

Contents



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



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

Strategic response areas on pages 21 and 22:

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

GRI Index of sustainability performance – www.illovosugar.com

Business overview

Scope of report	2
Group profile	3
Group structure and locations	4
Vision and Values	6
Strategic Intent	7
Goals and objectives	7
Investment case	8
Key production and market statistics	10
Financial and non-financial indicators	11
Illovo's integrated business sustainability model	12
Materiality assessment	16
Stakeholder engagement	18
Strategic overview	20
Strategic and operational accountability	24
Value-added statement	26
Five-year review	27

Illovo board and leadership

A tribute to Don MacLeod	31
Chairman's statement	32
Directorate	34
Executive Committee	36
Managing Director's review	38

Commentaries

Financial Director's review	40
Operations Director's review	47
Commercial Director's review	51
World of sugar	55

Corporate governance

Corporate Governance Report	61
Social and Ethics Committee Report	71
Remuneration Report	74
Risk Management Report	80

Summary consolidated financial statements

Directors' Report	85
Audit Committee Report	89
Independent Auditor's Report	92
Summary consolidated annual financial statements	93

Shareholder information

Analysis of shareholders	101
Notice of annual general meeting	102
Shareholders' diary	106
Directors' curricula vitae	107
Glossary of terms	109
Corporate information	ibc
Form of proxy	attached

Scope of report

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

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

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

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

Reporting standards and assurance

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

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

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

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

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

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

Approval of Integrated Annual Report

The board acknowledges its responsibility to ensure the integrity of this report. The directors have collectively assessed the content and believe the report addresses all material issues and fairly presents the integrated performance of our group. The board has authorised the release of this report for 2015.

Don MacLeod
Chairman

Gavin Dalglish
Managing Director

21 May 2015



LEADING

ILLOVO IS A LEADING SUGAR PRODUCER AND A SIGNIFICANT MANUFACTURER OF DOWNSTREAM PRODUCTS. THE GROUP IS AFRICA'S BIGGEST SUGAR PRODUCER AND HAS EXTENSIVE AGRICULTURAL AND MANUFACTURING OPERATIONS IN SIX COUNTRIES.

The group produces raw and refined sugar primarily for local, regional African markets and exports to the European Union (EU), United States of America (USA) and other world markets. Sugar cane is supplied to Illovo's factories by our own agricultural operations and by independent outgrowers. High-value products manufactured downstream of the sugar production process are sold internationally into niche markets. Installed electricity generating capacity, fuelled by renewable resources, provides 89% of the group's energy requirements. Illovo is listed on the JSE Limited and is a subsidiary of Associated British Foods plc which holds 51.3% of the issued share capital.

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

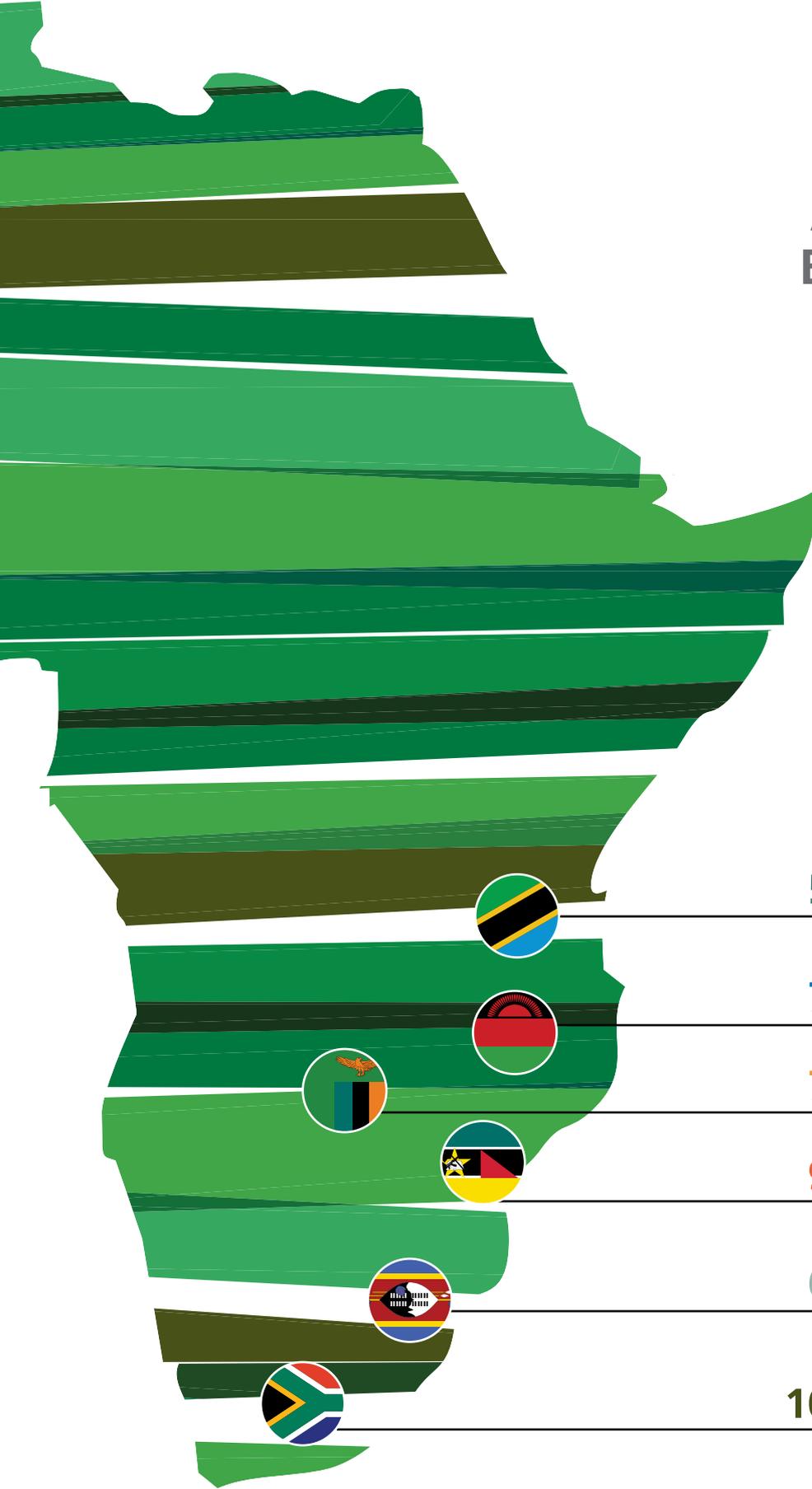
The group is a major supplier of sugar to the consumer and industrial markets in its own countries of operation and to neighbouring regional African markets, using an extensive network of distribution and logistics channels. In Zambia, Illovo's majority-owned Zambia Sugar Plc announced a major project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

The majority of our downstream production is sold internationally into high-value, niche markets. Furfural and its derivatives are produced at the Sezela mill complex on the

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

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

Group structure and locations



**ASSOCIATED
BRITISH FOODS***

51.3%

**ILLOVO
SUGAR LIMITED**

55% TANZANIA
Kilombero Sugar

76% MALAWI
Illovo Sugar (Malawi)

76% ZAMBIA
Zambia Sugar

90% MOZAMBIQUE
Maragra Açúcar

60% SWAZILAND
Ubombo Sugar

100% SOUTH AFRICA
Illovo Sugar SA

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

MALAWI

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar
- Speciality sugar

CONTRIBUTION TO
GROUP OPERATING
PROFIT

38%

MOZAMBIQUE

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Direct consumption raw sugar

CONTRIBUTION TO
GROUP OPERATING
PROFIT

1%

SOUTH AFRICA

KEY ELEMENTS

- Three rainfed sugar cane estates
- Four sugar factories, one including a refinery and 30% share in managed operation (including a refinery)
- Three downstream plants and 50% share in ethanol distillery
- Central warehouse and distribution facility
- Internal electricity generation
- Electricity exports (Eston)

PRODUCTION OF:

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

CONTRIBUTION TO
GROUP OPERATING
PROFIT

13%

SWAZILAND

KEY ELEMENTS

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

PRODUCTION OF:

- Sugar cane
- Raw and refined sugar

CONTRIBUTION TO
GROUP OPERATING
PROFIT

4%

TANZANIA

KEY ELEMENTS

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

PRODUCTION OF:

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

CONTRIBUTION TO
GROUP OPERATING
PROFIT

9%

ZAMBIA

KEY ELEMENTS

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

PRODUCTION OF:

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

CONTRIBUTION TO
GROUP OPERATING
PROFIT

35%

GROWTH



VISION

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

The **VALUES**
we seek to
embed in all
our business
operations

INCLUSIVENESS

▶ embracing diversity

EMPOWERMENT

▶ empowering our people

COMMITMENT

▶ working collaboratively

INTEGRITY

▶ upholding our values

ACCOUNTABILITY

▶ delivery-focused



STRATEGIC INTENT

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



GOALS AND OBJECTIVES

Primary objectives

- To achieve sustainable, balanced and integrated economic, social and environmental performance
- To provide all employees with a working environment that is safe and without risk to their health

Growth

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

Profitability

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

Asset management

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

Product development

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

Human resources

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

Corporate governance

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



STRENGTH

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

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

Clear vision and strategic focus with profitable growth opportunities

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

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

People are our strength

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

Products and markets the key

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

Sustainability – protecting our future and that of our stakeholders

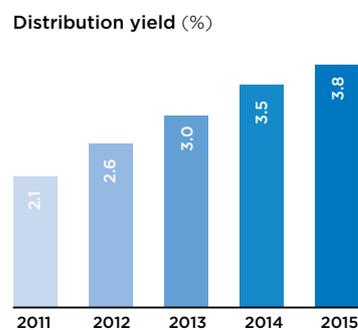
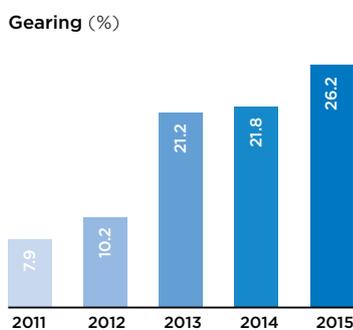
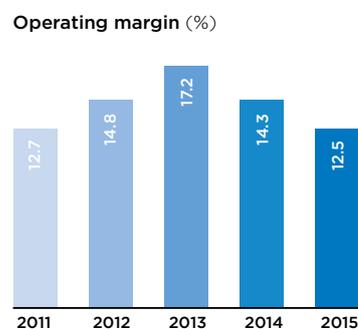
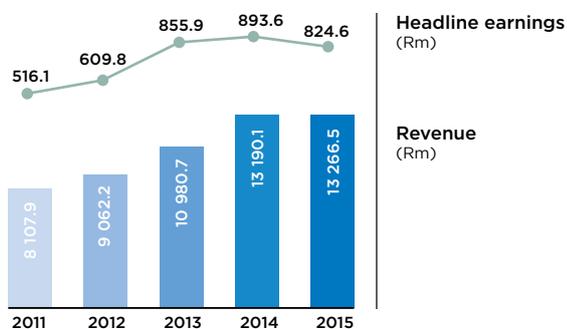
- High community impact, core values aligned to social and environmental responsibility
- Continued development of Illovo's cane sugar sustainability model, making maximum use of all input material with minimum waste products
- 89% of the group's energy requirements produced from own generating capacity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

Strong financial position and prospects

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

Top 10 shareholders

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



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

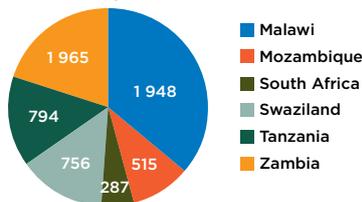


Key production and market statistics

for the year ended 31 March 2015



Own cane production ('000 tons)

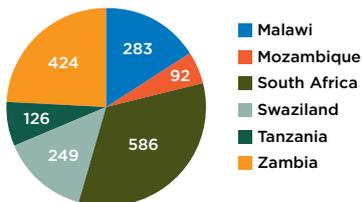


Total production 6,265 million tons

Headline earnings per share
179 cents

Sugar sales volumes of
1.787 million
tons

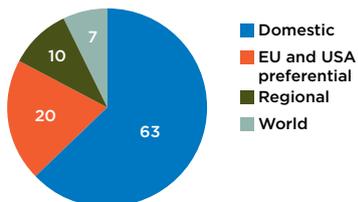
Sugar production ('000 tons)



Total production 1,760 million tons



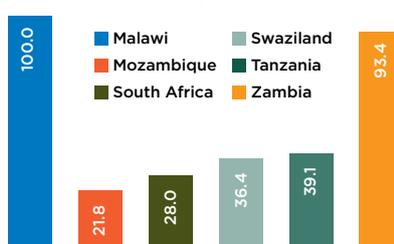
Group sugar markets (%)



Revenue of
R13 267 million

Downstream production contributes
16%
to operating profit

Share of industry sugar production (%)



Downstream production

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

Total distribution of
90 cents
per share

Sugar production
1.760 million
tons

Group employee and social investment spend* (%)



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

Financial and non-financial indicators

for the year ended 31 March 2015

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

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

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

Record ethanol production in South Africa and Tanzania

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

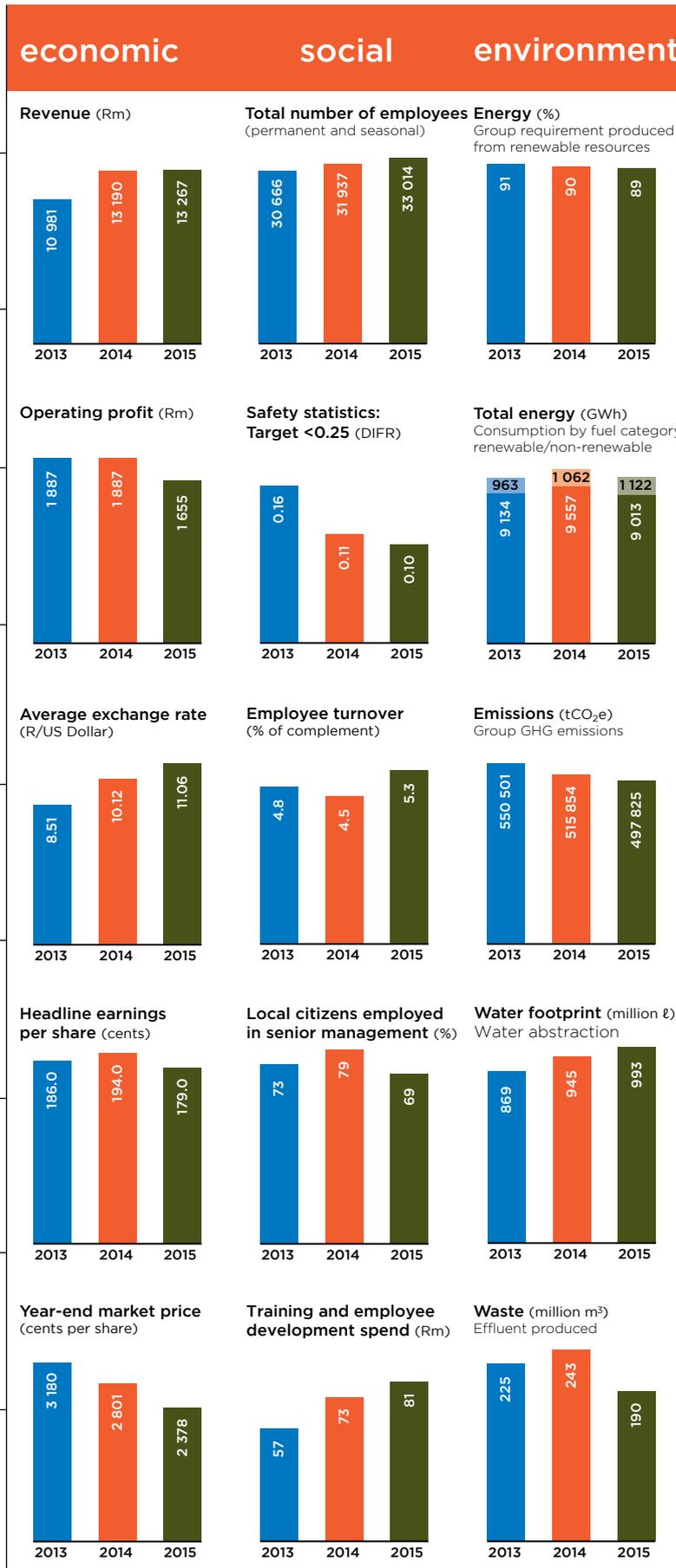
Better pricing received in domestic and some regional markets

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

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

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

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



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

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

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

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

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

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

Record cane crushed in Mozambique and Tanzania

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

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

Zero disabling injuries at 13 of 22 operating entities

Illovo's integrated business sustainability model

ENERGY

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

Gavin Dalgleish *Managing Director*

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

INTEGRATED SUGAR CANE PROCESSING

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

Sugar cane

- Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe, absorbing around 18 tCO₂ per hectare per annum.
- Harvesting in the southern hemisphere takes place between April and December when the cane is 12 to 24 months old.
- Once harvested, the cane commences a new growing cycle from its existing roots; this re-growth is called a "ratoon". Replanting takes place only every seven to 10 years, minimising soil disturbance and exposure to wind and water erosion.
- Rainfed cane in South Africa, with industry yields of around 65 tons of cane per hectare, minimises the impact on subterranean water supplies.
- In the rest of Africa, where irrigated cane yields are significantly higher, water for irrigation is sourced from secure and sustainable water resources such as large rivers, lakes and dams within permitted rights of use.



ENSURE

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

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

SUSTAINABILITY PRACTICES

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



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

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

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



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

Economic and social

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

Driven by the contribution we can make to the economic development and wellbeing of our stakeholders and the communities in which we operate, Illovo plays a significant economic role as a creator of wealth, contributing to the empowerment of emerging markets in the six African countries in which we operate, as reported in our Socio-economic Impact Report. We create value, not only by transforming raw materials into products for our customers and providing much needed employment, but also through the wealth creation provided by the substantial revenue created for our suppliers, contractors, distributors, service

providers, and the returns provided to our shareholders and investors. Significant economic benefits accrue to governments through direct and indirect taxes and also through the provision of infrastructure, education and health care, thereby directly and indirectly benefiting the surrounding communities, and generally providing much needed social benefits and supply opportunities in the developing regions of Africa.

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

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

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

Human capital

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

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

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

Human rights and ethics

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

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

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

Environment

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

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

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

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

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

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

PROTECT

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

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

RISK MANAGEMENT

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

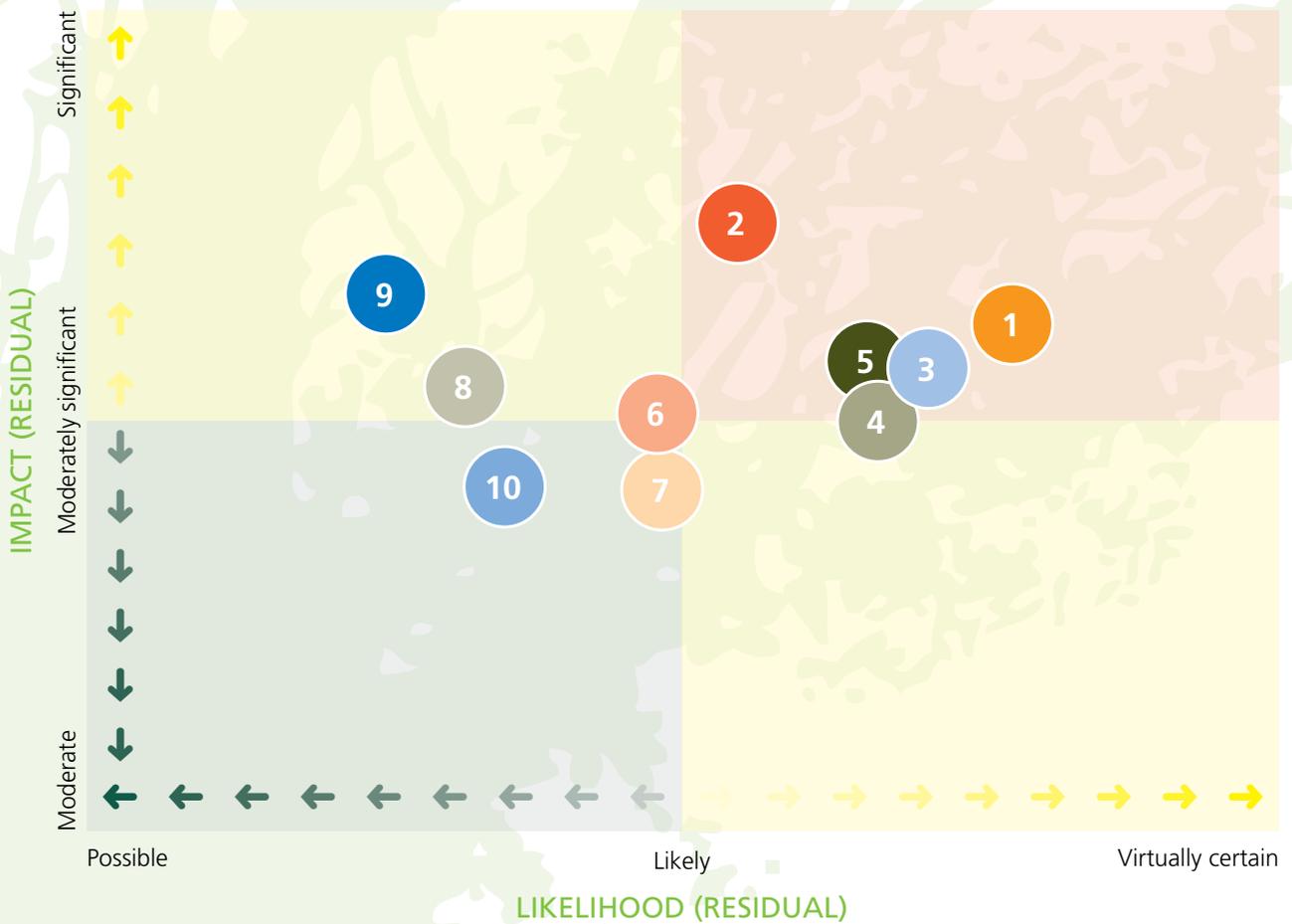
The issues identified are quantitative and qualitative in nature and cover internal and external perspectives. Internal issues are identified by considering our policies and procedures, codes of conduct and business ethics, strategies, targets, risk management processes and employee engagement. Identification of external risks takes into account stakeholders' interests and expectations, and matters identified in reporting initiative frameworks such as CDP's Climate Change and

Water responses, the JSE SRI Index requirements, the GRI requirements, the UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, as well as legal and regulatory requirements. These are compared and prioritised, based on internal and external assessments.

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

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

KEY BUSINESS RISKS 2014/15



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

* – (#) denotes prior year

Stakeholder engagement



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

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

IMPACT | CONTEXT | ACCESSIBILITY

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

Our stakeholder engagement programme is based on the following principles:

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

During the year, processes were put into place to increase our engagements with key operational, commercial and financial stakeholders, and with the group's supply-chain participants by way of a phased process to share with and collect information from Illovo's top non-cane suppliers by procurement value, regarding the principles contained in our Code of Conduct and Business Ethics and their adherence to it. Of increasing importance is our engagement with local communities and other vulnerable stakeholders guided by the principle of "free, prior and informed consent" in

relation to all matters where new group projects may impact on them. Our procedures involve environmental and social impact assessments, continuing stakeholder engagement and risk and impact monitoring, while continuing consultation processes involve mechanisms to address grievances. In relation to matters which do not involve the company directly, and in relation to which the company does not have direct interaction with affected stakeholders, we are nevertheless committed to ascertaining that the third parties involved (including governments) conduct themselves in line with human rights principles and internationally acceptable best practice standards. These matters and examples of our stakeholder engagement are contained in our 2015 Socio-Economic Impact Report and the independent Corporate Citizenship Report which may be viewed on our website at www.illovosugar.com.

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

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

Reaching out with our stakeholders...

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



MALAWI

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



MOZAMBIQUE

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



SOUTH AFRICA

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



SWAZILAND

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



TANZANIA

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

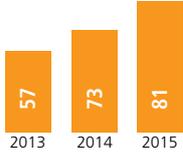


ZAMBIA

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

Strategic overview

ACTUAL PERFORMANCE

KEY PERFORMANCE AREA	STRATEGIC INTENT	2014/15 KPIs								
Operational performance 	<ul style="list-style-type: none"> Be the leading sugar and downstream products operation in Africa, an increasing global supplier and world-class organisation Be the lowest-cost producer in every country in which it operates and among the lowest cost producers in the world 	<p>4% increase in sugar cane production at operations outside South Africa with record production from Zambia operation</p> <p>4% decrease in group sugar production due to impact of South African drought and frost damage</p> <p>Operating margin declined by 1.8% to 12.5%</p>								
Cost reduction and revenue growth 	<ul style="list-style-type: none"> Optimise the return on every stick of cane by adding value to its core commodity products – fibre, sugar and molasses. It will focus on its core business and develop material niche operations which add value Increase profits in real terms on a sustainable basis and maximise the return on capital employed through cost leadership, the use of innovative technology and the participation of its employees 	<p>Headline earnings decline of 7.7% to 179.0 cents per share</p> <p>51% increase in downstream operating profit following full year operation of Tanzania distillery and improved energy efficiency and power export in Swaziland</p>								
Safety, health and environment 	<ul style="list-style-type: none"> Provide a safe working environment for all employees, contractors and stakeholders 	<p>The majority of our operations accredited with a minimum Four-star NOSA rating in 2014/15 (Sezela mill was the pilot site for the new integrated management system audit)</p> <p>Both the distilleries in South Africa received Occupational Health and Safety Management System OHSAS 18000:2007 accreditation</p> <p>Launch of Project Zero across all countries to increase safety awareness</p>								
Product quality and service 	<ul style="list-style-type: none"> Be the market leader, meeting and proactively anticipating customer needs 	<p>Development and implementation of a new prepack market and route to market strategy in Tanzania and approval of a new refinery in Zambia</p>								
Human resource development 	<ul style="list-style-type: none"> Be a moral performance-focused organisation that people are proud to work for, where they are challenged to “go the extra mile”, feel they can make a difference and know that good performance is recognised 	<p>Employee development spend (Rm)</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Employee development spend (Rm)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>57</td> </tr> <tr> <td>2014</td> <td>73</td> </tr> <tr> <td>2015</td> <td>81</td> </tr> </tbody> </table>	Year	Employee development spend (Rm)	2013	57	2014	73	2015	81
Year	Employee development spend (Rm)									
2013	57									
2014	73									
2015	81									
Sustainability and governance 	<ul style="list-style-type: none"> Be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities; aligning strategies to meet changing circumstances in the various countries in which the group operates Be cognisant of the rural locations of the group's operations and the impact that it has on job creation and poverty alleviation in such areas 	<p>89% of energy requirements from renewable resources using own installed capacity</p> <p>Social benefits to employees and our neighbouring communities amounted to R315 million (2014: R268 million)</p>								

FORWARD-LOOKING STATEMENT

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

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

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

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

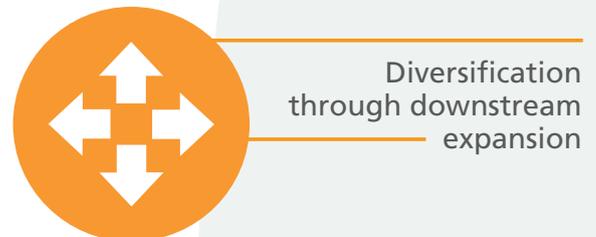
Sugar remains our core business. The current low international sugar prices are a consequence of multiple years of global surplus production. The outlook is for global demand to continue to grow at a steady 2% per annum with supply fluctuating depending on individual government subsidy programmes, currency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

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

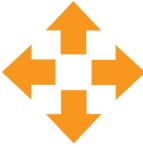
Our continual assessment of the local and global environment drives all of these key initiatives helping to evolve Illovo into a greater African company selling more diverse products on the continent than ever before.

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

Four strategic response areas:



STRATEGY

STRATEGIC RESPONSE	STRATEGIC RESPONSE OVERVIEW	SPECIFIC OBJECTIVES AND AMBITIONS INCLUDE:
<p>Development of key markets</p> 	<ul style="list-style-type: none"> Declining EU value encourages more sugar to be delivered within our historic domestic and regional areas of operation Wider region provides valuable alternatives strengthened by Illovo's dominant position within South Eastern Africa region Remaining volume needs to target higher-margin segments such as prepack and industrial sugars Quality of product, packaging and supply distinguishes us from others 	<ul style="list-style-type: none"> Strengthening Illovo's reputation for quality and service delivery by realising the SA Central Warehouse and Nchalo packing and warehouse investment benefits and replicating such initiatives in the wider group Increase local market intelligence in order to better understand customer and trade purchase patterns with specific focus on better meeting customers' industrial refined sugar requirements, improving product mix (more prepack) and route to market models, eg, the Zambia refinery expansion and Tanzania prepack market development Advocacy initiatives to increase effectiveness of import tariffs both in domestic and regional markets and ensure full application of currently existing tariffs and duties Improved local knowledge of demand requirements through assessing existing customers' needs (short and long term) with potential to identify further supply (sugar and downstream) opportunities within their larger networks Maximise utilisation of regional preferential access through bodies such as the Southern African Development Community (SADC) Move away from EU bulk sugar as greater margins are achieved when supplying EU direct consumption sugar and maximise syrup export opportunities into EU Roll out of "cost to serve" modelling to assist in the identification of further product mix improvements
<p>Cost reduction</p> 	<ul style="list-style-type: none"> Lower cost of production achieved through implementation of CI initiatives across the group Increased downstream activities dilute fixed cost base 	<ul style="list-style-type: none"> Additional CI initiatives across the group, covering all functions and cost areas Development and integration of supply-chain metrics assisting in the identification of further cost reduction opportunities across various markets and functional areas
<p>Diversification through downstream expansion</p> 	<ul style="list-style-type: none"> Introduction of non-sugar revenue improves robustness of returns Meeting more of our customers' needs via a wider product range increases customer loyalty (eg, refined sugar, speciality sugar, potable alcohol, CO₂) 	<ul style="list-style-type: none"> Downstream expansion efforts will be primarily focused on technologies Illovo is familiar with evidenced by the successful commissioning of the Kilombero distillery and the existing assessment of the viability of the Zambian potable distillery and CO₂ plant Ensure achievement of fair value on molasses sales, with opportunity to price towards import parity Explore all opportunities to maximise value from proprietary furfural technology with the current focus being on finalising the assessment of the Swaziland furfural project
<p>Preparation for long-term expansion of sugar production</p> 	<ul style="list-style-type: none"> Regional growth will continue ahead of global averages Ensuring mills are operating at their optimal levels is vital Establishing an understanding as to what footprint change works for Illovo which will enable efforts to be focused and accurate 	<ul style="list-style-type: none"> Focus on current asset utilisation and low-capital expansions De-commoditising the sugar product offering through increased focus in industrial refined supply (yielding higher growth rates) and meeting increased quality requirements (reduces supply volatility through alignment with customer needs) will encourage overall sucrose growth. Further focus on strengthening retail brands will encourage consumer pull Leverage position as Africa's largest producer to evaluate greenfield expansion opportunities

GOALS

GROUP GOALS	SPECIFIC OBJECTIVES AND AMBITIONS								
<ul style="list-style-type: none"> Enhance shareholder wealth by optimising long-term returns and growth of the business, as a world-class organisation Profitably expand the group's sugar and cane production Evaluate opportunities to invest further in downstream operations, and consider footprint expansion as attractive opportunities arise 	<ul style="list-style-type: none"> Reach production level of two million tons of sugar by 2017 Improve overall time efficiency and yields via speed-profiling and lost opportunity analysis Establish a Sugar Centre of Excellence and Training Academy Extend downstream contribution to the group, possibly via new ethanol and furfural operations <div data-bbox="1257 394 1450 629"> <p>Sugar production (million tons)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Sugar production (million tons)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>1,830</td> </tr> <tr> <td>2016</td> <td>1,985</td> </tr> <tr> <td>2018</td> <td>2,068</td> </tr> </tbody> </table> </div>	Year	Sugar production (million tons)	2014	1,830	2016	1,985	2018	2,068
Year	Sugar production (million tons)								
2014	1,830								
2016	1,985								
2018	2,068								
<ul style="list-style-type: none"> Achieve a competitive rate of return on shareholders' funds and increase profits on an ongoing basis in real terms Maintain a distribution/dividend cover of at least two times Manage investments and working capital to achieve efficient usage of funds employed Undertake research and development to maximise value added from core products 	<ul style="list-style-type: none"> Embed a culture of Continuous Improvement across the business, to lead to improved working practices, increased plant optimisation and enhanced operating profit Bring operations at recently commissioned distillery at Kilombero to steady state Gearing not to exceed 40%, and interest cover to be maintained above five times 								
<ul style="list-style-type: none"> Provide a safe working environment for all employees, contractors and stakeholders 	<ul style="list-style-type: none"> Drive to further decrease workplace injuries by focusing on behavioural performance and entrenching further rigid health and safety standards Continuous improvement and increased prominence of group safety, environmental and quality performance 								
<ul style="list-style-type: none"> Be proactive in identifying the needs of customers Consistently deliver quality products and services to customers 	<ul style="list-style-type: none"> Optimise distribution networks to minimise cost to serve Move further along value chain, via improved packing capability and sales mix Continuous product delivery within specification and on time 								
<ul style="list-style-type: none"> Promote the ongoing development of all employees so that they reach their maximum level of competence and participate fully to achieve the group's objectives Offer equal opportunity to all employees 	<ul style="list-style-type: none"> Develop desired leadership behaviours through the values driven leadership initiative Continuously improve human resource productivity metrics, including number of employees per thousand tons of sugar produced Integrated talent management programme including succession planning at operational and management level Provide support and training to encourage development of local employees at all operations 								
<ul style="list-style-type: none"> Be socially responsible, and maintain and develop appropriate ethical, environmental and risk management standards as an integral part of the business Ensure the company is managed in an efficient, accountable, responsible, transparent and moral manner Take cognisance of all stakeholders' interests in the group's business Maximise usage of bagasse and biomass to generate electricity 	<ul style="list-style-type: none"> Objective to ensure reliable, cost-efficient energy supply to our operations and strive for 100% renewable energy use Implement sustainability policy and framework Compliance with all JSE and King III requirements 								

Strategic and operational accountability

	MALAWI	MOZAMBIQUE	SOUTH AFRICA
Business profile	<ul style="list-style-type: none"> • Illovo Sugar (Malawi) Limited, listed on Malawi Stock Exchange • Two agricultural estates: two factories with refineries • Produces raw and refined sugar, speciality sugars • 5 646 permanent employees • 4 247 seasonal agricultural workers at peak • DIFR: 0.08 (2014: 0.11) • DIFR group target: <0.25 	<ul style="list-style-type: none"> • One agricultural estate and factory • Produces raw sugar, marketed domestically by industry marketing association • 972 permanent employees • 4 806 seasonal agricultural workers at peak • DIFR: 0.07 (2014: 0.09) 	<ul style="list-style-type: none"> • Three agricultural estates; four sugar factories; one refinery, three wholly-owned downstream plants; 50% share in distillery; 30% investment in a further sugar factory and refinery • Produces raw and refined sugar; syrup; and downstream products • 2 240 permanent employees • 1 567 seasonal agricultural workers at peak • DIFR: 0.10 (2014: 0.15)
Areas of operation	<ul style="list-style-type: none"> • Corporate office – Limbe • Dwangwa – Mid-central region • Nchalo – Southern region 	Manhiça district, north of Maputo	<ul style="list-style-type: none"> • KwaZulu-Natal • Group head office
2014/15 Objectives	<ul style="list-style-type: none"> • Increase volume of speciality sugar supplied to the EU • Implement Nchalo agriculture improvement plan • Increased sugar production 	<ul style="list-style-type: none"> • Yield improvements supported by irrigation upgrades • Increased sugar production • Agriculture investment including land preparation and replant 	<ul style="list-style-type: none"> • Continue to extract additional supply-chain benefits from new warehouse • Maintain sugar production levels • Introduce CI initiative • Evaluate energy-efficiencies to continue reducing coal usage
Performance	<ul style="list-style-type: none"> • Difficult economic climate including high inflation and borrowing rates eroding affordability of domestic sugar • Disappointing factory performance at Nchalo • Sugar production 283 000 tons (2014: 289 000 tons) • Lower export prices, particularly in the EU and difficult domestic market conditions • Decreased volume of speciality sugar 34 000 tons (2014: 39 000 tons) due to factory performance issues • Average cane yield 103 tons per hectare (2014: 101 tons) • Average factory capacity utilisation 79% (2014: 77%) 	<ul style="list-style-type: none"> • Higher estate cane yields through normalised season length • Sugar production 92 000 tons (2014: 82 000 tons) • Average cane yield 86 tons per hectare (2014: 80 tons) • Average factory capacity utilisation 76% (2014: 78%) • Agriculture investment and irrigation upgrades deferred to following financial year 	<ul style="list-style-type: none"> • Sugar production 16% lower at 586 000 tons (2014: 698 000 tons) due to frost and drought damage • Continuing to realise supply chain benefits from centralised warehouse • Average cane yield 54 tons per hectare (2014: 72 tons) • Average factory capacity utilisation 72% (2014: 75%) • Substantial decrease in world exports to 130 000 tons (2014: 209 000 tons) following effective import tariff implementation • Cost saving and CI initiatives implemented to lessen impact of drought
Profit	<p>CONTRIBUTION TO GROUP OPERATING PROFIT 38%</p>	<p>CONTRIBUTION TO GROUP OPERATING PROFIT 1%</p>	<p>CONTRIBUTION TO GROUP OPERATING PROFIT 13%</p>
Risk areas	<ul style="list-style-type: none"> • Slow economic growth and high inflation impacts negatively on domestic demand • Domestic price affordability • Impact of lower world sugar price on regional export prices • Import restriction into key regional markets • Adverse currency movements and high cost of borrowings • Currency rate volatility 	<ul style="list-style-type: none"> • Weather and flooding • Lower EU and world market prices • Continuing sugar imports while awaiting establishment of import tariff protection 	<ul style="list-style-type: none"> • Weather – impact of drought from 2014/2015 season • Sugar industry review • Resolution of land claims • Lower world market prices although risk reduced due to lower industry production • Volatility in markets for downstream products
2015/16 Objectives	<ul style="list-style-type: none"> • Increase volume and quality of speciality sugar supplied to the EU facilitated by the new Nchalo packing station and warehouse • Increased refined sugar make for region • Review domestic distribution model • Continue Nchalo agriculture improvement plan • Increased sugar production • Maximise value from molasses 	<ul style="list-style-type: none"> • Yield improvements supported by irrigation upgrades • Increased sugar production • Look to diversifying sugar offering • Agriculture investment including land preparation and replant • Effective import structure 	<ul style="list-style-type: none"> • Continue realising cost saving initiatives • Realising a full year of CI benefits • Cost mitigation whilst Umzimkulu is closed for the season • Encouragement of cane development • Realising benefits of diversification through strong performance in downstream business • Implementation of energy-efficiency and coal usage reduction project

SWAZILAND	TANZANIA	ZAMBIA	
<ul style="list-style-type: none"> • One agricultural estate, factory and refinery • Produces raw and refined sugar, direct consumption sugars marketed by Swaziland Sugar Association • Commissioning in April 2011 of major factory expansion and power co-generation project • 1 193 permanent employees • 1 727 seasonal agricultural workers at peak • DIFR: 0.18 (2014: 0.12) 	<ul style="list-style-type: none"> • Two agricultural estates: two sugar factories, treated as one enterprise, ethanol distillery • Produces raw sugar and potable alcohol • 868 permanent employees • 3 301 seasonal agricultural workers at peak • DIFR: 0.11 (2014: 0.03) 	<ul style="list-style-type: none"> • Zambia Sugar Plc, listed on Lusaka Stock Exchange • One agricultural estate: largest capacity factory in Illovo group; one refinery • Produces raw and refined sugar, speciality sugars, syrup • 1 919 permanent employees • 4 528 seasonal agricultural workers at peak • DIFR: 0.12 (2014: 0.18) 	Business profile
<ul style="list-style-type: none"> • South-eastern region 	<ul style="list-style-type: none"> • Centre-south region 	<ul style="list-style-type: none"> • Nakambala – South-western region • Corporate office – Lusaka 	Areas of operation
<ul style="list-style-type: none"> • Increased sugar production • Implementation of further conversions to pivot irrigation • Increase power exports to 50 GWh 	<ul style="list-style-type: none"> • Full-year, efficient operation of distillery • Review distribution network and expand prepack domestic market • Increased sugar production • Ethanol production above 12 million litres 	<ul style="list-style-type: none"> • Continue to progress project for increased refining capacity and addition of ethanol production • Increased sugar production • Improvement of cane yields 	2014/15 Objectives
<ul style="list-style-type: none"> • Sugar production 249 000 tons (2014: 251 000 tons) • Average cane yield 93 tons per hectare (2014: 96 tons) • Average factory capacity utilisation 77% (2014: 79%) • Increased power co-generation and increase in exports into the national grid to 47.8 GWh 	<ul style="list-style-type: none"> • Improved yields and factory performance • Sugar production 126 000 tons (2014: 117 000 tons) • Improved control over low priced imports increases domestic sales volumes, including prepack volumes • Average cane yield 88 tons per hectare (2014: 84 tons) • Average factory capacity utilisation 81% (2014: 77%) • Achieved ethanol production of just over 12 million litres 	<ul style="list-style-type: none"> • Record sugar production 424 000 tons (2014: 393 000 tons) from strong factory performance and favourable weather conditions • Average cane yield 118 tons per hectare (2014: 111 tons) • Approval of refining capacity expansion • Lower export prices, particularly in the EU, offset by strong domestic market and increased allocations into regional markets • Average factory capacity utilisation 87% (2014: 88%) 	Performance
<p>CONTRIBUTION TO GROUP OPERATING PROFIT</p> <p>4%</p>	<p>CONTRIBUTION TO GROUP OPERATING PROFIT</p> <p>9%</p>	<p>CONTRIBUTION TO GROUP OPERATING PROFIT</p> <p>35%</p>	Profit
<ul style="list-style-type: none"> • Sugar industry review and restructuring • Delays in agricultural initiatives supporting outgrower development although funding now secured • Lower EU and world sugar prices 	<ul style="list-style-type: none"> • Long-term cane supply from outgrowers • Uncontrolled sugar imports even with improved import tariff protection now in place • Elections due to be held pose risk of market disruption 	<ul style="list-style-type: none"> • Lower EU prices • Impact of low world sugar price on regional export prices • Currency rate volatility • Regional sales reliant on required permits and customs clearance from neighbouring countries 	Risk areas
<ul style="list-style-type: none"> • Implement energy efficiency optimisation project • Maximise co-generation performance and export into national grid • Maximise refined sugar sales opportunities into region • Final assessment of furfural downstream project 	<ul style="list-style-type: none"> • Grow domestic prepack market and further refine local distribution network • Increase sugar production • Effective import structure in place to eradicate illegal imports • Optimisation of the distillery to further stretch production 	<ul style="list-style-type: none"> • Safe construction of the new refinery project • Maintain sugar production levels • Continue to assess the viability of an ethanol project 	2015/16 Objectives

Value-added statement

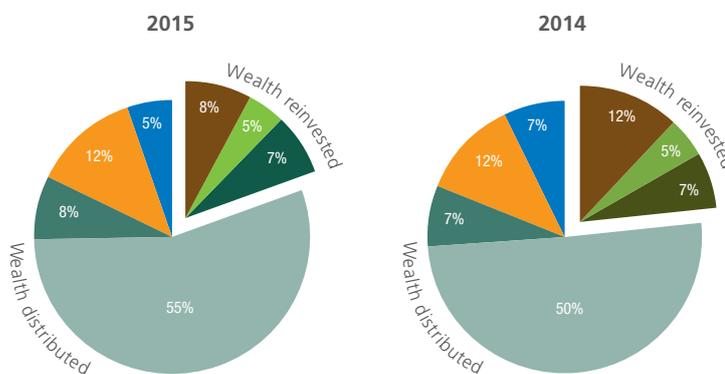
The value added statement shows the wealth the company has been able to create through manufacturing, trading and investment and its subsequent distribution to shareholders and reinvestment in the business.

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

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

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

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



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

Five-year review

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

NOTES:**1. Earnings per share**

Profit attributable to Illovo Sugar Limited shareholders divided by the weighted average number of ordinary shares in issue.

2. Headline earnings per share

Headline earnings divided by the weighted average number of ordinary shares in issue.

3. Distribution per share

Distribution per share reflects both the interim distribution (paid) and the final distribution (declared). Distribution per share includes any capital distributions out of share premium.

4. Distribution cover

Headline earnings per share divided by distribution per share.

5. Return on average shareholders' equity

Profit attributable to Illovo Sugar Limited shareholders expressed as a percentage of average shareholders' equity.

6. Return on net assets

Operating profit expressed as a percentage of average net operating assets.

7. Return on total assets

Operating profit expressed as a percentage of total average assets, excluding cash and cash equivalents.

8. Working capital to revenue

Average levels of inventories, receivables and payables, expressed as a percentage of revenue.

9. Net debt: equity ratio

Interest-bearing liabilities (net of cash and cash equivalents) divided by total equity. A negative net debt: equity ratio indicates that the group is in a net cash position.

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

10. Gearing

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

11. Total liabilities to total equity

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

12. Current ratio

Current assets divided by current liabilities.

13. Interest cover

Operating profit divided by net financing costs.

14. Permanent employees

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

15. Net asset value per share

Total assets less total liabilities divided by the number of shares in issue.

16. Headline earnings yield

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

17. Distribution yield

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

18. Price: headline earnings ratio

Year-end market price divided by headline earnings per share.

19. Change in accounting policy

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