**	608.8
Distributions/dividends paid	d	**(575.9)**	(556.9)	**(446.9)**	(451.3)
Net cash inflows from operating activities		**168.0**	840.8	**225.4**	249.4
Cash flows from investing activities					
Replacement capital expenditure		**(365.6)**	(342.6)	**(4.7)**	(1.3)
Expansion/opportunity capital expenditure		**(318.3)**	(366.2)	**(71.8)**	(68.4)
Expansion of area under cane		**(5.7)**	(7.9)	**–**	–
Capitalisation of product registrations		**(9.9)**	(5.3)	**–**	–
Proceeds on disposal of plant and equipment		**6.5**	6.9	**1.2**	0.4
Proceeds on disposal of property		**3.1**	1.8	**–**	–
Net movement on investments and loans		**21.5**	(17.1)	**(303.9)**	(24.3)
Acquisition of business	e	**–**	15.6	**–**	–
Proceeds on disposal of shareholding in joint ventures		**–**	9.5	**–**	–
Net cash outflows from investing activities		**(668.4)**	(705.3)	**(379.2)**	(93.6)
Net cash (outflows)/inflows before financing activities		**(500.4)**	135.5	**(153.8)**	155.8
Cash flows from financing activities					
Long-term borrowings repaid		**(79.6)**	(175.3)	**–**	–
Short-term borrowings raised/(repaid)		**276.2**	226.9	**(0.4)**	0.4
Issue of share capital net of associated costs	f	**0.8**	1.3	**0.8**	1.3
Purchase of shares in terms of forfeitable share plan	g	**(5.9)**	–	**(5.9)**	–
Proceeds on part-disposal of shareholding in subsidiary		**189.3**	–	**–**	–
Net cash inflows/(outflows) from financing activities		**380.8**	52.9	**(5.5)**	1.7
Net (decrease)/increase in cash and cash equivalents		**(119.6)**	188.4	**(159.3)**	157.5
Cash and cash equivalents at beginning of year		**597.1**	453.5	**357.9**	200.4
Exchange rate translation		**(1.0)**	(44.8)		
Cash and cash equivalents at end of year		**476.5**	597.1	**198.6**	357.9

Notes to the statements of cash flows

	Group		Company	
	March 2015 Rm	March 2014 Rm	**March 2015 Rm**	March 2014 Rm
a. Cash operating profit/(loss) is calculated as follows:				
Operating profit/(loss)	**1 655.1**	1 886.9	**(67.6)**	(39.0)
Material items	**3.0**	24.5	**–**	62.1
Total income/(loss)	**1 658.1**	1 911.4	**(67.6)**	23.1
Add back:				
Depreciation	**336.8**	309.0	**14.0**	14.4
Amortisation of product registration costs	**5.6**	5.1	**–**	–
Amortisation of deferred income	**(10.0)**	(10.0)	**–**	–
Change in fair value of cane roots	**(208.6)**	(197.9)	**–**	–
Change in fair value of growing cane	**(111.6)**	(68.5)	**–**	–
Profit on disposal of property	**(3.0)**	(1.3)	**–**	–
Profit on disposal of plant and equipment	**(3.6)**	(2.2)	**(1.2)**	(0.4)
Profit on disposal of previously impaired assets	**–**	(0.1)	**–**	–
Disposal and deregistration of businesses	**–**	(1.8)	**–**	–
Gain on bargain purchase	**–**	(2.2)	**–**	–
Proceeds received from insurance claim	**–**	(19.1)	**–**	–
Profit on windup of subsidiaries	**–**	–	**–**	(62.1)
Cash operating profit/(loss)	**1 663.7**	1 922.4	**(54.8)**	(25.0)
b. Working capital movements comprise the following:				
Inventories	**(14.9)**	(41.0)	**1.9**	4.1
Trade and other receivables	**(311.0)**	139.4	**36.7**	31.3
Factory overhaul costs	**(32.2)**	(20.7)	**–**	–
Trade and other payables	**44.0**	27.5	**21.2**	(30.6)
Working capital movements	**(314.1)**	105.2	**59.8**	4.8
c. Taxation paid is reconciled to the amounts disclosed in the income statements as follows:				
Amounts (unpaid)/overpaid at beginning of year	**(70.6)**	(101.7)	**7.6**	8.7
Exchange rate translation	**(3.4)**	(8.3)		
Per income statements (excluding deferred taxation)	**(178.2)**	(256.2)	**(28.4)**	(9.3)
Acquisition of business	**–**	(3.0)	**–**	–
Amounts (overpaid)/unpaid at end of year	**(0.5)**	70.6	**(15.4)**	(7.6)
Total taxation paid	**(252.7)**	(298.6)	**(36.2)**	(8.2)
d. Distributions/dividends paid are reconciled as follows:				
Distributions paid to shareholders of Illovo Sugar Limited (refer note 9 to the financial statements)	**(446.9)**	(451.3)	**(446.9)**	(451.3)
Distributions/dividends paid to non-controlling shareholders of subsidiaries	**(129.0)**	(105.6)		
Total distributions/dividends paid	**(575.9)**	(556.9)	**(446.9)**	(451.3)

Notes to the statements of cash flows continued

	Group		Company	
	March 2015 Rm	March 2014 Rm	**March 2015 Rm**	March 2014 Rm
e. Acquisition of business				
The fair value of the assets acquired and liabilities assumed of the business acquired was as follows:				
Property, plant and equipment	**–**	0.1	**–**	–
Trade and other receivables	**–**	1.5	**–**	–
Cash	**–**	15.6	**–**	–
Trade and other payables	**–**	(10.0)	**–**	–
Taxation	**–**	(3.0)	**–**	–
Net asset value acquired	**–**	4.2	**–**	–
Fair value of previously held equity interest	**–**	(2.0)	**–**	–
Gain on bargain purchase	**–**	(2.2)	**–**	–
Cash cost of acquisition	**–**	–	**–**	–
Net cash flow on acquisition of business	**–**	15.6	**–**	–
f. Issue of share capital net of associated costs				
In terms of the share option scheme, the company issued 107 600 (2014: 175 500) new shares	**0.8**	1.3	**0.8**	1.3

g. Purchase of shares in terms of forfeitable share plan

In terms of the forfeitable share plan, the company purchased 224 000 (2014: nil) shares on behalf of the participants to the scheme.

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a basis consistent with the prior year, except for the adoption of the revised accounting standards which have been described in note 2. The adoption of these standards has had no impact on the consolidated financial statements.

The principal accounting policies adopted are set out below.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has power to direct the relevant activities of an entity, has the rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns from its involvement with the entity.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All inter-company balances and transactions are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. On acquisition, the non-controlling interests are entitled to a proportionate share of the entity's identifiable net assets. Subsequent to acquisition, the non-controlling interest consists of the amount of those interests at acquisition plus the non-controlling interests' share of changes in equity in the subsidiary. Non-controlling interests are allocated their proportionate share of total comprehensive income even if this results in the non-controlling interest having a deficit, unless there is doubt as to the recoverability of the deficit.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

1.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the group, the liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except for: non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations; liabilities or equity instruments related to share-based payments that are accounted for in accordance with IFRS 2 Share-Based Payments; deferred taxation assets or liabilities that are measured in accordance with IAS 12 Income Taxes; and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 19 Employee Benefits.

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.3 Interests in joint ventures

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

The results, assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. Losses of a joint venture in excess of the group's interest in that joint venture are not recognised unless there is a commitment or guarantee that requires further funding from the group.

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

1.4 Investments in associates

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

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. Losses of an associate in excess of the group's interest in that associate are not recognised unless there is a commitment or guarantee that requires further funding from the group.

Goodwill arising on the acquisition of associates is accounted for in accordance with the group's accounting policy for goodwill, as set out above, but is included in the carrying amount of the associate. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

1.5 Revenue recognition

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

Sales of goods are recognised when title has passed.

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

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

1.6 Material items

Material items cover those amounts that are not considered to be of an operating or trading nature and generally include impairments of goodwill; impairments of non-current assets; profits and losses on the disposal of properties; and profits and losses on the disposal of businesses.

1.7 Leases

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

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

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

1.8 Foreign currencies

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

The assets and liabilities of the group's foreign operations are expressed in South African Rand using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing at the reporting date.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period they arise except for: exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets in terms of the group's borrowing costs policy; exchange

1.8 Foreign currencies continued

differences on transactions entered into in order to hedge certain foreign currency risks to which the group's hedge accounting policy applies; and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

1.9 Borrowing costs

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

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

1.10 Retirement benefits

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

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every year. Actuarial gains and losses are recognised immediately in other comprehensive income. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on the straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Surpluses on defined benefit plans are recognised only to the extent that they are recoverable.

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

Additional severance liabilities in terms of legislative regulations are assessed annually and provided for, but are not funded.

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

1.11 Taxation

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

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

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

1.12 Property, plant and equipment

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

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

1.12 Property, plant and equipment continued

The group's depreciation rates are as follows:

Buildings	60 years
Plant, machinery and equipment	3 – 60 years
Vehicles	5 – 15 years

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

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

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

1.13 Factory overhaul costs

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

1.14 Cane roots and growing cane

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

- **Cane roots** – the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life; and
- **Growing cane** – the estimated sucrose content at 31 March valued at the estimated sucrose price for the following season, less the estimated costs of harvesting and transport.

1.15 Research and development expenditure

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

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

1.16 Intangible assets

Product registrations

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

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

Other intangible assets

Intangible assets acquired separately are initially recognised at cost. If the intangible asset is acquired as part of a business combination, it is recognised separately from goodwill at fair value on the acquisition date.

Intangible assets assessed as having an indefinite useful life are not amortised but tested for impairment annually and impaired, if necessary. Intangible assets assessed as having a finite useful life are amortised over their useful lives using a straight-line basis and are tested for impairment if there is an indication that it may be impaired.

1.17 Impairment of tangible and intangible assets excluding goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

1.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except in the case of downstream products where the first in first out basis is used.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

1.19 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the group will be required to settle that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

1.20 Deferred income

Deferred income is recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the deferred income is intended to compensate.

1.21 Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal groups are available for immediate sale in their present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale, the assets or disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the assets or disposal groups to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised. Non-current assets or disposal groups that are classified as held for sale are not depreciated.

1.22 Financial instruments

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

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

Financial assets

A financial asset is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held "at fair value through profit or loss" are expensed.

Financial assets are accounted for "at fair value through profit or loss" where the financial asset is either held-for-trading or is designated as "at fair value through profit or loss."

Trade and other receivables are classified as "loans and receivables" and are measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as "loans and receivables" and measured at amortised cost.

Investments are classified as "held-to-maturity" where the group has the expressed intention and ability to hold the investment to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts. Other investments are classified as "available-for-sale", and are measured at fair value with any gains or losses being recognised through other comprehensive income and accumulated in the investments' revaluation reserve. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss accumulated in equity is reclassified to profit or loss. Fair value, for this purpose, is market value if the investment is listed on a publicly quoted exchange, or a value arrived at by using appropriate valuation models if unlisted.

Financial liabilities

A financial liability is a contractual obligation to deliver cash, or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held "at fair value through profit or loss" are expensed.

1.22 Financial instruments continued

Financial liabilities are accounted for "at fair value through profit or loss" where the financial liability is either held-for-trading or is designated as "at fair value through profit or loss."

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

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

Equity

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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

Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

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

Derivative financial instruments are initially measured at fair value on the contract date, and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

Hedge accounting

The group designates certain hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows is recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

Gains or losses on the cash flow hedge of a forecast transaction or firm commitment, previously recognised in other comprehensive income and accumulated in equity, are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. However, if the cash flow hedge results in the recognition of a non-financial asset or a non-financial liability, then the associated gains or losses accumulated in equity are included in the initial measurement of that asset or liability.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any gain or loss recognised in other comprehensive income and accumulated in equity remains in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gains or losses are recognised immediately in profit or loss.

The effective portion of any gains or losses on hedging instruments designated as hedges of net investments in foreign operations is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss. On disposal of the foreign operation, the gains or losses are reclassified to profit or loss.

1.23 Share-based payments

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

At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

1.24 Fair value measurement

Assets and liabilities measured at fair value are grouped into the following categories based on the degree to which the fair value is observable:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based in observable market data (unobservable inputs).

1.25 Segmental analysis

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

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

The group is comprised of the following business segments:

- **Cane growing** – the growing of sugar cane for use in the sugar production process;
- **Sugar production** – the manufacture of sugar from sugar cane;
- **Downstream operations and co-generation** – the manufacture and sale of downstream products including syrup, furfural and alcohol; and the supply of surplus electricity generated from the sugar production process.

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

2. Application of new and revised International Financial Reporting Standards

2.1 International Financial Reporting Standards adopted during the year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following revised accounting standards:

IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments to IFRS 10 Consolidated Financial Statements define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to introduce new disclosure requirements for investment entities. The application of this standard has no material impact on the consolidated financial statements, but has resulted in additional disclosure.

IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities

The amendment prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The application of this standard has no material impact on the consolidated financial statements.

IAS 36 Impairment of Assets: Recoverable Amount Disclosure for Non-financial assets

The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill, and other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurement. The application of this standard has no material impact on the consolidated financial statements.

IAS 39 Financial Instruments: Novation of Derivatives and Hedge Accounting

The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The application of this standard has no material impact on the consolidated financial statements.

2.2 International Financial Reporting Standards in issue, but not yet effective

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

IFRS 2 Share-based Payment

The amendments change the definition of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting conditions". The amendment is effective for the year ending 31 March 2016.

IFRS 3 Business Combinations

The amendment clarifies that any contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. The amendment is effective for the year ending 31 March 2016.

IFRS 9 Financial Instruments: Classification and Measurement

The standard introduces new requirements for classifying and measuring financial instruments. Under the new classification requirements, all financial assets will be recognised at either amortised cost or fair value as determined by the contractual cash flows of the assets. In terms of the new measurement requirements, changes in fair value of financial liabilities measured "at fair value through profit or loss" that are attributable to changes in credit risk of the liability will be recognised in other comprehensive income. The amendment will be effective for the year ending 31 March 2019.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendment will be effective for the year ending 31 March 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations. This standard will be effective for the year ending 31 March 2019.

IAS 19 Defined Benefit Plans: Employee Contributions

The amendments clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight-line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The amendment will be effective for the year ending 31 March 2017.

IAS 24 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment will be effective for the year ending 31 March 2016.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The amendment will be effective for the year ending 31 March 2017.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. The amendment will be effective for the year ending 31 March 2017.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical accounting judgements made by management

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

- **Impairment of assets**
  In making its judgement, management has assessed at each reporting date whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

3.2 Key sources of estimation uncertainty

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

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

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

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

- **Post employment benefit obligations**
  Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, discount rates, expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs. Judgement is exercised by management, assisted by advisors, in determining these assumptions.

- **Intangible asset**

  The underlying value of the investment in MultiGuard Protect (product registration costs) is supported through a value in use discounted cash flow as well as an independent external valuation of the business. The discounted cash flow is adjusted for the expected timing of the registration process.

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

Notes to the annual financial statements continued

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
4. Revenue				
Revenue represents the proceeds from:				
Sugar production	**9 242.3**	9 355.7	**–**	–
Cane growing	**2 848.3**	2 856.2	**–**	–
Downstream and co-generation	**1 175.9**	978.2	**–**	–
	13 266.5	13 190.1	**–**	–
Includes revenue from exports outside country of origin of:	**4 203.6**	5 282.8	**–**	–
Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.				
5. Operating profit/(loss)				
Operating profit has been determined after taking into account the following items:				
Depreciation	**336.8**	309.0	**14.0**	14.4
– buildings	**12.7**	12.2	**3.4**	3.4
– leasehold properties	**20.3**	21.5	**–**	–
– equipment under finance lease	**11.9**	2.8	**–**	–
– plant, machinery and other	**291.9**	272.5	**10.6**	11.0
Profit on disposal of plant and equipment	**(3.6)**	(2.2)	**(1.2)**	(0.4)
Amortisation of factory overhaul costs	**349.7**	364.4	**–**	–
Amortisation of product registration costs	**5.6**	5.1	**–**	–
Amortisation of deferred income	**(10.0)**	(10.0)	**–**	–
Fair value adjustments				
– cane roots	**208.6**	197.9	**–**	–
– growing cane	**111.6**	68.5	**–**	–
Operating lease charges				
– property	**41.8**	50.0	**11.1**	10.7
– plant and equipment	**9.5**	23.8	**0.2**	0.2
Auditors' remuneration	**19.2**	16.3	**6.0**	4.4
– audit fees	**16.6**	14.5	**5.1**	3.7
– fees for other services	**2.3**	1.5	**0.9**	0.7
– expenses	**0.3**	0.3	**–**	–
Research costs	**11.7**	13.4	**–**	–
Retirement benefit costs	**178.2**	161.0	**86.0**	71.3
Staff costs	**2 387.0**	2 212.4	**117.9**	118.2
Foreign exchange (gains)/losses	**(52.2)**	29.0	**(2.3)**	0.1
6. Net financing costs/(income)				
Interest paid on:				
Long-term borrowings	**92.7**	152.0	**–**	–
Bank and short-term borrowings	**241.3**	179.0	**48.8**	35.1
Other	**28.9**	22.5	**10.4**	9.9
Total interest paid	**362.9**	353.5	**59.2**	45.0
Less: capitalised to property, plant and equipment	**(4.0)**	(20.8)	**(3.6)**	(0.7)
	358.9	332.7	**55.6**	44.3
Interest received on loans and deposits	**(13.4)**	(8.3)	**(194.0)**	(164.6)
Foreign exchange losses/(gains)	**10.3**	12.0	**(2.3)**	–
	355.8	336.4	**(140.7)**	(120.3)

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
7. Material items				
Profit on disposal of property	**3.0**	1.3	**–**	–
Profit on disposal of previously impaired assets	**–**	0.1	**–**	–
Disposal and deregistration of businesses	**–**	1.8	**–**	–
Gain on bargain purchase	**–**	2.2	**–**	–
Proceeds received from insurance claim	**–**	19.1	**–**	–
Profit on windup of subsidiaries	**–**	–	**–**	62.1
Per income statement	**3.0**	24.5	**–**	62.1
Taxation	**–**	(1.4)	**–**	–
	3.0	23.1	**–**	62.1
8. Taxation				
South African normal taxation				
Current taxation – current year	**56.7**	66.5	**28.4**	10.4
– prior year	**(1.5)**	(2.2)	**–**	(1.1)
Deferred taxation – current year	**22.0**	34.1	**6.2**	18.2
– prior year	**2.0**	1.8	**–**	0.3
Foreign taxation				
Current taxation – current year	**116.9**	192.2		
– prior year	**6.1**	(0.3)		
Deferred taxation – current year	**180.6**	194.0		
– prior year	**5.2**	0.7		
	388.0	486.8	**34.6**	27.8
Deferred taxation recognised in other comprehensive income	**0.6**	1.4	**(13.4)**	(5.4)
	%	%	**%**	%
Reconciliation of rate of taxation				
South African normal rate of taxation	**28.0**	28.0	**28.0**	28.0
Increase/(decrease) in charge for year due to:	**1.8**	3.3	**(22.6)**	(24.0)
Adjustment from prior years	**0.9**	–	**–**	(0.1)
Exempt income	**–**	–	**(24.8)**	(24.7)
Disallowable expenditure	**0.8**	3.8	**0.1**	–
Withholding tax	**3.8**	3.2	**0.8**	0.8
Tax losses written off	**2.1**	1.9	**–**	–
Taxation rate differentials – foreign subsidiaries	**(2.4)**	(5.9)	**–**	–
Foreign tax credits	**(7.2)**	(2.9)	**–**	–
Other	**3.8**	3.2	**1.3**	–
Effective rate of taxation	**29.8**	31.3	**5.4**	4.0
	Rm	Rm	**Rm**	Rm
Estimated tax losses at the end of the year	**330.7**	166.7	**–**	–
Estimated tax losses will expire as follows:				
Within one year	**–**	20.4	**–**	–
Between one and two years	**–**	–	**–**	–
Greater than two years	**330.7**	146.3	**–**	–
	330.7	166.7	**–**	–

Notes to the annual financial statements continued

		Group and Company 2015 Rm	2014 Rm
9. Distributions paid			
Distribution number 43 of 61.0 cents per share (Final 2013)	– paid 8 July 2013		280.9
Distribution number 44 of 37.0 cents per share (Interim 2014)	– paid 13 January 2014		170.4
Distribution number 45 of 60.0 cents per share (Final 2014)	– paid 7 July 2014	**276.4**	
Distribution number 46 of 37.0 cents per share (Interim 2015)	– paid 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.

The total estimated distribution to be paid of R244.1 million has been transferred out of share premium to a separate distribution reserve (refer notes 24 and 27).

	Group 2015 Rm	2014 Rm
10. Earnings and headline earnings per share		
Earnings		
Earnings for the purpose of basic earnings per share	**826.4**	916.3
Dilutive effect of potential ordinary shares		
– share options	**–**	0.1
Earnings for the purpose of diluted earnings per share	**826.4**	916.4
	Shares	Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**460 723 036**	460 540 627
Dilutive effect of potential ordinary shares		
– share options	**–**	111 200
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**460 723 036**	460 651 827
	Rm	Rm
Reconciliation 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)
Disposal and deregistration of businesses	**–**	(1.8)
Gain on bargain purchase	**–**	(2.2)
Proceeds received from insurance claim	**–**	(19.1)
	823.4	891.8
Total tax effect of adjustments	**–**	1.4
Total non-controlling interest effect of adjustments	**1.2**	0.4
Headline earnings	**824.6**	893.6
	Cents	Cents
Headline earnings per share		
Basic	**179.0**	194.0
Diluted	**179.0**	194.0

	2015 Cost Rm	2015 Accumulated depreciation Rm	2014 Cost Rm	2014 Accumulated depreciation Rm

11. Property, plant and equipment

Group				
Freehold land and buildings	**1 055.5**	**189.4**	954.2	177.0
Leasehold properties	**1 158.8**	**182.5**	1 188.2	170.1
Plant, machinery and other	**7 597.0**	**2 438.9**	7 168.4	2 203.9
Equipment under finance lease	**57.5**	**14.7**	26.3	2.8
	9 868.8	**2 825.5**	9 337.1	2 553.8
Net book value	**7 043.3**		6 783.3	
Company				
Freehold land and buildings	**387.5**	**7.1**	328.4	3.6
Plant, machinery and other	**165.7**	**61.2**	153.2	55.6
	553.2	**68.3**	481.6	59.2
Net book value	**484.9**		422.4	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R28 394 million (2014: R24 777 million). Motor vehicles are insured at market value.

Certain of the group's property, plant and equipment with a book value totalling R434.3 million (2014: R449.6 million) has been pledged by way of a mortgage debenture as security for the long-term borrowings and deferred income referred to in notes 29 and 31 respectively.

Group

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

	Freehold land and buildings Rm	Leasehold properties Rm	Plant, machinery and other Rm	Equipment under finance lease Rm	**2015 Total Rm**	2014 Total Rm
Net book value at beginning of year	777.2	1 018.1	4 964.5	23.5	**6 783.3**	6 209.5
Additions	101.1	23.0	528.6	31.2	**683.9**	708.8
Disposals	(0.1)	–	(2.9)	–	**(3.0)**	(5.2)
Exchange rate translation	0.6	(44.5)	(40.2)	–	**(84.1)**	179.2
	878.8	996.6	5 450.0	54.7	**7 380.1**	7 092.3
Depreciation	(12.7)	(20.3)	(291.9)	(11.9)	**(336.8)**	(309.0)
Net book value at end of year	866.1	976.3	5 158.1	42.8	**7 043.3**	6 783.3

Company

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

	Freehold land and buildings Rm	Plant, machinery and other Rm	**2015 Total Rm**	2014 Total Rm
Net book value at beginning of year	324.8	97.6	**422.4**	367.1
Additions	59.0	17.5	**76.5**	69.7
	383.8	115.1	**498.9**	436.8
Depreciation	(3.4)	(10.6)	**(14.0)**	(14.4)
Net book value at end of year	380.4	104.5	**484.9**	422.4

Notes to the annual financial statements continued

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
12. Cane roots				
The carrying value of cane roots comprises:				
Carrying value at beginning of year	**1 531.0**	1 260.0	**–**	–
Change in fair value	**208.6**	197.9	**–**	–
Expansion of area under cane	**5.7**	7.9	**–**	–
Exchange rate translation	**31.1**	65.2		
Carrying value at end of year	**1 776.4**	1 531.0	**–**	–
Area under cane at 31 March (hectares):				
Malawi	**19 908**	20 108		
Mozambique	**6 130**	5 901		
South Africa	**8 925**	8 573		
Swaziland	**8 646**	8 646		
Tanzania	**9 643**	9 568		
Zambia	**16 892**	17 250		
	70 144	70 046		

The fair values of cane roots are determined using inputs that are unobservable, using the best information available in the circumstances for using the cane roots and therefore fall into the level 3 fair value category.

The expected lives of cane roots, for both the current and the previous years, are:

Malawi	8 years
Mozambique	8 years
South Africa	10 years
Swaziland	9 years
Tanzania	8 years
Zambia	7 years

The inflation rates used in the valuation of the cane roots are as follows:

		Malawi	Mozambique	South Africa	Swaziland	Tanzania	Zambia
2015	(%)	**28**	**5**	**6**	**5**	**4**	**8**
2014	(%)	27	8	6	6	7	8

A 1% change in the inflation rate could increase or decrease the fair value of the cane roots to the following values:

	March 2015 +1% Rm	March 2015 -1% Rm	March 2014 +1% Rm	March 2014 -1% Rm
Fair value of cane roots	**1 787.9**	**1 764.9**	1 541.0	1 521.1

	Group		Company	
	2015	2014	**2015**	2014
	Rm	Rm	**Rm**	Rm

13. Intangible assets

Intangible assets comprise product registrations and a strategic cane supply arrangement.

	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Cost				
Product registrations	**227.5**	187.8	**–**	–
Strategic cane supply arrangement	**108.9**	116.1	**–**	–
	336.4	303.9	**–**	–
Accumulated amortisation				
Product registrations	**24.5**	15.9	**–**	–
Net book value	**311.9**	288.0	**–**	–
The carrying value of intangible assets comprises:				
Balance at beginning of year	**288.0**	266.1	**–**	–
Current year expenditure	**9.9**	5.3	**–**	–
Amortised during the year	**(5.6)**	(5.1)	**–**	–
Exchange rate translation	**19.6**	21.7		
Balance at end of year	**311.9**	288.0	**–**	–

Product registrations, which are internally generated, represent the cost of registering the group's exclusive right to sell MultiGuard Protect, a furfural-based nematicide developed by the group, in the United States of America. The product registrations are amortised over 20 years and the patent relating to the product registrations over 10 years. Refer to note 3.2.

The strategic cane supply arrangement represents the security over the cane for Zambia Sugar Plc that arose from the acquisition of Nanga Farms PLC. The strategic cane supply arrangement is considered to have an indefinite useful life and is tested for impairment annually.

14. Investment in subsidiaries

The principal subsidiaries of Illovo Sugar Limited are as follows:

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
2015					
Direct investment					
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
East African Supply (Pty) Limited	20.0	100	20.0	6.1	–
Illovo Group Holdings Limited – ordinary	–	100	–	–	–
Illovo Group Holdings Limited – preference	2 029.5	100	1 125.3	–	–
Illovo Sugar (South Africa) Limited	569.8	100	569.8	653.0	–
Indirect investment					
Agriguard LLC	196.3	70	–	–	–
Glendale Sugar Limited	5.6	100	–	–	–
Illovo Distillers (Tanzania) Limited	235.4	80	–	1.0	–
Illovo Distributors (Pty) Limited	–	100	–	–	–
Illovo Group Financing Services Limited	–	100	–	–	–
Illovo Group Marketing Services Limited	–	100	–	62.4	–
Illovo Sugar (Malawi) Limited	21.7	76	–	291.9	–
Illovo Sugar España, S.L.	–	100	–	2.7	–
Illovo Sugar Ireland	–	100	–	9.3	–
Illovo Sugar (USA)	143.7	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illprop (Pty) Limited	1.3	100	–	–	–
Kilombero Holdings Limited	226.7	73	–	–	–
Kilombero Sugar Company Limited	1.6	55	–	47.5	–
Maragra Açúcar SA	552.0	90	–	26.4	–
Mitra Sugar Limited	4.4	100	–	–	–
Nanga Farms PLC	9.4	66	–	–	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	–	–
Reynolds Brothers Limited	–	100	–	–	–
Sucoma Holdings Limited	763.1	100	–	–	–
Ubombo Sugar Limited	49.5	60	–	910.1	–
Zambia Sugar Plc	396.4	76	–	86.1	–
			1 716.0	2 096.5	(1.5)

In light of recent changes to the Lusaka Stock Exchange (LuSE) regulations, all listed companies must have a minimum of 25% of its shares held by public investors in terms of a free-float. As a result, Illovo Group Holdings Limited (IGH) was required to reduce its shareholding in Zambia Sugar Plc by 6.6%. Effective 26 September 2014, 5.1% of the shares were sold to local Zambian institutional investors for a consideration of R189.3 million. A gain on the transaction of R93 million has been recognised directly in the group's reserves. As agreed with the LuSE, the remaining 1.5% will be held in a separate account in the LuSE Central Securities Depository. While IGH will waive its voting rights on these shares it will still be entitled to receive dividends thereon.

In the current year, the group wound up its investment in its subsidiary, Illovo Sugar Coöperatief U.A., with a carrying amount of R215.9 million. A gain of R59.9 million was realised which represents a release from the foreign currency translation reserve. This has been recognised directly through retained earnings.

14. Investment in subsidiaries continued

	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
2014					
Direct investment					
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
East African Supply (Pty) Limited	20.0	100	20.0	2.5	–
Illovo Group Holdings Limited - ordinary	–	100	–	1.3	–
Illovo Group Holdings Limited - preference	1 758.7	100	1 125.3	–	–
Illovo Sugar (South Africa) Limited	569.8	100	569.8	638.3	–
Indirect investment					
Agriguard LLC	170.1	70	–	–	–
Glendale Sugar Limited	5.6	100	–	–	–
Illovo Distillers (Tanzania) Limited	232.7	80	–	2.1	–
Illovo Distributors (Pty) Limited	–	100	–	–	–
Illovo Group Marketing Services Limited	–	100	–	59.2	–
Illovo Sugar (Malawi) Limited	20.1	76	–	120.8	–
Illovo Sugar Coöperatief U.A.	–	100	–	–	–
Illovo Sugar España, S.L.	–	100	–	2.5	–
Illovo Sugar Ireland	–	100	–	24.9	–
Illovo Sugar (USA)	124.5	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illprop (Pty) Limited	1.3	100	–	–	–
Kilombero Holdings Limited	196.4	73	–	–	–
Kilombero Sugar Company Limited	1.6	55	–	48.4	–
Maragra Açúcar SA	561.2	90	–	11.4	–
Mitra Sugar Limited	4.9	100	–	–	–
Nanga Farms PLC	10.1	70	–	–	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	–	–
Reynolds Brothers Limited	–	100	–	–	–
Sucoma Holdings Limited	661.3	100	–	–	–
Ubombo Sugar Limited	49.5	60	–	838.1	–
Zambia Sugar Plc	423.1	82	–	39.6	–
			1 716.0	1 789.1	(1.5)

All subsidiaries have a 31 March year-end. A full list of subsidiaries is available on request from the company secretary.

Notes to the annual financial statements continued

	Illovo Sugar (Malawi) Limited Rm	Kilombero Sugar Company Limited Rm	Maragra Açúcar SA Rm	Ubombo Sugar Limited Rm	Zambia Sugar Plc Rm
14. Investment in subsidiaries continued					
Summarised financial information in respect of each of the group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.					
2015					
Non-current assets	**1 353.3**	**781.0**	**715.6**	**1 675.3**	**2 388.9**
Current assets	**1 453.3**	**368.1**	**211.2**	**259.2**	**1 630.2**
Non-current liabilities	**(579.0)**	**(260.6)**	**(247.9)**	**(810.6)**	**(1 793.5)**
Current liabilities	**(1 066.8)**	**(540.0)**	**(123.1)**	**(631.0)**	**(621.3)**
Equity attributable to Illovo Sugar Limited	**(882.2)**	**(191.7)**	**(500.2)**	**(295.7)**	**(1 219.3)**
Non-controlling interests	**278.6**	**156.8**	**55.6**	**197.2**	**385.0**
Revenue	**2 362.7**	**1 096.7**	**593.3**	**1 396.5**	**3 185.0**
Profit/(loss) attributable to Illovo Sugar Limited	**267.7**	**4.5**	**(17.9)**	**(29.2)**	**200.7**
Profit/(loss) attributable to non-controlling interests	**84.5**	**3.7**	**(2.0)**	**(19.5)**	**50.2**
Profit/(loss) for the year	**352.2**	**8.2**	**(19.9)**	**(48.7)**	**250.9**
Other comprehensive income/(loss) attributable to Illovo Sugar Limited	**9.5**	**1.5**	**–**	**(3.8)**	**(9.0)**
Other comprehensive income/(loss) attributable to non-controlling interests	**3.0**	**1.3**	**–**	**(2.5)**	**(4.8)**
Other comprehensive income/(loss) for the year	**12.5**	**2.8**	**–**	**(6.3)**	**(13.8)**
Total comprehensive income/(loss) attributable to Illovo Sugar Limited	**277.2**	**6.0**	**(17.9)**	**(33.0)**	**191.7**
Total comprehensive income/(loss) attributable to non-controlling interests	**87.5**	**5.0**	**(2.0)**	**(22.0)**	**45.4**
Total comprehensive income/(loss) for the year	**364.7**	**11.0**	**(19.9)**	**(55.0)**	**237.1**
Dividends paid to non-controlling interests	**82.5**	**–**	**0.7**	**15.3**	**26.2**
Net cash inflows/(outflows) from operating activities	**8.1**	**133.8**	**54.4**	**(27.2)**	**150.8**
Net cash outflows from investing activities	**(166.8)**	**(23.8)**	**(33.3)**	**(48.1)**	**(123.1)**
Net cash (outflows)/inflows from financing activities	**–**	**(89.0)**	**(5.9)**	**65.5**	**–**
Net cash (outflows)/inflows	**(158.7)**	**21.0**	**15.2**	**(9.8)**	**27.7**

	Illovo Sugar (Malawi) Limited Rm	Kilombero Sugar Company Limited Rm	Maragra Açúcar SA Rm	Ubombo Sugar Limited Rm	Zambia Sugar Plc Rm

14. **Investment in subsidiaries** continued

2014					
Non-current assets	965.7	783.1	699.8	1 662.6	2 516.0
Current assets	1 028.5	424.5	196.3	311.6	1 310.0
Non-current liabilities	(429.2)	(273.4)	(223.4)	(921.4)	(1 751.5)
Current liabilities	(512.5)	(600.7)	(81.6)	(466.6)	(484.9)
Equity attributable to Illovo Sugar Limited	(799.9)	(183.4)	(532.0)	(351.7)	(1 303.5)
Non-controlling interests	252.6	150.1	59.1	234.5	286.1
Revenue	2 341.5	903.2	552.8	1 601.1	3 265.9
Profit/(loss) attributable to Illovo Sugar Limited	381.2	(18.6)	14.5	75.7	192.5
Profit/(loss) attributable to non-controlling interests	120.4	(15.2)	1.6	50.5	42.2
Profit/(loss) for the year	501.6	(33.8)	16.1	126.2	234.7
Other comprehensive loss attributable to Illovo Sugar Limited	(3.6)	(3.1)	–	(7.2)	(50.0)
Other comprehensive loss attributable to non-controlling interests	(1.1)	(2.5)	–	(4.8)	(11.0)
Other comprehensive loss for the year	(4.7)	(5.6)	–	(12.0)	(61.0)
Total comprehensive income/(loss) attributable to Illovo Sugar Limited	377.6	(21.7)	14.5	68.5	142.5
Total comprehensive income/(loss) attributable to non-controlling interests	119.3	(17.7)	1.6	45.7	31.2
Total comprehensive income/(loss) for the year	496.9	(39.4)	16.1	114.2	173.7
Dividends paid to non-controlling interests	67.3	–	1.5	9.7	22.6
Net cash inflows/(outflows) from operating activities	170.1	(72.8)	9.5	234.7	187.5
Net cash outflows from investing activities	(165.0)	(82.6)	(34.0)	(21.5)	(71.3)
Net cash inflows/(outflows) from financing activities	–	157.8	(39.9)	(203.4)	(94.4)
Net cash inflows/(outflows)	5.1	2.4	(64.4)	9.8	21.8

Notes to the annual financial statements continued

15. Investment in joint venture

Principal joint venture of the group	Year-end	Nature of business	% holding 2015	2014
Glendale Distilling Company	31 March	Alcohol distillers	**50.0**	50.0

Glendale Distilling Company is incorporated in South Africa.

	2015 Rm	2014 Rm
Balance at beginning of year	**0.7**	30.6
Share of post-acquisition profit	**4.6**	12.9
Dividend declared by joint venture	**(4.6)**	(9.3)
Exchange rate translation	**–**	3.1
Disposal of shares of joint venture	**–**	(11.0)
Reclassification from joint venture to associate (refer note 16)	**–**	(25.6)
	0.7	0.7
Summarised financial information in respect of the group's joint venture is set out below. The summarised financial information below represents the group's share of the assets, liabilities and profits of the joint venture:		
Non-current assets	**6.6**	6.6
Current assets	**20.5**	15.8
Non-current liabilities	**(19.9)**	(15.4)
Current liabilities	**(6.5)**	(6.3)
Net assets	**0.7**	0.7
Revenue	**36.0**	32.6
Net profit after taxation	**4.6**	12.9

16. Investment in associates

Principal associates of the group	Year-end	Nature of business	% holding 2015	2014
Gledhow Sugar Company (Pty) Limited	31 March	Sugar milling	**30.0**	30.0
Kilombero Sugar Distributors Limited	30 September	Distribution agents	**20.0**	20.0
Lacsa (Pty) Limited	31 March	Lactulose producer	**35.0**	35.0
Relax Limited	31 March	Lactulose agents	**35.0**	35.0

The group's associate companies are incorporated in South Africa, with the exception of Kilombero Sugar Distributors Limited, incorporated in Tanzania, and Relax Limited, incorporated in Malta.

Investment in associate companies	2015 Rm	2014 Rm
Balance at beginning of year	**67.6**	43.1
Share of post-acquisition profit	**22.1**	12.3
Dividend declared by associate companies	**(20.1)**	(11.6)
Exchange rate translation	**3.9**	0.4
Acquisition of shares in Mitra Sugar Limited	**–**	(2.2)
Reclassification from joint venture to associate (refer note 15)	**–**	25.6
	73.5	67.6

	2015 Rm	2014 Rm

16. Investment in associates continued

Summarised financial information in respect of the group's associates is set out below. The summarised financial information below represents the group's share of the assets, liabilities and profits of the associates:

	2015 Rm	2014 Rm
Non-current assets	**62.3**	64.2
Current assets	**122.7**	113.9
Non-current liabilities	**(43.4)**	(41.1)
Current liabilities	**(68.1)**	(69.4)
Net assets	**73.5**	67.6
Revenue	**403.7**	399.5
Net profit after taxation	**22.1**	12.3
Dividends received from associates during the year	**(20.1)**	(11.6)

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm

17. Investments

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Defined benefit pension fund asset (refer note 35)	**72.3**	20.0	**72.3**	20.0
Other investments	**2.4**	2.5	**2.4**	2.5
	74.7	22.5	**74.7**	22.5

18. Loans

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Other loans	**163.9**	157.8	**0.8**	0.8
	163.9	157.8	**0.8**	0.8

Other loans bear interest at varying rates and have various terms of repayments. None of these assets had been past due or impaired at the end of the reporting period.

19. Inventories

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Finished goods	**489.8**	483.3	**–**	–
Consumables and components	**532.8**	515.6	**4.2**	6.1
	1 022.6	998.9	**4.2**	6.1

In arriving at the carrying value of inventories a stock provision of R25.7 million (2014: R26.7 million) has been taken into account.

20. Growing cane

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
The carrying value of growing cane comprises:				
Carrying value at beginning of year	**1 662.5**	1 520.4	**–**	–
Change in fair value	**111.6**	68.5	**–**	–
Exchange rate translation	**23.1**	73.6		
Carrying value at end of year	**1 797.2**	1 662.5	**–**	–

The fair value of the growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for using the growing cane and therefore fall into the level 3 fair value category.

20. Growing cane continued

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

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
2015						
Expected area to harvest in 2016 (hectares)	**5 179.0**	**19 054.0**	**16 907.8**	**8 236.0**	**9 376.0**	**5 929.9**
Estimated yield (tons cane/hectare)	**59.1**	**101.7**	**113.5**	**92.0**	**84.2**	**83.5**
Average maturity of cane at 31 March (%)	**57.0**	**67.5**	**66.7**	**66.7**	**50.0**	**66.7**
2014						
Expected area to harvest in 2015 (hectares)	5 151.0	19 572.8	16 555.0	8 150.0	9 293.0	5 758.0
Estimated yield (tons cane/hectare)	70.0	102.3	120.2	98.5	81.1	88.0
Average maturity of cane at 31 March (%)	57.0	66.7	66.7	66.7	60.0	66.7

A 1% change in the unobservable inputs could increase or decrease the fair value of the standing cane to the following values:

	March 2015		March 2014	
	+1% Rm	**-1% Rm**	+1% Rm	-1% Rm
Estimated sucrose content	**1 813.1**	**1 776.4**	1 679.6	1 645.4
Estimated sucrose price	**1 819.9**	**1 774.6**	1 683.7	1 641.3

	Group		**Company**	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
21. Trade and other receivables				
Trade receivables	**1 243.7**	860.9	**–**	–
Prepayments	**61.6**	38.0	**0.2**	0.3
Taxation receivable	**65.4**	56.2	**15.4**	7.6
VAT recoverable	**145.9**	225.3	**41.0**	88.8
Other receivables	**144.3**	128.8	**20.4**	9.2
	1 660.9	1 309.2	**77.0**	105.9

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Additional disclosures concerning the management of credit risk have been provided in note 41.

An allowance has been made for impairment of receivables amounting to R1.7 million (2014: R2.5 million) in the group. No allowance for impairment of receivables has been provided for in the company (2014: nil).

22. Factory overhaul costs

	Group 2015 Rm	Group 2014 Rm	**Company 2015 Rm**	Company 2014 Rm
Balance at beginning of year	**338.6**	309.3	**–**	–
Capitalised during the year	**381.9**	385.1	**–**	–
Amortised during the year	**(349.7)**	(364.4)	**–**	–
Exchange rate translation	**1.2**	8.6		
Balance at end of year	**372.0**	338.6	**–**	–

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
23. Derivative financial instruments				
Forward exchange contracts – designated as cash flow hedges	**(56.7)**	(43.0)	**–**	–
	(56.7)	(43.0)	**–**	–
Comprising:				
Assets	**24.4**	18.5	**–**	–
Liabilities	**(81.1)**	(61.5)	**–**	–
	(56.7)	(43.0)	**–**	–

The fair values of derivative 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. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in note 41.

	Group and Company 2015 Rm	Group and Company 2014 Rm
24. Share capital and premium		
Authorised:		
900 000 000 (2014: 900 000 000) ordinary shares of 4 cents each	**36.0**	36.0
Issued and fully paid:		
460 730 557 (2014: 460 622 957) ordinary shares of 4 cents each^	**18.4**	18.4
Share premium	**1 177.7**	1 591.5
	1 196.1	1 609.9
The movement for the year was as follows:		
Balance at beginning of year	**1 609.9**	2 055.4
Share options exercised	**0.8**	1.3
Transfer to distribution reserve (refer note 27)	**(414.6)**	(446.8)
Balance at end of year	**1 196.1**	1 609.9

^ *Included in issued share capital are 224 000 shares (2014: nil) purchased on behalf of the executive directors and senior employees that have not yet vested in terms of the Forfeitable Share Plan. Refer to note 36 for further details on this plan.*

	Group and Company 2015 Rm	Group and Company 2014 Rm
25. Share-based payment reserve		
Equity-settled share option scheme	**13.1**	13.1
Shares purchased in terms of forfeitable share plan	**(5.9)**	–
Total share-based payment reserve	**7.2**	13.1
Movement for the year:		
Balance at beginning of year	**13.1**	13.1
Purchase of shares in terms of forfeitable share plan	**(5.9)**	–
Balance at end of year	**7.2**	13.1

All outstanding share options are fully vested and as a result, no further expense is required to be recognised in respect of the equity-settled share option scheme. No expense has been recognised in respect of the Forfeitable Share Plan as the vesting criteria are not expected to be achieved.

Notes to the annual financial statements continued

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
26. Non-distributable reserves				
Comprises:				
Capital redemption reserve fund	**37.1**	37.1	**35.6**	35.6
Hedging reserve	**(41.0)**	(31.3)	**–**	–
Foreign currency translation reserve	**–**	–		
Total non-distributable reserves	**(3.9)**	5.8	**35.6**	35.6
Movement for the year:				
Balance at beginning of year	**5.8**	42.3	**35.6**	35.6
Transfer of debit foreign currency translation reserve to retained earnings (refer note 28)	**416.8**	64.9		
Total comprehensive income for the year:				
Cash flow hedges	**(9.7)**	(36.5)	**–**	–
Hedge of net investment in foreign subsidiary	**(11.9)**	(229.9)		
Foreign currency translation differences	**(404.9)**	165.0		
Balance at end of year	**(3.9)**	5.8	**35.6**	35.6

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the gains and losses on instruments that hedge the group's net investment in foreign subsidiaries.

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
27. Distribution reserve				
Balance at beginning of year	**276.4**	280.9	**276.4**	280.9
Transfer from share premium (refer note 24)	**414.6**	446.8	**414.6**	446.8
Less distributions paid (refer note 9)	**(446.9)**	(451.3)	**(446.9)**	(451.3)
Balance at end of year	**244.1**	276.4	**244.1**	276.4

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
28. Retained earnings				
Balance at beginning of year	**4 435.1**	3 576.8	**2 009.7**	1 271.4
Total comprehensive income for the year:				
Profit for the year	**826.4**	916.3	**601.3**	724.4
Actuarial gain on post-retirement obligations	**31.2**	6.9	**34.5**	13.9
Transfer of debit foreign currency translation reserve from non-distributable reserves (refer note 26)	**(416.8)**	(64.9)		
Gain on part-disposal of shareholding in subsidiary	**93.1**	–		
Gain on liquidation of subsidiary	**59.9**	–		
Balance at end of year	**5 028.9**	4 435.1	**2 645.5**	2 009.7
29. Long-term borrowings				
Secured borrowings	**302.2**	313.0	**–**	–
Unsecured borrowings	**1 840.4**	1 662.4	**–**	–
Total borrowings	**2 142.6**	1 975.4	**–**	–
Less: Current portion redeemable and repayable within one year (refer note 32)	**(99.7)**	(150.6)	**–**	–
	2 042.9	1 824.8	**–**	–
The above borrowings are due for repayment in the following years ending 31 March:				
2015		150.6		–
2016	**99.7**	77.3	**–**	–
2017	**1 002.9**	866.9	**–**	–
2018	**89.9**	880.6	**–**	–
2019 and thereafter	**950.1**		**–**	–
	2 142.6	1 975.4	**–**	–

	Foreign currency million	Years of redemption/ payment	Interest rate %	Group 2015 Rm	Group 2014 Rm
Analysis of borrowings					
Unsecured loans:					
US Dollar	151.6	2015 to 2019	4.3	**1 840.4**	1 662.4
Total unsecured borrowings				**1 840.4**	1 662.4
Secured loans:					
Tanzanian Shilling*	39 842.0	2015 to 2018	14.6	**259.4**	289.5
South African Rand~		2015 to 2019	8.5	**42.8**	23.5
Total secured borrowings				**302.2**	313.0
Total borrowings				**2 142.6**	1 975.4

* *These loans are secured by land and buildings of Illovo Distillers (Tanzania) Limited, with a net book value of R352.4 million (2014: R360.4 million).*

~ *This amount represents a finance lease liability, and is secured by the assets leased. Refer note 39.1.*

Notes to the annual financial statements continued

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
30. Deferred taxation				
Balance at beginning of year	**1 145.8**	872.7	**(25.8)**	(49.7)
Current year income statement charge	**202.6**	228.1	**6.2**	18.2
Prior year income statement charge	**7.2**	2.5	**–**	0.3
Current year other comprehensive income (relief)/charge	**(0.6)**	(1.4)	**13.4**	5.4
Exchange rate translation	**29.1**	43.9		
Balance at end of year	**1 384.1**	1 145.8	**(6.2)**	(25.8)
Analysis of provision				
– property, plant and equipment	**785.5**	673.4	**15.2**	10.6
– growing cane and cane roots	**779.2**	661.9	**–**	–
– tax losses	**(174.5)**	(166.7)	**–**	–
– other	**(6.1)**	(22.8)	**(21.4)**	(36.4)
Balance at end of year	**1 384.1**	1 145.8	**(6.2)**	(25.8)
– asset	**(28.5)**	(44.1)	**(6.2)**	(25.8)
– liability	**1 412.6**	1 189.9	**–**	–
31. Deferred income				
Co-generation electricity supply	**111.8**	121.7	**–**	–
Less: Portion to be recognised within one year (refer note 33)	**(10.0)**	(10.0)	**–**	–
	101.8	111.7	**–**	–

Deferred income represents an amount received for the exclusive right, for the Swaziland Electricity Company to purchase all surplus electricity in Swaziland. The deferred income will be amortised to profit over the duration of the supply agreement and is secured by farmland with a net book value of R81.9 million (2014: R89.2 million).

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
32. Short-term borrowings				
Amounts due to bankers	**614.7**	297.3	**–**	–
Total current portion of long-term borrowings (refer note 29)	**99.7**	150.6	**–**	–
Current portion of long-term borrowings	**85.5**	145.3	**–**	–
Current portion of finance lease liability (refer note 39.1)	**14.2**	5.3	**–**	–
	714.4	447.9	**–**	–

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

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
33. Trade and other payables				
Trade payables	**978.5**	912.1	**297.9**	276.3
Accruals and other accounts payable	**973.2**	937.5	**82.6**	67.7
Leave pay	**80.8**	73.9	**11.4**	10.3
Deferred income (refer note 31)	**10.0**	10.0	**–**	–
	2 042.5	1 933.5	**391.9**	354.3

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximate their fair value. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

	Group		Company	
	2015	2014	**2015**	2014
	Rm	Rm	**Rm**	Rm

34. Provisions

Post-retirement benefits*				
Balance at beginning of year	**194.8**	181.4	**99.8**	107.2
Raised during the year	**7.8**	12.6	**1.9**	1.6
Utilised during the year	**(2.3)**	(7.6)	**–**	–
Actuarial losses/(gains)	**12.5**	7.7	**7.8**	(9.0)
Exchange rate translation	**0.1**	0.7		
Balance at end of year	**212.9**	194.8	**109.5**	99.8
Current portion	**20.0**	19.7	**7.1**	6.8
Non-current	**192.9**	175.1	**102.4**	93.0
Cash-settled share-based payments				
Balance at beginning of year	**50.0**	60.7	**45.8**	60.7
Utilised during the year	**(22.5)**	(10.7)	**(18.3)**	(14.9)
Balance at end of year	**27.5**	50.0	**27.5**	45.8
Current portion	**23.3**	30.7	**23.3**	28.1
Non-current portion	**4.2**	19.3	**4.2**	17.7
Total provisions				
Balance at beginning of year	**244.8**	242.1	**145.6**	167.9
Utilised during the year	**(17.0)**	(5.7)	**(16.4)**	(13.3)
Actuarial losses/(gains)	**12.5**	7.7	**7.8**	(9.0)
Exchange rate translation	**0.1**	0.7		
Balance at end of year	**240.4**	244.8	**137.0**	145.6
Current portion	**43.3**	50.4	**30.4**	34.9
Non-current portion	**197.1**	194.4	**106.6**	110.7

* *Refer to note 35 for details of post-retirement benefits.*

35. Retirement benefits

Two defined benefit pension funds and a number of defined contribution funds cover the large majority of employees, other than those covered by membership of various service-based retirement arrangements.

During the year, a net expense of R31.2 million (2014: R30.0 million) was recognised in respect of defined benefit plans (refer note 35.1), and an expense of R164.0 million (2014: R144.9 million) in respect of defined contribution plans and statutory retirement arrangements.

South Africa
All South African pension plans are funded, with their assets held in administered trust funds which are governed by the Pension Funds Act, 1956. The board of the pension fund is comprised of representatives from both employer and employees. The board of the pension fund is required by law and by its rules to act in the interest of the fund and of all relevant stakeholders in the scheme. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. Plan assets primarily consist of listed shares, fixed income securities and investments in the money market.

The defined benefit plan operates as a closed fund and covers 1 096 employees (2014:1 115).

The defined benefit plan is actuarially valued for statutory purposes at intervals of not more than three years. Any deficits that are identified are funded by the company by way of increased future contributions or by the payment of an actuarially determined lump sum. The statutory actuarial valuations of the defined benefit plan as at 1 January 2014 is complete and was submitted to the Financial Services Board (FSB). The independent consulting actuary found the plan to be in a sound financial position. A surplus of R75.6 million was distributed to active members, pensioners, deferred pensioners and the employer. This was in the form of additional service to the active members, a lump sum or pension increase to pensioners and a pension increase to deferred pensioners.

The accounting actuarial valuation of the defined benefit plan was carried out as at 31 March 2015 in accordance with IAS 19. The combined fair value of the benefit plan assets amounted to R1 175.9 million (2014: R1 170.8 million), whilst the present value of promised retirement benefits totalled R990.2 million (2014: R880.9 million). As at 31 March 2015, the company is only unconditionally entitled to a surplus in the plan assets of R72.3 million (2014: R20.0 million). This surplus has been recognised as an asset.

In arriving at these findings, the actuary took into account a discount rate of 7.30% (2014: 9.10%), an expected rate of salary increase of 6.00% (2014: 7.30%), an expected rate of pension increase of 4.50% (2014: 5.67%) and an expected rate of inflation of 5.00% (2014: 6.30%).

A net expense of R7.9 million (2014: R11.5 million) has been recognised in the financial period relating to the defined benefit plan. The current year contribution to the three defined contribution plans totalled R76.8 million (2014: R64.8 million).

Malawi
Pensions are provided for all senior employees through the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund. The assets are held in independently administered funds. Retirement benefits for other staff are provided for by the Employment Act regulations. The pension cost of R15.2 million (2014: R11.3 million) is recognised in the year in which it is incurred.

Zambia
Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme and statutory severance pay schemes. Contributions to the defined contribution pension scheme are recognised in the year in which the related services are rendered by the employees. An amount of R22.8 million (2014: R19.6 million) was expensed during the year in respect of the defined contribution pension scheme.

Membership of the National Pension Authority is compulsory for all employees of Zambia Sugar and Nanga Farms with the exception of expatriate employees. Monthly contributions are made by both the employer and the employee, and in the current year the employer's contribution totalled R20.7 million (2014: R20.5 million).

Swaziland
The group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions of R11.9 million (2014: R10.0 million) to these funds are treated as an expense in the financial period.

A defined benefit fund exists consisting of employees who retired prior to October 2004. The board of the pension fund is composed of representatives from both employer and employees, and is required by law and by its rules to act in the interest of the fund and of all relevant stakeholders in the scheme. The board is also responsible for the investment policy with regard to the assets of the fund.

The accounting actuarial valuation of the defined benefit plan was carried out as at 31 March 2015 in accordance with IAS 19. The fair value of the benefit plan assets amounted to R9.6 million (2014: R9.0 million) whilst the actuarial present value of promised retirement benefits totalled R11.2 million (2014: R10.2 million) resulting in a deficit of R1.6 million (2014: R1.2 million). Net income of R3.3 million (2014: R0.4 million) has been recognised in profit and loss.

In arriving at the valuation, the actuary took into account a discount rate of 6.70% (2014: 8.50%) and an inflation rate of 4.50% (2014: 6.30%). Refer to note 35.1 for defined benefit disclosure.

Tanzania and Mozambique
There are no group retirement plans in Tanzania and Mozambique, however, employees are covered for retirement purposes by statutory social security arrangements established by the respective governments. The group contributes a percentage of the payroll in terms of the statutory requirements and in the current year R11.0 million (2014: R13.3 million) and R5.6 million (2014: R5.4 million) was expensed in respect of these arrangements in Tanzania and Mozambique respectively.

35. Retirement benefits continued

Service-based retirement arrangements

The group has an obligation to provide severance benefits to members of service-based retirement arrangements in Swaziland and Tanzania based on the length of permanent employment service. At 31 March 2015, the total provision amounted to R74.9 million (2014: R70.4 million) (refer to note 35.1 for defined benefit disclosure).

Post-retirement medical benefits

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

The unfunded liability for post-retirement medical benefits is provided on the projected unit credit method, determined actuarially. At 31 March 2015, the total provision amounted to R136.4 million (2014: R123.2 million). During the current year, R3.7 million (2014: R3.6 million) was expensed to the income statement whilst actuarial losses of R9.4 million (2014: actuarial gains of R13.7 million) were recognised in full in other comprehensive income. The group expects to make contributions of R8.2 million (2014: R7.8 million) during the next financial year.

A valuation of this provision was performed as at 31 March 2015. In arriving at the valuation, the actuary took into account a discount rate of 7.60% (2014: 9.30%), an expected rate of health care inflation of 7.40% (2014: 8.40%) and an expected retirement age of 58 (2014: 58). An increase in the health care inflation of 1% will increase the liability by R17.1 million (2014: R14.7 million) and a decrease in the health care inflation of 1% will decrease the liability by R14.3 million (2014: R12.3 million). An increase in the discount rate of 1% will decrease the liability by R14.3 million (2014: R12.4 million) and a decrease in the discount rate of 1% will increase the liability by R17.5 million (2014: R15.0 million).

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
35.1 Defined benefit plans				
The amount included in the statement of financial position in respect of defined benefit obligations, in terms of IAS 19, is as follows:				
Present value of funded defined benefit obligations	**(1 001.4)**	(891.1)	**(990.2)**	(880.9)
Fair value of plan assets	**1 185.5**	1 179.8	**1 175.9**	1 170.8
	184.1	288.7	**185.7**	289.9
Unrecognised due to Paragraph 58 Limit	**(113.4)**	(269.9)	**(113.4)**	(269.9)
Funded status	**70.7**	18.8	**72.3**	20.0
Present value of unfunded defined benefit obligations	**(211.3)**	(193.6)	**(109.5)**	(99.8)
Net liability arising from defined benefit obligations	**(140.6)**	(174.8)	**(37.2)**	(79.8)
– defined benefit asset	**72.3**	20.0	**72.3**	20.0
– defined benefit liability	**(212.9)**	(194.8)	**(109.5)**	(99.8)

The net defined benefit obligation is made up of the following: Illovo Sugar Pension Fund R72.3 million asset (2014: R20.0 million asset), the Ubombo Sugar Pension Fund R1.6 million liability (2014: R1.2 million liability), severance benefits in Swaziland of R63.9 million liability (2014: R58.1 million liability), severance benefits in Tanzania of R11.0 million liability (2014: R12.3 million liability) and post-retirement medical benefits in South Africa of R136.4 million liability (2014: R123.2 million liability). The pension funds are funded obligations, whereas the severance and post-retirement medical benefits are unfunded obligations.

	Group		Company	
	2015	2014	**2015**	2014
	Rm	Rm	**Rm**	Rm
35. Retirement benefits continued				
35.1 Defined benefit plans continued				
Movements in the present value of the defined benefit obligations:				
Balance at beginning of year	**1 084.7**	1 176.3	**980.7**	1 093.4
Current service cost	**14.2**	16.1	**9.2**	12.4
Interest cost	**96.4**	84.9	**86.3**	77.8
Contributions by plan members	**2.0**	2.2	**2.0**	2.2
Benefits and risk premiums paid	**(96.2)**	(60.5)	**(85.2)**	(52.3)
Curtailment/settlement	**–**	(20.5)	**–**	(20.5)
Plan amendments	**–**	1.6	**–**	1.6
Administration expenses paid	**(2.0)**	(2.3)	**(2.0)**	(2.2)
Actuarial losses/(gains)	**113.5**	(113.8)	**108.7**	(131.7)
Exchange rate translation	**0.1**	0.7		
Balance at end of year	**1 212.7**	1 084.7	**1 099.7**	980.7
Unfunded defined benefit obligation	**211.3**	193.6	**109.5**	99.8
Funded defined benefit obligation	**1 001.4**	891.1	**990.2**	880.9
Movements in the fair value of the plan assets:				
Balance at beginning of year	**1 179.8**	1 087.3	**1 170.8**	1 078.6
Expected return on plan assets	**103.9**	76.3	**103.2**	75.8
Contributions	**10.0**	10.0	**6.5**	9.4
Benefits and risk premiums paid	**(82.1)**	(47.6)	**(78.2)**	(45.7)
Curtailment/settlement	**–**	(20.8)	**–**	(20.8)
Administration expenses paid	**(2.1)**	(2.4)	**(2.0)**	(2.2)
Actuarial (losses)/gains	**(24.1)**	76.9	**(24.4)**	75.7
Balance at end of year	**1 185.5**	1 179.8	**1 175.9**	1 170.8
The amounts recognised in profit or loss in respect of these defined benefit plans are as follows:				
Current service cost	**14.2**	16.1	**9.2**	12.4
Interest on obligation	**96.4**	84.9	**86.3**	77.8
Expected return on plan assets	**(103.9)**	(76.3)	**(103.2)**	(75.8)
Interest on unrecognised plan assets	**24.5**	5.0	**24.5**	5.0
Curtailment/settlement	**–**	0.3	**–**	0.3
Net expense in respect of defined benefit accounting	**31.2**	30.0	**16.8**	19.7
Amounts recognised in other comprehensive income	**(43.2)**	(2.6)	**(47.9)**	(19.3)
The major categories of plan assets at the end of the reporting period are as follows:				
Cash	**380.7**	347.1	**379.3**	346.8
Equity	**302.1**	308.2	**300.7**	306.1
Bonds	**169.9**	171.1	**169.2**	169.3
Other	**332.8**	353.4	**326.7**	348.6
	1 185.5	1 179.8	**1 175.9**	1 170.8

35. **Retirement benefits** continued

35.1 **Defined benefit plans** continued

Sensitivity analysis:

Average salary increases and discount rates have a significant effect on the amounts reported for the defined benefit obligation. A 1% change in the assumed rates could increase or decrease the relevant amounts to:

	Inflation rate		Discount rate	
	+1%	-1%	+1%	-1%
	Rm	Rm	Rm	Rm
Defined benefit obligation	**1 335.7**	**1 117.4**	**1 125.7**	**1 328.9**

The history of experience adjustments is as follows:

	Group			
	2015	2014	2013	2012
Experience adjustments on plan liabilities	**113.5**	(113.8)	132.9	65.0
Experience adjustments on plan assets	**24.1**	(76.9)	(37.1)	11.9
	Company			
	2015	2014	2013	2012
Experience adjustments on plan liabilities	**108.7**	(131.7)	122.1	56.9
Experience adjustments on plan assets	**24.4**	(75.7)	(36.9)	11.3

The group expects to make contributions of R3.3 million (2014: R3.6 million) to the defined benefit plans during the next financial year.

The plans typically expose the group to following risks:

Interest risk	A decrease in the bond interest rate will increase the plan obligation; however, this will be partially offset by an increase in the return of the plan's investments.
Salary risk	The present value of the defined benefit plan obligation is calculated by reference to the future salaries of participants. As such, an increase in the salary of the participants will increase the plan's obligation.
Investment risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, bonds and cash.

36. Share-based payments

Equity-settled share option scheme

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

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

	Company and Group			
	2015		2014	
	Number of share options	**Weighted average option price Rand**	Number of share options	Weighted average option price Rand
Outstanding at beginning of year	**111 200**		286 700	
Expired	**(3 600)**		–	
Exercised	**(107 600)**	**7.70**	(175 500)	7.44
Outstanding at end of year	**–**		111 200	
Exercisable at end of year	**–**		111 200	

All outstanding share options are fully vested and as a result, no further expense is required to be recognised in respect of the equity-settled share option scheme.

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

Company and Group					
Grant date	Vesting date	Expected option lifetime	Rolling volatility	Dividend yield	Risk-free rate
21/05/2003	21/05/2006	4	33.91	5.70	9.42
21/05/2003	21/05/2007	5	33.14	5.70	9.42
21/05/2003	21/05/2008	6	33.14	5.70	9.44
2/06/2004	2/06/2007	4	33.91	5.94	9.88
2/06/2004	2/06/2008	5	33.14	5.94	9.88
2/06/2004	2/06/2009	6	33.14	5.94	9.91

Equity-settled Forfeitable Share Plan

During the current year, the group introduced a Forfeitable Share Plan (FSP) providing executive directors and senior employees (participants) with a long-term incentive scheme.

Ownership of the awarded shares vests immediately following an award (within an escrow account), allowing the participants to dividends and voting rights. In order for the share plan to better align the participants with the interests of the shareholders, the vesting of the shares is conditional on both the participants remaining employed (ie, service condition) and the group achieving a headline earnings per share growth target (ie, non-market performance conditions) over the three year period from grant date. If the conditions are not achieved, the shares are forfeited back to the group for no consideration.

During the year, 224 000 shares were approved by the Remuneration Committee and purchased by the company at a cost of R5.9 million.

36. **Share-based payments** continued

Equity-settled Forfeitable Share Plan continued

Details of the share plan are as follows:

	Company and Group	
Grant date	Vesting date	Expected vesting period
2/12/2014	2/12/2017	3

Cash-settled equity instrument scheme

The company issues cash-settled equity instruments to certain employees that require the company to pay the intrinsic value of the cash-settled equity instrument at the date of exercise. The grant price of the instrument is based on the average of the closing market price of the company's shares on the JSE Limited for the 30 trading days immediately preceding the date of grant.

At 31 March 2015, the fair value of the obligation in respect of the cash-settled equity instrument scheme was determined actuarially to be R27.5 million (2014: R50.0 million) and an amount of R22.5 million recognised as income (2014: R10.7 million). The vesting periods for the scheme are the same as those applicable to the equity-settled share option scheme.

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

		2015	2014
Share price	(cents)	**2 378**	2 801
Expected option lifetime			
– vesting period three	(years)	**3**	3
– vesting period four	(years)	**4**	4
– vesting period five	(years)	**5**	5
Expected rolling volatility			
– one-year expected option lifetime	(%)	**18.89**	22.94
– two-year expected option lifetime	(%)	**20.95**	19.32
– three-year expected option lifetime	(%)	**19.15**	19.28
– four-year expected option lifetime	(%)	**19.15**	20.19
– five-year expected option lifetime	(%)	**19.84**	22.75
Risk-free interest rate			
– one-year expected option lifetime	(%)	**6.16**	6.46
– two-year expected option lifetime	(%)	**6.43**	7.21
– three-year expected option lifetime	(%)	**6.62**	7.48
– four-year expected option lifetime	(%)	**6.81**	7.72
– five-year expected option lifetime	(%)	**6.98**	7.96
Expected dividend yield	(%)	**3.29**	2.65
Forfeiture rate per annum	(%)	**5.00**	5.00

Illovo Sugar Employees' Share Purchase Scheme

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

Notes to the annual financial statements continued

	Group 2015 Rm	Group 2014 Rm
37. Capital expenditure commitments		
South Africa		
– contracted	**77.5**	19.8
– approved but not contracted	**191.7**	174.8
Malawi		
– contracted	**25.4**	18.0
– approved but not contracted	**128.8**	213.5
Zambia		
– contracted	**16.1**	13.2
– approved but not contracted	**994.6**	117.5
Swaziland		
– contracted	**3.3**	22.9
– approved but not contracted	**113.8**	59.2
Tanzania		
– contracted	**4.8**	13.1
– approved but not contracted	**55.7**	42.5
Mozambique		
– contracted	**1.7**	0.6
– approved but not contracted	**39.8**	49.9
Corporate		
– contracted	**198.1**	167.5
– approved but not contracted	**17.1**	129.7
Contracted	**326.9**	255.1
Approved but not contracted	**1 541.5**	787.1
	1 868.4	1 042.2

The capital expenditure will be financed from cash resources and facilities negotiated and not yet utilised.

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
38. Contingent liabilities				
Guarantees in respect of liabilities of third parties and claims against the group	**155.9**	116.5		
Guarantees in respect of liabilities of subsidiary companies			**1 318.7**	1 219.4
	155.9	116.5	**1 318.7**	1 219.4

The group has guaranteed certain obligations of its associate company, Gledhow Sugar Company (Pty) Limited, to the extent of R100 million. The group has arrangements to recover any outflows associated with this guarantee from the other shareholders of the associate in proportion to their shareholding.

39. Leases

39.1 Finance lease liabilities

Included in borrowings are capitalised finance lease liabilities in respect of computer equipment. The average lease term is four years, and the group has the option to purchase the computer equipment for a nominal amount at the end of the lease term. The finance lease liabilities are secured by the assets leased. Interest rates underlying all finance lease liabilities are fixed at respective contract dates, at an average rate across the assets of 8.5%.

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	Rm	Rm	**Rm**	Rm
Not later than one year	**17.6**	8.1	**14.2**	5.3
Later than one year and not later than five years	**35.2**	23.1	**28.6**	18.2
Later than five years	**–**	–	**–**	–
	52.8	31.2	**42.8**	23.5
Less: future finance charges	**(10.0)**	(7.7)		
Present value of minimum lease payments	**42.8**	23.5	**42.8**	23.5
Included in the consolidated financial statements as:				
– current (refer note 32)			**14.2**	5.3
– non-current (refer note 29)			**28.6**	18.2
			42.8	23.5

39.2 Operating lease commitments

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

	2016 Rm	2017 Rm	2018 Rm	2019 Rm	2020 onwards Rm	**2015 Rm**	2014 Rm
Property	22.7	13.3	12.1	12.0	93.2	**153.3**	155.3
Plant and equipment	18.0	5.6	5.2	3.8	3.4	**36.0**	65.4
Total lease commitments	40.7	18.9	17.3	15.8	96.6	**189.3**	220.7

40. Related party transactions

The group, in the ordinary course of business, enters into various transactions with related parties. These transactions occurred under terms which are no more or less favourable than those arranged with third parties. Balances and transactions between companies within the group have been eliminated on consolidation.

	Group				
	Sale of goods Rm	Fees paid to related parties Rm	Interest paid to related parties Rm	Loans due to related parties Rm	Amounts due by/(to) related parties Rm
2015					
Transactions and balances with:					
– joint ventures and associates	**–**	**–**	**–**	**–**	**84.5**
– fellow subsidiaries of holding company	**67.4**	**–**	**(57.5)**	**(1 840.8)**	**(0.3)**
– own holding company	**–**	**–**	**(0.8)**	**–**	**–**
– minority shareholders of subsidiaries	**–**	**(34.1)**	**–**	**–**	**(2.5)**
	67.4	**(34.1)**	**(58.3)**	**(1 840.8)**	**81.7**
2014					
Transactions and balances with:					
– joint ventures and associates	–	–	–	–	72.1
– fellow subsidiaries of holding company	73.4	–	(31.9)	(1 593.4)	(1.1)
– own holding company	–	–	(10.5)	(69.0)	–
– minority shareholders of subsidiaries	–	(28.8)	–	–	(9.2)
	73.4	(28.8)	(42.4)	(1 662.4)	61.8

40. Related party transactions continued

	Company			
	Sale of goods Rm	Management, director and other fees received Rm	Dividends received Rm	Interest received Rm
2015				
Transactions and balances with:				
– directly owned subsidiaries	**–**	**46.9**	**562.8**	**101.4**
– indirectly owned subsidiaries	**620.0**	**157.6**	**–**	**90.6**
	620.0	**204.5**	**562.8**	**192.0**
2014				
Transactions and balances with:				
– directly owned subsidiaries	–	50.2	608.8	78.5
– indirectly owned subsidiaries	608.3	152.4	–	84.2
	608.3	202.6	608.8	162.7

Subsidiaries, joint ventures and associates

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

Compensation of key management personnel

The remuneration of key management personnel for the year ended 31 March 2015 has been disclosed in the Remuneration report on page 78 of the Integrated Annual Report.

Shareholders

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed on page 101 of the Integrated Annual Report.

Interests of directors in contracts

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

Shareholders and related interests of directors and officers in share capital

Details have been included in the director's report on page 5.

Recovery of management services

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

41. Financial risk management

Financial instruments consist primarily of cash deposits with banks, investments and loans, trade and other receivables and payables, derivative instruments and bank borrowings. Financial instruments are carried at fair value or amounts that approximate fair value.

Categories of financial instruments	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Financial assets				
Loans and receivables	**2 028.4**	1 744.6	**219.8**	367.9
Investments	**74.7**	22.5	**74.7**	22.5
Derivative financial instruments designated as cash flow hedges	**24.4**	18.5	**–**	–
Financial liabilities				
Derivative financial instruments designated as cash flow hedges	**81.1**	61.5	**–**	–
Financial liabilities measured at amortised cost	**5 240.0**	4 606.5	**391.9**	354.7
Reconciliation to the statement of financial position				
Loans	**163.9**	157.8	**0.8**	0.8
Trade and other receivables	**1 388.0**	989.7	**20.4**	9.2
Cash and cash equivalents	**476.5**	597.1	**198.6**	357.9
Loans and receivables	**2 028.4**	1 744.6	**219.8**	367.9
Trade and other payables	**2 032.5**	1 923.5	**391.9**	354.3
Long-term borrowings	**2 042.9**	1 824.8	**–**	–
Short-term borrowings	**1 164.6**	858.2	**–**	0.4
Financial liabilities measured at amortised cost	**5 240.0**	4 606.5	**391.9**	354.7

41.1 Treasury risk management

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

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

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

41.2 Interest rate risk management

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

The interest rate profile at 31 March 2015 is as follows:

		Floating rate: Less than one year	Floating rate: Greater than one year	Fixed rate: Less than one year	Fixed rate: Greater than one year	Total borrowings
Borrowings	(Rm)	**1 150.4**	**2 014.3**	**14.2**	**28.6**	**3 207.5**
Total borrowings	(%)	**36**	**63**	**–**	**1**	**100**

Interest rate sensitivity

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

	2015 Rm	2014 Rm
If interest rates had been 50 basis points higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:	**15.8**	13.3

41. Financial risk management continued

41.3 Commodity price risk management

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

The quantities of sugar sold into the various markets are managed so as to ensure that the group realises the best possible return.

41.4 Currency risk management

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

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

	Group assets		Group liabilities	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
US Dollar	**193.4**	79.2	**40.1**	44.9
Euro	**58.1**	129.5	**0.3**	87.3
Other	**6.8**	12.6	**10.2**	17.1

Unhedged and uncovered foreign currency monetary items which are repayable within 12 months comprise:

	Group 2015		Group 2014	
	Foreign currency millions	**Amount in Rm**	Foreign currency millions	Amount in Rm
Assets				
US Dollar	**15.2**	**184.0**	2.7	28.9
Euro	**4.5**	**58.1**	8.9	129.5
Other		**6.8**		7.4
		248.9		165.8
Liabilities				
US Dollar	**3.3**	**40.1**	4.3	44.9
Euro	**–**	**0.3**	6.0	87.3
Other		**10.2**		17.1
		50.6		149.3

41. Financial risk management continued

41.4 Currency risk management continued

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar and the Euro. The sensitivity analysis below indicates the impact on the group's profit before tax resulting from the revaluation of unhedged and uncovered foreign currency denominated monetary items, outstanding on the reporting date, for an assumed 10% movement in the US Dollar and the Euro. A positive/(negative) number below indicates an increase/(decrease) in profit before tax where the Rand strengthens by 10% against the relevant currency. For a 10% weakening of the Rand against the relevant currency, there would be an equal and opposite impact on profit before tax.

	US Dollar		**Euro**	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
10% foreign currency sensitivity	**(15.3)**	(3.4)	**(5.8)**	(4.2)

The group has entered into certain forward exchange contracts which relate to specific items appearing on the statement of financial position or were entered into to cover forecast foreign currency proceeds not yet receivable and foreign currency purchases not yet delivered. The contracts will be utilised for purposes of trade during the 2016 financial year.

	Group 2015			Group 2014		
	Foreign currency million	**Average rate**	**Amount in Rm**	Foreign currency million	Average rate	Amount in Rm
Foreign currency sold						
US Dollar	**96.0**	**12.36**	**1 186.5**	64.3	10.68	686.8
Euro	**38.6**	**14.06**	**542.9**	52.5	14.39	755.6
Foreign currency purchased						
US Dollar	**(2.2)**	**12.18**	**(26.8)**	57.1	11.23	641.3
Euro	**(0.4)**	**13.00**	**(5.2)**	–	–	–

41. Financial risk management continued

41.5 Credit risk management

Credit risk consists mainly of short-term cash deposits and cash equivalent investments, trade receivables and loans. The group only deposits short-term cash with major banks of high quality credit standing and limits the amount of credit exposure to any one counterparty. Trade receivables and loans comprise a widespread base, and group companies undertake ongoing credit evaluations of the financial condition of the other parties. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2015, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

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

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Not past due	**1 112.9**	751.9	**–**	–
Past due by 30 days	**85.4**	97.1	**–**	–
Past due by 60 days	**30.6**	10.5	**–**	–
Past due by 90 days	**13.1**	0.9	**–**	–
Past due by 120 days and over	**3.4**	3.0	**–**	–
	1 245.4	863.4	**–**	–
Less: Allowance for doubtful debts	**(1.7)**	(2.5)	**–**	–
Trade receivables	**1 243.7**	860.9	**–**	–
No specific trade receivables have been placed under liquidation in either the current or the prior year.				
Allowance for doubtful debts				
Set out below is a summary of the movement in the allowance for doubtful debts for the year:				
Balance at beginning of year	**2.5**	2.0	**–**	–
(Decrease)/increase in allowance	**(0.8)**	0.6	**–**	–
Exchange rate translation	**–**	(0.1)		
Balance at end of year	**1.7**	2.5	**–**	–

41.6 Liquidity risk management

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. In terms of the company's Memorandum of Incorporation, the directors may from time to time, at their discretion, raise or borrow for the purpose of the company as they think fit. Group treasury is responsible for monitoring and managing liquidity and ensures that the group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The group also has access to uncommitted facilities to assist with short-term funding requirements.

The group treasury has access to the following local and foreign banking facilities at 31 March 2015:

	2015 Rm	2014 Rm
Local, fixed and flexible term, general banking facilities	**1 999.9**	1 785.6
Foreign, fixed and flexible term, general banking facilities	**3 166.5**	3 021.8
Total local and foreign banking facilities	**5 166.4**	4 807.4
Utilised portion of banking facilities	**1 321.5**	997.2
Unutilised portion of banking facilities	**3 844.9**	3 810.2
	5 166.4	4 807.4

41. Financial risk management continued

41.7 Capital risk management

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

42. Business combinations

On 30 April 2013, Illovo Group Holdings Limited, a subsidiary of the group, purchased 51% of the equity of Mitra Sugar Limited ("Mitra"), a sugar export agent, from ABF Investments Plc. A purchase consideration of €1 was transferred to increase Illovo Group Holdings Limited's shareholding in Mitra from 49% to 100%.

The group identified an opportunity to supply sugar into the niche markets in the EU, such as direct consumption sugar and specialty sugars. Mitra has been at the forefront of marketing Illovo specialty sugars into the EU over the past few years and this business continues to provide growth opportunities. Routing all Illovo export sugars through Mitra provided an opportunity to benefit from economies of scale and improved logistic costs. This resulted in the decision to acquire the remaining 51% shareholding in Mitra.

	2014 Rm
Fair value of assets acquired and liabilities assumed	
Property, plant and equipment	0.1
Trade and other receivables	1.5
Cash	15.6
Trade and other payables	(2.0)
Taxation	(3.0)
Dividends payable	(8.0)
Fair value of net assets acquired	4.2
Gain on bargain purchase arising on acquisition	
Purchase consideration	–
Plus: fair value of previously held equity interest	2.0
Less: fair value of net assets acquired	(4.2)
Gain on bargain purchase	(2.2)

On 30 April 2013 the 49% equity interest which Illovo Group Holdings Limited held in Mitra Sugar Limited immediately before the acquisition date was considered to approximate its fair value and amounted to R2.0 million. On acquisition date all amounts previously recognised in the foreign currency translation reserve of the group, arising on the equity accounting of Mitra Sugar Limited, are reclassified to profit and loss. An amount of R0.5 million has been recognised as a material item in the income statement.

Gain on bargain purchase	(2.2)
Reclassification of foreign currency translation reserve	0.5
Material item	(1.7)

As Mitra Sugar Limited is a sugar export agent of the group no post-acquisition revenue has been included in the income statement, however, post-acquisition operating profit of R5.3 million is included in the income statement.

43. 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.

Notes to the annual financial statements continued

44. Segmental analysis

The following is an analysis of the group's revenue and results by reportable segment.

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

Geographical 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

Note: Total assets exclude cash and cash equivalents, deferred tax and derivative financial instruments.

Segment revenue reported above represents revenue generated from external customers. Revenue of R1 189.5 million (2014: R1 647.9 million) arose from sales to the group's single largest customer. No other single customer contributed 10% or more to the group's revenue.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 1. This segment information is reported to the Executive Committee for the purpose of resource allocation and assessment of segment performance.