

INTERIM REPORT



for the six months ended 30 September 2009

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

Basis of preparation

This report incorporates financial statements which reflect both actual results based on accounting policies and methods of computation which are based on International Financial Reporting Standards ("IFRS") and those determined on a sugar season basis which, in the directors' opinion, provide a better basis for evaluating the financial performance of the company.

The sugar industry is a seasonal agriculturally based business and the payment processes are such that cash flows throughout the season, which runs from 1 April to 31 March, are derived from the expected tonnages and prices that will be achieved for the season as a whole. The effect of this is that product sales tonnages and prices received, and raw material prices paid are provisional in nature until the conclusion of the season. For this reason the directors consider that profit figures based on actual cash flows may not represent the best basis for evaluating the performance and the results for the period. In respect of the sugar season basis results, operational profits for cane growing and sugar production comprise the company's view of the position at 30 September 2009 as it relates to the season as a whole. All other results are based on actual performance. The amounts disclosed in respect of cane growing and sugar production operations are based on a profit forecast for the year ending 31 March 2010 which has been examined by our auditors, Deloitte & Touche. Their unmodified accountants' report is available for inspection at the company's registered office.

The unaudited actual results for the six months ended 30 September 2009 have been prepared using accounting policies and methods of computation that comply with IFRS and are prepared in accordance with IAS34 (Interim financial reporting). The accounting policies adopted are consistent with those of the previous financial period.

Review

Actual results for the six months ended 30 September 2009, compared to the corresponding period last year, reflect the positive impact of improved world market sugar prices in South Africa, increased sugar production in Zambia following the commissioning of the major expansion at Nakambala, and increased sugar production and favourable sugar sales in Tanzania. Accordingly operating profit for the period increased by 35% whilst headline earnings per share rose by 28%.

On a sugar season basis, group operating profit of R775.7 million reflected a 13% improvement over that of the same period last year. The results have benefited from the factors mentioned above, but the value of the rand, which is currently projected to remain significantly stronger for the remainder of the current year compared to the second half of the previous financial year, will have a negative impact on foreign currency denominated export revenue in respect of both sugar and downstream products, as well as the conversion of foreign subsidiary profits into rands for the season as a whole.

Net financing costs of R38.3 million have reduced substantially following the receipt of the rights issue proceeds, foreign exchange gains and strong cash flows in the first six months. Due to the full recognition of tax allowances in Zambia in the prior year, the effective rate of taxation has normalised at 30%, as compared to 19% in the same period last year. Headline earnings of R384.2 million are equivalent to those achieved for the same period last year, whilst headline earnings per share have declined by 3%.

The contributions to operating profit were sugar production 61%, cane growing 33% and downstream 6%. By country, contributions were Malawi 42%, Zambia 26%, South Africa 14%, Tanzania 8%, Swaziland 7% and Mozambique 3%.

The season to date has been affected by variable weather conditions. South Africa, Mozambique and Tanzania all had a very dry winter, although this was favourable for harvesting the cane crop. Since then South Africa has received welcome spring rains. In Zambia, unseasonal rains, which fell early in the season, disrupted operations and impacted negatively on the sucrose content in cane, but since then more normal conditions have prevailed. Malawi has experienced normal weather conditions. Overall, with effective irrigation and long sunshine hours, cane growth has been good across the group. In general, all sugar factories have performed satisfactorily.

Following the completion of the second phase of the expansion project in Zambia on 1 April 2009, the plant has now settled down and is demonstrating its increased production capability. The expanded cane area has resulted in a stable and consistent supply of sucrose to the mill. The Zambian operation has acquired a large cane growing company, Nanga Farms, currently producing 325 000 tons cane per annum with the potential to further increase output. The operation delivers its cane to the company's mill. The Zambian business completed a rights issue which raised US\$50 million during August 2009, resulting in Illovo's interest in Zambia Sugar Plc reducing from 89.7% to 81.6%. The proceeds have been used to reduce borrowings related to the acquisition of Nanga Farms and the expansion project.

The Maragra factory expansion project in Mozambique is progressing well, with the first phase having been completed during the last off crop. The second and final phase is on track to be completed at the end of the current financial year, which will increase the factory capacity to 150 000 tons sugar per annum. The factory has been performing in line with expectations this season.

Assuming normal growing and operating conditions for the remainder of the season, sugar production for the group as a whole is expected to be around 1.780 million tons which is approximately 200 000 tons above that of last year, after adjusting for the sale of the Umfolozi and Pongola mills with effect from the beginning of the current financial year. The increase in production has occurred in all countries of operation, although the major increase has taken place in Zambia where output is anticipated to be up by 150 000 tons compared to that of last season following the expansion.

The downstream plants have performed well and production is anticipated to be similar to that of last year. However, profitability has been negatively impacted by the stronger rand and lower world prices, following the severe downturn in the world economy.

Domestic market sugar sales and prices in the countries of operation outside South Africa have been strong. In South Africa, imports continue to have a negative impact on sales volumes, although the South African Customs Union market is reflecting some growth largely due to reduced sales by Zimbabwe into the region.

The world sugar price has been very strong, with the price recently rising to a 28-year high. The price increase has been driven by a significant production decline in India and capital constraints within the sugar industry in Brazil together with inclement weather during the harvest in that country. The material global deficit in production has created the platform for the significant rise in the price. The higher world price has also resulted in a firming of sugar revenue realisations in the regional markets supplied by the group. The South African sugar industry has sold around 84% of its anticipated export raw sugar sales at US16.49 cents/lb.

Lower prices for European Union (EU) exports became effective on 1 October 2009, following the final stage of reform to the EU Sugar Regime. This will however be offset by increased market access by all Illovo operations outside South Africa, which are now allowed duty-free and quota-free entry into the EU markets.

The rights issue, to raise R3 billion in fresh capital was successfully concluded in September 2009, with a take-up of 99.4%. This was undertaken to enable the group to pursue major investments outside South Africa in areas that have positive and stable social, political and economic fundamentals, adequate water and land resources, favourable climatic and agronomic conditions, strong local sugar markets and good export potential.

The Ubombo factory expansion and co-generation project in Swaziland has commenced, with equipment orders being placed. The project provides for an increase in sugar production from 230 000 to in excess of 300 000 tons per annum, together with an increase in power generation capacity utilising biomass as supplementary fuel for the factory boilers. The project is linked to the completion of a major new dam and canal system sponsored by the Swaziland Government, which will facilitate the new development of some 5 000 hectares of land to cane in the medium-term. Development of the first 885 hectares of land has started and will be completed this season. The power plant will enable the factory and estates to become self-sufficient in electricity consumption. In addition, agreement has been reached with the Swaziland Electricity Company to supply power into the national grid for 48 weeks of the year. The project will cost R1.510 billion and is due to be commissioned in April 2011.

The various pre-project activities in respect of the proposed greenfields project in Mali are at an advanced stage. The necessary financial approvals are expected by January 2010 and thereafter cane development is due to commence during the first half of 2010. Commissioning of the factory is anticipated in November 2012.

The sale of the Pongola sugar mill in South Africa was approved by the Competition Commission.

Directorate

We are pleased to welcome Ami Mpungwe back to the Board as an independent, non-executive director. Mr Mpungwe served on the Board from 2001 to 2006 and was previously Tanzanian High Commissioner to South Africa. He has a wealth of commercial experience on the African continent.

Tony Norton, who was a long-standing independent, non-executive director, retired at the Annual General Meeting in July 2009, and we thank him for his valuable contribution to the group.

Dividend

An interim dividend of 32.0 cents per share (2008: 41.5 cents) has been declared. It is anticipated that for the full year the dividend will be twice covered by headline earnings.

Prospects

Operations for the current year are progressing well, but the results will be influenced by the level of the rand compared to other currencies and final sugar production. Provided there is no major change to these factors, it is presently anticipated that for the full year to 31 March 2010, operating profit will be between 10% and 20% higher than that of the previous year, whilst headline earnings will be similar to those of last year. As a result of the rights issue, it is anticipated that headline earnings per share will be between 10% and 20% lower than in the previous financial year.

On behalf of the Board

R A Williams
Chairman

G J Clark
Managing Director

Mount Edgecombe
18 November 2009



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DECLARATION OF DIVIDEND NO. 36

Notice is hereby given that an interim dividend of 32.0 cents per share has been declared on the ordinary shares of the company in respect of the six months ended 30 September 2009.

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

Last day to trade cum-dividend	Thursday, 31 December 2009
Shares commence trading ex-dividend	Monday, 4 January 2010
Record date	Friday, 8 January 2010
Payment of dividend	Monday, 11 January 2010

Share certificates may not be dematerialised / rematerialised between Monday, 4 January 2010 and Friday, 8 January 2010, both days inclusive.

By order of the Board

G D Knox Mount Edgecombe
Company Secretary 18 November 2009

Directors :

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

British * *Non-executive*

Registered office :

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

Postal address :

P O Box 194, Durban, 4000

Website : www.illovosugar.com

Transfer Secretaries :

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

Auditors :

Deloitte & Touche

Sponsor :

J P Morgan Equities Limited

ABRIDGED GROUP INCOME STATEMENT

		Actual Unaudited Six months ended 30 September		Sugar season basis Unaudited Six months ended 30 September		Change	Actual Audited Year ended 31 March 2009
	Notes	2009 Rm	2008 Rm	2009 Rm	2008 Rm	%	Rm
Revenue		4 247.6	3 753.6	4 345.3	4 469.2	(3)	8 601.7
Operating profit		1 236.9	915.8	775.7	687.0	13	1 386.2
Net financing costs	1	38.3	75.5	38.3	75.5		183.7
Profit before material items		1 198.6	840.3	737.4	611.5		1 202.5
Material items	2	(27.9)	0.6	(27.9)	0.6		0.3
Profit before taxation		1 170.7	840.9	709.5	612.1		1 202.8
Taxation		327.6	165.6	216.8	111.4		238.9
Profit for the period		843.1	675.3	492.7	500.7		963.9
Attributable to:							
Shareholders of Illovo Sugar Limited		647.0	508.0	363.1	385.5	(6)	739.1
Minority interest		196.1	167.3	129.6	115.2		224.8
		843.1	675.3	492.7	500.7		963.9
Determination of headline earnings :							
Profit attributable to shareholders		647.0	508.0	363.1	385.5	(6)	739.1
Adjusted for :							
Loss on disposal of business		21.8	-	21.8	-		-
Profit on disposal of property		(1.0)	(0.6)	(1.0)	(0.6)		(0.3)
Loss/(profit) on disposal of plant and equipment		0.3	(0.1)	0.3	(0.1)		3.0
Headline earnings		668.1	507.3	384.2	384.8	-	741.8
Number of shares in issue (millions)		460.0	350.6	460.0	350.6		350.9
Weighted average number of shares on which headline earnings per share are based (millions)		360.8	350.3	360.8	350.3		350.5
Headline earnings per share (cents)		185.2	144.8	106.5	109.9	(3)	211.6
Diluted headline earnings per share (cents)		184.5	144.0	106.2	109.4		210.6
Basic earnings per share (cents)		179.3	145.0	100.6	110.1		210.9
Diluted basic earnings per share (cents)		178.7	144.2	100.4	109.6		209.8
Dividend per share (cents)		32.0	41.5	32.0	41.5	(23)	106.0

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	Actual Unaudited 30 September		Sugar season basis Unaudited 30 September		Actual Audited 31 March
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm
ASSETS					
Non-current assets	5 467.3	4 963.0	5 467.3	4 963.0	5 370.2
Property, plant and equipment	3 948.9	3 849.8	3 948.9	3 849.8	4 025.9
Cane roots	1 133.3	938.9	1 133.3	938.9	1 132.3
Intangible assets	205.9	54.3	205.9	54.3	61.8
Investments	179.2	120.0	179.2	120.0	150.2
Current assets	4 695.0	4 400.2	4 695.0	4 400.2	2 894.2
Inventories	2 241.8	2 056.3	2 241.8	2 056.3	725.8
Growing cane	1 181.7	1 084.4	1 181.7	1 084.4	1 222.9
Accounts receivable	1 259.9	1 201.2	1 259.9	1 201.2	756.3
Financial instruments	11.6	58.3	11.6	58.3	189.2
Total assets	10 162.3	<u>9 363.2</u>	10 162.3	<u>9 363.2</u>	<u>8 264.4</u>
EQUITY AND LIABILITIES					
Total equity	6 721.6	3 484.1	6 371.2	3 309.5	3 445.0
Equity holders' interest	5 827.4	2 803.6	5 543.5	2 681.1	2 773.8
Minority shareholders' interest	894.2	680.5	827.7	628.4	671.2
Non-current liabilities	1 163.3	3 916.2	1 163.3	3 916.2	3 112.2
Deferred taxation	644.7	617.7	644.7	617.7	701.1
Net borrowings	518.6	3 298.5	518.6	3 298.5	2 411.1
Current liabilities	2 277.4	1 962.9	2 627.8	2 137.5	1 707.2
Accounts payable and provisions	2 222.6	1 962.9	2 573.0	2 137.5	1 702.0
Financial instruments	54.8	-	54.8	-	5.2
Total equity and liabilities	10 162.3	<u>9 363.2</u>	10 162.3	<u>9 363.2</u>	<u>8 264.4</u>

OTHER SALIENT FEATURES

Operating margin (%)	29.1	24.4	17.9	15.4	16.1
Effective tax rate (%)	28.0	19.7	30.6	18.2	19.9
Debt : equity ratio	7.7	94.7	8.1	99.7	70.0
Interest cover (times)	32.3	12.1	20.3	9.1	7.5
Net asset value per share (cents)	1 461.2	993.8	1 385.0	944.0	981.7
Depreciation	167.9	132.7	167.9	132.7	215.2
Capital expenditure	829.2	920.2	829.2	920.2	1 881.4
- expansion	689.1	804.2	689.1	804.2	1 696.5
- product registration costs	5.4	7.9	5.4	7.9	15.4
- replacement	134.7	108.1	134.7	108.1	169.5
Capital commitments	3 599.6	2 463.7	3 599.6	2 463.7	2 330.5
- contracted	173.4	476.8	173.4	476.8	276.2
- approved but not contracted	3 426.2	1 986.9	3 426.2	1 986.9	2 054.3
Lease commitments	139.7	137.3	139.7	137.3	124.1
- land and buildings	67.4	71.4	67.4	71.4	69.0
- other	72.3	65.9	72.3	65.9	55.1
Contingent liabilities	3.1	4.2	3.1	4.2	13.5

ABRIDGED GROUP CASH FLOW STATEMENT

	Actual		Sugar season basis		Actual
	Unaudited		Unaudited		Audited
	Six months ended		Six months ended		Year ended
	30 September		30 September		31 March
	2009	2008	2009	2008	2009
	Rm	Rm	Rm	Rm	Rm
Cash flows from operating and investing activities					
Cash operating profit	1 323.5	850.2	862.3	621.4	1 206.9
Working capital requirements	(1 649.8)	(1 515.2)	(1 188.6)	(1 286.4)	362.8
Cash (utilised by)/generated from operations	(326.3)	(665.0)	(326.3)	(665.0)	1 569.7
Replacement capital expenditure	(134.7)	(108.1)	(134.7)	(108.1)	(169.5)
Financing costs, taxation and dividends	(534.0)	(514.9)	(534.0)	(514.9)	(863.2)
Net investment in future operations	(705.0)	(849.7)	(705.0)	(849.7)	(1 745.8)
Other movements	78.5	1.9	78.5	1.9	81.6
Net cash outflow before financing activities	(1 621.5)	(2 135.8)	(1 621.5)	(2 135.8)	(1 127.2)
Net cash inflow from rights issue	2 959.8	-	2 959.8	-	-
Net cash (outflow)/inflow from financing activities	(767.3)	1 573.9	(767.3)	1 573.9	659.1
Net increase/(decrease) in cash and cash equivalents	571.0	(561.9)	571.0	(561.9)	(468.1)

STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit for the period	843.1	675.3	492.7	500.7	963.9
Other comprehensive income					
Effect of foreign currency translation	(501.9)	97.8	(501.9)	97.8	(26.3)
Effect of cash flow hedges	(18.1)	39.0	(18.1)	39.0	16.8
Effect of hedging foreign operations	2.8	-	2.8	-	-
Total comprehensive income/(loss) for the period	325.9	812.1	(24.5)	637.5	954.4
Attributable to:					
Shareholders of Illovo Sugar Limited	188.6	604.4	(95.3)	481.9	722.9
Minority interest	137.3	207.7	70.8	155.6	231.5
	325.9	812.1	(24.5)	637.5	954.4

STATEMENT OF CHANGES IN EQUITY

	Actual		Sugar season basis		Actual
	Unaudited		Unaudited		Audited
	Six months ended		Six months ended		Year ended
	30 September		30 September		31 March
	2009	2008	2009	2008	2009
	Rm	Rm	Rm	Rm	Rm
Share capital and share premium					
Balance at beginning of the period	367.5	361.0	367.5	361.0	361.0
Issue of new shares	2 959.8	4.2	2 959.8	4.2	6.5
Balance at end of the period	<u>3 327.3</u>	<u>365.2</u>	<u>3 327.3</u>	<u>365.2</u>	<u>367.5</u>
Share-based payments reserve					
Balance at beginning of the period	13.1	12.6	13.1	12.6	12.6
Share-based payment expense	-	0.2	-	0.2	0.5
Balance at end of the period	<u>13.1</u>	<u>12.8</u>	<u>13.1</u>	<u>12.8</u>	<u>13.1</u>
Non-distributable reserves					
Balance at beginning of the period	396.5	412.4	396.5	412.4	412.4
Realised profit on disposal of land	-	-	-	-	0.3
Gain on rights issue in subsidiary	131.2	-	131.2	-	-
Total comprehensive income:					
- Foreign currency translation	(443.1)	57.4	(443.1)	57.4	(33.0)
- Cash flow hedges	(18.1)	39.0	(18.1)	39.0	16.8
- Hedging foreign operations	2.8	-	2.8	-	-
Balance at end of the period	<u>69.3</u>	<u>508.8</u>	<u>69.3</u>	<u>508.8</u>	<u>396.5</u>
Retained surplus					
Balance at beginning of the period	1 770.4	1 403.6	1 770.4	1 403.6	1 403.6
Realised profit on disposal of land	-	4.9	-	4.9	(0.3)
Transfer to dividend reserve	(146.9)	(114.8)	(146.9)	(114.8)	(372.0)
Total comprehensive income:					
- Profit for the period	647.0	508.0	363.1	385.5	739.1
Balance at end of the period	<u>2 270.5</u>	<u>1 801.7</u>	<u>1 986.6</u>	<u>1 679.2</u>	<u>1 770.4</u>
Dividend reserve					
Balance at beginning of the period	226.3	183.7	226.3	183.7	183.7
Transfer from retained surplus	146.9	114.8	146.9	114.8	372.0
Dividends paid	(226.0)	(183.4)	(226.0)	(183.4)	(329.4)
Balance at end of the period	<u>147.2</u>	<u>115.1</u>	<u>147.2</u>	<u>115.1</u>	<u>226.3</u>
Equity holders' interest					
	<u>5 827.4</u>	<u>2 803.6</u>	<u>5 543.5</u>	<u>2 681.1</u>	<u>2 773.8</u>
Minority shareholders' interest					
Balance at beginning of the period	671.2	555.6	671.2	555.6	555.6
Dividends paid	(82.9)	(85.5)	(82.9)	(85.5)	(119.8)
Increase in shareholding	168.6	2.7	168.6	2.7	3.9
Total comprehensive income:					
- Foreign currency translation	(58.8)	40.4	(58.8)	40.4	6.7
- Profit for the period	196.1	167.3	129.6	115.2	224.8
Balance at end of the period	<u>894.2</u>	<u>680.5</u>	<u>827.7</u>	<u>628.4</u>	<u>671.2</u>
Total equity	<u><u>6 721.6</u></u>	<u><u>3 484.1</u></u>	<u><u>6 371.2</u></u>	<u><u>3 309.5</u></u>	<u><u>3 445.0</u></u>

SEGMENTAL ANALYSIS

	Actual		Sugar season basis				Actual	
	Unaudited		Unaudited				Audited	
	Six months ended		Six months ended				Year ended	
	30 September		30 September				31 March	
	2009	2008	2009		2008		2009	
	Rm	Rm	Rm	%	Rm	%	Rm	
BUSINESS SEGMENTS								
Revenue								
Sugar production	2 428.6	2 243.2	3 010.4	70	3 215.9	72	6 250.7	
Cane growing	1 416.5	1 151.6	1 013.1	23	901.6	20	1 712.4	
Downstream	402.5	358.8	321.8	7	351.7	8	638.6	
	<u>4 247.6</u>	<u>3 753.6</u>	<u>4 345.3</u>		<u>4 469.2</u>		<u>8 601.7</u>	
Operating profit								
Sugar production	623.1	340.3	471.8	61	380.0	55	716.1	
Cane growing	528.4	487.5	257.9	33	224.8	33	503.5	
Downstream	85.4	88.0	46.0	6	82.2	12	166.6	
	<u>1 236.9</u>	<u>915.8</u>	<u>775.7</u>		<u>687.0</u>		<u>1 386.2</u>	
Total assets (excluding financial instruments)								
Sugar production	5 952.6	5 672.2	5 952.6	59	5 672.2	61	4 250.3	
Cane growing	3 788.9	3 264.6	3 788.9	37	3 264.6	35	3 476.6	
Downstream	409.2	368.1	409.2	4	368.1	4	348.3	
	<u>10 150.7</u>	<u>9 304.9</u>	<u>10 150.7</u>		<u>9 304.9</u>		<u>8 075.2</u>	
GEOGRAPHICAL SEGMENTS								
Revenue								
Malawi	840.4	696.5	897.8	21	858.1	19	1 739.6	
Zambia	806.0	510.0	874.1	20	705.1	16	1 150.0	
South Africa	1 395.3	1 479.1	1 680.9	39	1 968.7	44	3 868.8	
Tanzania	357.6	262.0	319.7	7	366.0	8	666.3	
Swaziland	541.8	524.3	395.0	9	381.6	9	790.1	
Mozambique	306.5	281.7	177.8	4	189.7	4	386.9	
	<u>4 247.6</u>	<u>3 753.6</u>	<u>4 345.3</u>		<u>4 469.2</u>		<u>8 601.7</u>	
Operating profit								
Malawi	479.5	453.0	323.4	42	311.3	45	634.0	
Zambia	215.7	129.8	199.8	26	112.5	16	168.3	
South Africa	222.4	86.7	108.1	14	109.0	16	256.6	
Tanzania	81.4	33.9	61.8	8	64.5	10	118.6	
Swaziland	118.3	108.0	56.3	7	54.6	8	127.7	
Mozambique	119.6	104.4	26.3	3	35.1	5	81.0	
	<u>1 236.9</u>	<u>915.8</u>	<u>775.7</u>		<u>687.0</u>		<u>1 386.2</u>	

NOTES TO THE FINANCIAL STATEMENTS

	Unaudited Six months ended 30 September 2009 Rm	2008 Rm	Audited Year ended 31 March 2009 Rm
1. Net financing costs			
Interest paid	220.9	258.6	489.0
Less: capitalised	(8.1)	(146.6)	(258.4)
	212.8	112.0	230.6
Interest received	(30.1)	(35.3)	(44.5)
Foreign exchange gains	(143.0)	(0.8)	(0.7)
Dividend income	(1.4)	(0.4)	(1.7)
	38.3	75.5	183.7
2. Material items			
Loss on disposal of business	(28.9)	-	-
Profit on disposal of property	1.0	0.6	0.3
Material (loss)/profit before taxation	(27.9)	0.6	0.3
Taxation	7.1	-	-
Material (loss)/profit attributable to shareholders in Illovo Sugar Limited	(20.8)	0.6	0.3