




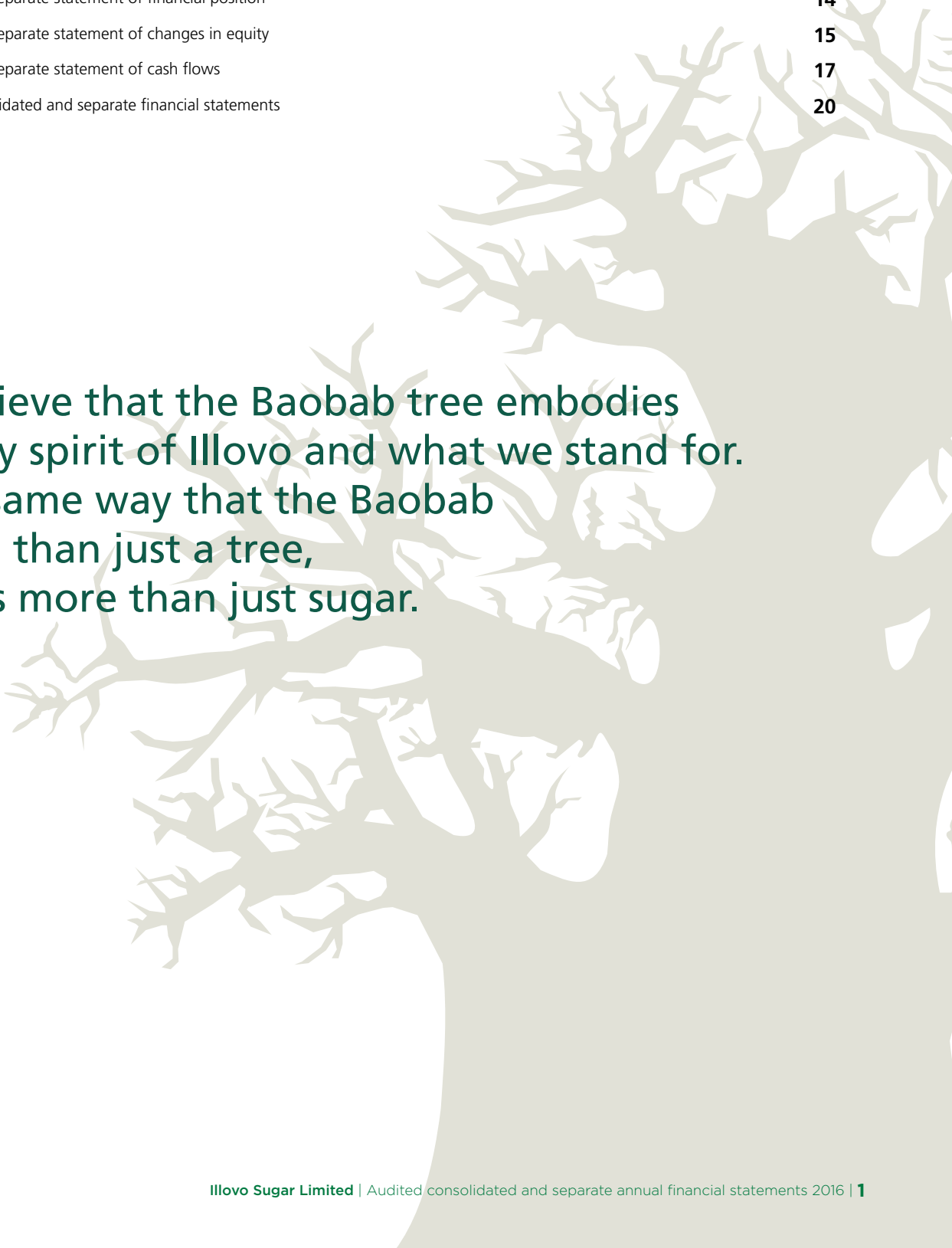
**Audited Consolidated and Separate Annual Financial Statements**  
for the year ended 31 March 2016



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

# MORE THAN SUGAR

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

# Approval of annual financial statements

The directors of Illovo are responsible for overseeing the preparation and the integrity of the consolidated and separate annual financial statements of Illovo Sugar Limited ("the company") and its investee companies (collectively referred to as "the group").

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

The consolidated and separate annual financial statements, have been prepared in terms of the measurement and recognition requirements of International Financial Reporting Standards and the Companies Act, under the supervision of Mr M H Abdool-Samad, CA(SA), the Financial Director.

The consolidated and separate annual financial statements are examined by the group's independent auditors, Deloitte & Touche, in conformity with International Standards on Auditing. The unmodified independent auditor's report appears on page 12.

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

Based on the forecast financial results and cash flows for the forthcoming year, the board of directors is of the opinion that the group has adequate resources to continue in operation for the foreseeable future. The consolidated and separate annual financial statements were consequently prepared on a going concern basis.

The consolidated and separate annual financial statements, including the Directors' Report and the Audit Committee Report, were approved by the board on 2 June 2016 and are signed on its behalf by:

**T S Munday**  
*Chairman*

**G B Dagleish**  
*Managing Director*

## Lodgement of returns with the Companies and Intellectual Property Commission

I hereby certify that for the year ended 31 March 2016, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up-to-date.

**J A Kunst**  
*Company Secretary*

Durban  
2 June 2016

The directors have pleasure in presenting their report which forms part of the consolidated and separate annual financial statements of the group, for the year ended 31 March 2016.

### Nature of business and review of operations

Illovo Sugar Limited ("Illovo" or "the company") is Africa's largest sugar producer and has extensive agricultural and manufacturing operations in six African countries. It produces a range of downstream products and generates electricity, fuelled by renewable resources, providing about 90% of the group's annual energy requirements.

The group is a major supplier of sugar to the consumer and industrial markets in the countries in which it operates and to neighbouring regional African markets, using an extensive network of distribution and logistics channels. Export markets include the European Union ("EU") and United States of America ("USA") and, through the South African sugar industry, the broader world sugar market. Downstream production of furfural and its derivatives, potable ethanol and lactulose are sold primarily into international niche markets. Through its internal electricity generating capability, using bio-renewable boiler-feedstock such as bagasse and biomass, Illovo provides cost-effective energy supply to all of its own operations and, in some of the countries in which it operates, it supplies power into the national grids.

The financial and operating performance of the group for the year ended 31 March 2016 has been adversely impacted by the sustained low export sugar prices, reduced domestic demand in Malawi, currency volatility and high interest rates in the various jurisdictions, compounded by the impact of the regional drought on sugar production. Operating profit declined by 14.8% and headline earnings per share declined by 36.5%. The resultant impact on cash flow has resulted in the gearing ratio increasing from 26.2% to 40.1%. The group's net borrowings of R4.5 billion are well within the available facilities of R8.0 billion.

The rationale to diversify into downstream operations is evidenced by a 26% growth in downstream profits. The group has continued to improve the sales mix away from the European export market by growing volumes in key regional markets. Substantial benefits have been realised from the group's on-going cost-reduction and continuous improvement initiatives.

### Share capital

As at 31 March 2016, the authorised share capital of the company was 900 000 000 ordinary shares of 4 cents each and the issued share capital was 460 730 557 ordinary shares of 4 cents each. Further details are set out in note 25 to the annual financial statements. No shares were issued during the period 1 April 2015 to 31 March 2016.

### Shareholders

An analysis of shareholders and their shareholdings is annexed to this report.

An analysis of the relevant disclosures by nominee shareholders as at 31 March 2016, pursuant to section 56(3) of the Companies Act, revealed four beneficial shareholdings equal to or exceeding 5% of the issued ordinary share capital, details of whom appear in the annexure hereto.

### Illovo Sugar Phantom Share Scheme (PSS)

The board approved the adoption of the PSS in 2005, and in 2007 introduced certain performance hurdles related to the future earnings of the company.

While the rules of the PSS are modelled on those of the option scheme, the important difference is that options under the PSS are "cash-settled" rather than "equity-settled". Accordingly, the PSS is not classified as a share incentive scheme in terms of the JSE Listings Requirements. The vesting periods for the PSS are one-third becoming vested on each of the third, fourth and fifth anniversaries of the relevant grant date, with the maximum period for the exercising of options being ten years. The grant price of an option is determined as being equal to the average of the closing market prices of Illovo shares on the JSE for the 30-trading days immediately preceding the grant date of the relevant option. The cash settlement amount of an option is equal to the difference between the closing market price of Illovo shares on the trading day immediately preceding that on which an option is exercised and the grant price. The participants receive the equivalent net proceeds as under the option scheme, but without incurring broking fees.

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

The Remuneration/Nomination Committee approves the granting of all share options in terms of the PSS. Phantom options granted to and exercised by executive directors and senior managers as at 31 March 2016 are as follows:

Options granted	Phantom shares
Options granted as at 1 April 2015	13 053 025
New options granted during the year under review	2 369 500
Options forfeited during the year under review	(277 000)
Options granted as at 31 March 2016	15 145 525
Options exercised as at 1 April 2015	2 938 700
Options exercised during the year under review	201 550
Options unexercised as at 31 March 2016	12 005 275
Options granted as at 31 March 2016	15 145 525

**Directors' report** continued

Details of options granted to executive directors, any options exercised during the year, and options unexpired and unexercised as at 31 March 2016, are as follows:

	Options as at 31 March 2015	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options forfeited during the year	Options as at 31 March 2016	Expiry date
Abdool-Samad M H	150 000	2 702					150 000	26.05.2021
	63 100	2 573					63 100	22.05.2022
	68 500	3 445					68 500	21.05.2023
	31 000	2 878					31 000	20.05.2024
		2 216	31 000				31 000	19.05.2025
	<b>312 600</b>		<b>31 000</b>	–	–		<b>343 600</b>	
Dalgleish G B	8 500	1 634					8 500	29.10.2016
	12 500	2 364					12 500	23.07.2017
	20 000	2 702					20 000	26.05.2021
	141 500	2 573					141 500	22.05.2022
	77 500	3 445					77 500	21.05.2023
	75 000	2 878					75 000	20.05.2024
	2 216	97 000				97 000	19.05.2025	
	<b>335 000</b>		<b>97 000</b>	–	–		<b>432 000</b>	
Hulley J P	5 500	2 364					5 500	23.07.2017
	20 000	2 867					20 000	09.07.2018
	25 000	2 808					25 000	13.07.2019
	11 000	2 856					11 000	20.07.2020
	10 500	2 702					10 500	26.05.2021
	15 500	2 573					15 500	22.05.2022
	13 000	3 445					13 000	21.05.2023
	33 000	2 878					33 000	20.05.2024
	2 216	59 000				59 000	19.05.2025	
	<b>133 500</b>		<b>59 000</b>	–	–		<b>192 500</b>	
MacLeod D G <sup>#</sup>	50 000	2 364					50 000	23.07.2017
	140 000	2 867					140 000	09.07.2018
	<b>190 000</b>			–	–		<b>190 000</b>	
Riddle L W	33 500	2 364					33 500	23.07.2017
	25 000	2 867					25 000	09.07.2018
	60 000	2 808					60 000	13.07.2019
	56 000	2 856					56 000	20.07.2020
	36 000	2 702					36 000	26.05.2021
	51 500	2 573					51 500	22.05.2022
	77 000	3 445					77 000	21.05.2023
	24 000	2 878					24 000	20.05.2024
	2 216	23 000				23 000	19.05.2025	
	<b>363 000</b>		<b>23 000</b>	–	–		<b>386 000</b>	
	<b>1 334 1 00</b>		<b>210 000</b>	–	–		<b>1 544 100</b>	

<sup>#</sup> Options granted to Mr D G MacLeod while an executive director.

The options granted and unexercised as at 31 March 2016 are as follows:

Expiry date	Option price (cents)	Number of shares
29 October 2016	1 634	200 100
23 July 2017	2 364	528 700
9 July 2018	2 867	1 088 875
13 July 2019	2 808	1 548 000
20 July 2020	2 856	1 077 500
26 May 2021	2 702	1 100 000
22 May 2022	2 573	1 423 600
21 May 2023	3 445	1 234 000
20 May 2024	2 878	1 435 000
19 May 2025	2 216	2 369 500
		<b>12 005 275</b>

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

On 7 April 2016, Illovo entered into a transaction implementation agreement ("TIA") with Associated British Foods plc ("ABF"), further details of which are set out in the Audit Committee Report below, pursuant to which AB Sugar Africa Limited ("ABS Africa"), a wholly-owned subsidiary of ABF, made an offer to Illovo's minority shareholders, to acquire all of the issued ordinary shares in Illovo other than the 236 569 232 shares already owned by ABF Overseas Limited, by way of a scheme of arrangement in terms of section 114(1)(c) of the Companies Act or, if the Scheme fails and ABS Africa so elects, by way of a general offer which, if successful, will result in the company's shares being delisted from the JSE Limited securities exchange.

If the company is delisted, the Phantom Share Scheme ("PSS") will no longer be able to operate in its current form due to the fact that it will have lost an integral reference point used for the exercising of all vested options (ie, the listed share price) and, as a result, a key element of the scheme rules will no longer be operable.

Accordingly, on 7 April 2016, the company's board resolved that, with effect from the date upon which the shares of the company are delisted from the JSE, the PSS Rules be amended, in terms of paragraph 5.4 thereof, such that notwithstanding any provisions of the PSS Rules prior to such amendment, each of the participants of the PSS ("Participant") will receive from the company a cash settlement of R10 (ten Rand) in respect of each of his/her PSS Options (which PSS Options shall thereupon lapse and be of no further force and effect), to be paid out (less tax and any other deductions), in three tranches as follows: one third within 10 days after the date of delisting of the shares of the company from the JSE; one-third on 30 April 2017; and one third on 30 April 2018. Payments due to a Participant will be forfeited if, prior to the due date for any such payment, that Participant resigns or is dismissed (other than for operational requirements or incapacity due to ill-health or injury) from his employment with the company or one of its subsidiaries, as the case may be. No further PSS Options will be granted and the PSS will terminate once the cash settlements have been fully paid.

### Forfeitable Share Plan (FSP)

The FSP was introduced in May 2014 to provide a long-term incentive plan for directors and selected senior employees, thereby providing a mechanism to attract and retain executives and other key management whose skills are required to enable the company to fulfil its long-term goals, which the PSS does not provide. The FSP is not a share option scheme contemplated in Schedule 14 of the JSE Listings Requirements.

As at May 2016, 516 000 shares had been awarded to executive directors and senior employees. A schedule of the shares awarded to the executive directors of the company is set out below.

Name	2014 Shares	2015 Shares	Total
G B Dagleish	75 000	97 000	172 000
M H Abdool-Samad	31 000	31 000	62 000
J P Hulley	33 000	59 000	92 000
L W Riddle	24 000	23 000	47 000

### Illovo Sugar Employees' Share Purchase Scheme

The Illovo Sugar Limited Employees' Share Purchase Scheme (ESPS) was established in 1996 to enable employees to share directly in the profitability and growth of the company, by assisting them to acquire shares in the company. Any contribution made by an employee for the purchase of shares is enhanced by a 10% company contribution, and the company pays for any trading costs. Employees may acquire up to 5 000 shares in aggregate and 1 000 shares in a continuous 12-month period, by means of regular monthly contributions (deducted from their salaries) or a lump sum payment. The ESPS is administered by a trust ("ESPS Trust"), the trustees of which are appointed by the board. A similar purchase scheme is operated in Malawi in respect of shares in Illovo Sugar (Malawi) Limited.

During the year under review, the trustees of the ESPS undertook net purchases of 115 319 shares in the company, thereby increasing the total number of shares held to 395 525. Of these shares, which are all registered in the name of the trust, 395 524 are held on behalf of 690 participants. All such shares have been fully paid for by the participants.

If the Company's shares are delisted, pursuant to the offer made by ABS Africa to minority shareholders (referred to above), the shares held by ESPS Trust will be acquired by ABS Africa and the acquisition price distributed to the beneficiaries of the Trust, following which the ESPS will terminate.

### Capital distributions

No capital distributions were declared during the year under review.

### Subsidiary companies

The names and financial information concerning the subsidiaries of the company are set out in note 15 to the financial statements.

### Directorate and Company Secretary

The names of the directors and the Company Secretary in office at the date of this report are: T S Munday (Chairman), G B Dalglish (Managing Director), M H Abdool-Samad, Dr M I Carr, J Cowper, G Gomwe, J P Hulley, M J Hankinson, Dr S Kana, Dr D Konar, P Lister, C W N Molope, A Mpungwe, L W Riddle, J A Kunst (Company Secretary).

The Company's business address is 1 Nokwe Avenue, Ridgeside, Umhlanga and its postal address is PO Box 194, Durban, 4000.

### Resignations and appointments

During the year under review, Mr G Gomwe was appointed as an independent non-executive director with effect from 1 June 2015; Messrs D G MacLeod and Prof P Madi resigned as non-executive directors at the annual general meeting on 15 July 2015, and Dr S Kana was appointed as an independent non-executive director on that date.

In terms of the company's Memorandum of Incorporation, one-third of the non-executive directors must retire at the company's next annual general meeting, being those who have been longest in office. However, if the ABS Africa offer to the minority shareholders (referred to above) is implemented, the Illovo board of directors will be restructured to be consistent with Illovo being a wholly-owned subsidiary of ABF, and in order to remove any duplication of roles, the restructured board will comprise four directors (the first such directors being Dr M I Carr and Messrs G B Dalglish, M H Abdool-Samad, and J Cowper).

### Evaluations

Annual evaluations were carried out in March 2016 of the board and board committees, the chairman of the board, the financial director and Company Secretary.

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

### Beneficial interests

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

	2016		2015	
	Direct	Indirect	Direct	Indirect
Hankinson M J	3 925	3 925	3 925	3 925
MacLeod D G**	225 000		225 000	
Dalglish G B	172 000 <sup>#</sup>		75 000 <sup>#</sup>	
Abdool-Samad M H	62 000 <sup>#</sup>		31 000 <sup>#</sup>	
Hulley J P	92 000 <sup>#</sup>		33 000 <sup>#</sup>	
Riddle L W	47 000 <sup>#</sup>		24 000 <sup>#</sup>	
Total	601 925	3 925	391 925	3 925

\*\* Mr MacLeod retired as a director on 15 July 2015

<sup>#</sup> Shares held in terms of Forfeitable Share Plan

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

### Directors' remuneration

Pursuant to the requirements of section 66(9) of the Companies Act, the shareholder(s) of the company are required to approve the remuneration payable to the directors by way of a special resolution.

The table below reflects the fees that were approved by the shareholders at the annual general meeting held on 15 July 2015, in addition to an additional fee of R28 000 per day for any unscheduled board or board committee meetings.

If the offer to minority shareholders made by ABS Africa Limited (referred to above) is approved and the company is delisted, ABS Africa Limited and ABS Overseas Limited (as the sole shareholders of the company) will be required to pass a resolution approving the remuneration payable to the directors of the company. If the offer fails, an annual general meeting of the shareholders of the company will be convened to approve such remuneration.



The table below shows the remuneration payable to the directors pursuant to the special resolution passed by the shareholders at the Annual General Meeting held on 15 July 2015:

	Rand
<b>Board</b>	
Chairman**	
For the period 1 April to 15 July 2015 <sup>#</sup>	638 904
For the period 16 July 2015 to 31 March 2016 <sup>##</sup>	1 068 493
Director	287 000
<b>Audit Committee</b>	
Chairman	272 000
Member	135 500
<b>Remuneration/Nomination Committee</b>	
Chairman	192 000
Member	128 000
<b>Risk Management Committee</b>	
Chairman	138 000
Member	92 000
<b>Social and Ethics Committee</b>	
Chairman	138 000
Member	92 000

<sup>#</sup> This amount represents a pro rata share of an annual fee of R2.2 million that was payable to Mr MacLeod as chairman of the board.

<sup>##</sup> This amount represents a pro rata share of an annual fee of R1.5 million payable to Mr Munday as chairman of the board from 15 July 2015.

<sup>\*\*</sup> The fee paid to the Chairman of the board is inclusive of all other committee membership fees (save where he is entitled to receive an additional fee of not more than R28 000 per day for unscheduled board or board committee meetings).

### Investment Committee

During the year under review, an Investment Committee was constituted, the members of which are the Chairman of the board (Mr T S Munday), Drs D Konar and M I Carr and Mr M J Hankinson. The board approved a fee of R20 000 per meeting for this committee, excluding the Chairman and Dr Carr. This fee falls within the fee of R28 000 per day for unscheduled meetings that was approved by the shareholders at the Annual General Meeting on 15 July 2015.

### Take-over Committee

In February 2016, another committee was constituted (the Take-Over Committee) to assist the board in the procedures and decisions to be taken relative to the offer to minority shareholders by ABS Africa Limited. The members of the Take-Over Committee are the Chairman of the board (Mr T S Munday), Dr S Kana and Mr M J Hankinson. The board approved a fee of R20 000 per meeting for this committee. This fee falls within the fee of R28 000 per day for unscheduled meetings that was approved by the shareholders at the Annual General Meeting on 15 July 2015.

### Unscheduled meetings

Until such time as it is amended in due course, the directors will continue to be paid a fee of R28 000 per day for unscheduled meetings, as approved at the Annual General Meeting on 15 July 2015, save for the reduced fees paid to the members of the Investment Committee and the Take-Over Committee, referred to above.

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

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

On behalf of the board

**T S Munday**  
Chairman

2 June 2016

# Analysis of shareholders

	Number of ordinary shares	Percentage of shares issued	Number of shareholders
An analysis of the register of members as at 31 March 2016 revealed the following categories of membership			
1 – 1 000	604 629	0.1	2 200
1 001 – 10 000	3 099 799	0.7	907
10 001 – 100 000	12 034 605	2.6	318
100 001 – 1 000 000	54 418 306	11.8	189
Over 1 000 000	390 573 218	84.8	40
	<b>460 730 557</b>	<b>100.0</b>	<b>3 654</b>
Of the total number of shareholders, 3 283 held their shares in dematerialised form while 371 remained as certificated holders. Of the total number of shares in issue, 48.6% have been dematerialised. The holding company has elected to hold its shares in certificated form.			
A further analysis of the register reveals the following categories of members:			
Pension funds	66 488 136	14.4	161
Unit trusts	53 083 177	11.5	44
Banks	13 047 590	2.8	36
Insurance companies	8 037 732	1.8	35
Individuals	3 875 910	0.8	2 697
Other corporate bodies	316 198 012	68.7	681
	<b>460 730 557</b>	<b>100.0</b>	<b>3 654</b>
<b>Disclosures by nominee shareholders</b>			
Pursuant to the provisions of section 56 of the Companies Act, the following beneficial shareholdings equal to or exceeding 5% of the total issued shares in the company have been determined from an analysis of the statutory disclosures submitted by nominee companies:			
ABF Overseas Limited	236 569 232	51.30	
Allan Gray Limited	83 129 547	18.04	
Public Investment Corporation	24 788 623	5.38	
Investec Asset Management	23 317 007	5.06	
It should be noted that beneficial shareholders who are investment managers, will hold shares on behalf of clients, and may or may not hold the relevant voting rights.			
<b>Shareholder spread</b>			
<b>Non-public shareholders</b>			
Holding company	236 569 232		1
Directors	601 925		6
Employees and former employees holding shares in terms of the Illovo Sugar 1992 Share Option Scheme	1 188 466		54
Trustees of the Illovo Sugar Employees' Share Purchase Trust	395 525		1
	<b>238 755 148</b>	<b>51.8</b>	<b>62</b>
<b>Public shareholders</b>	<b>221 975 409</b>	<b>48.2</b>	<b>3 592</b>
	<b>460 730 557</b>	<b>100.0</b>	<b>3 654</b>

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

### **Terms of reference and objectives**

Illovo's Audit Committee ("committee") operates in accordance with formal Terms of Reference and annual work plan, which comply with the requirements of the King Code of Corporate Governance Principles for South Africa, 2009, read with the King Report on Governance for South Africa 2009 ("King III"), and approved by the board of directors. The Terms of Reference and work plan are reviewed annually and amended as required.

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

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

### **Composition of the committee**

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

The members of the committee during the year ended 31 March 2016 were as follows:

- during the period 1 April 2015 to 15 July 2015: Dr D Konar (committee Chairman), Messrs M J Hankinson, T S Munday, and Mrs C W N Molohe; and
- during the period 16 July 2015 to 31 March 2016: Dr D Konar (committee Chairman), Dr S Kana, Mr M J Hankinson, and Mrs CWN Molohe

The company's independent external auditors (Deloitte & Touche) and internal auditors have unrestricted access to the committee and its chairman.

### **Meetings and attendance**

During the year under review, three meetings of the committee were held, attendance at which was as follows:

Dr D Konar attended all three meetings;

Mr M J Hankinson attended all three meeting;

T S Munday attended the two meetings held during his membership of the committee;

Mrs C W N Molohe attended one of the three meetings; and

Dr S Kana attended the only meeting held after his appointment.

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

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

### **Annual evaluation**

In accordance with the provisions of King III, a formal annual evaluation of the Audit Committee was carried out in March 2016. The evaluation indicated that the committee had carried out its duties and responsibilities in an effective and efficient manner. The members of the committee had the requisite skills required to discharge their functions.

The chairman of the committee remained independent and continued to bring sound knowledge and expertise to the committee, including in relation to the increasingly complex accounting environment, cyber security, IT risks, corporate governance trends and combined assurance.

### **Compliance with duties**

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

- reviewing and approving the scope of the independent and internal audits;
- reviewing the level of effectiveness of both the independent and internal auditors;
- reviewing the internal audit charter, and in conjunction with executive management, assessing the competence of the group internal audit manager, and approval of the performance of the internal audit function;
- recommending the appointment of the independent external auditors to the board for approval by the shareholders, and approving their remuneration;
- approving the extent of non-audit services undertaken by the independent external auditors, in accordance with the approved policy;
- reviewing reports from both the independent and internal auditors, including management's responses thereto;

## Audit Committee report continued

- assessing the effectiveness of internal policies and procedures;
- ensuring that all material financial risks are identified, assessed, monitored and managed;
- monitoring that there are no material breakdowns in internal controls;
- considering the company's accounting policies and reviewing their compliance with International Financial Reporting Standards and other relevant regulatory requirements;
- reviewing and recording going concern assumptions;
- reviewing the company's interim reports, results announcements, and annual reports;
- monitoring that management suitably addresses information technology risks and information security;
- monitoring compliance with the JSE's Listings Requirements; and
- receiving and dealing with any complaints relating to accounting practices, independent and internal audits, and the content or auditing of financial statements or any related matter.

### Statutory duties

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

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

### Risk management

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

### Internal audit

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

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

### Legal, regulatory and corporate governance requirements

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

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

### Expertise and experience of financial director and finance function

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

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

### Internal financial controls

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

## Consolidated and separate annual financial statements

Having reviewed the audited consolidated and separate annual financial statements of the group, particularly to ensure that disclosure was adequate and that fair presentation had been achieved, the committee recommended the approval of the consolidated and separate annual financial statements to the board.

### Subsequent events

There have been no material changes in the affairs or financial position of the company and its subsidiaries since 31 March 2016, save for the following:

- On 7 April 2016, Illovo entered into a transaction implementation agreement ("TIA") with Associated British Foods plc ("ABF"), in terms of which ABF (or a wholly-owned subsidiary of ABF) recorded its intention to make an offer to Illovo's minority shareholders, to acquire all of the issued ordinary shares in Illovo other than the 236 569 232 shares already owned by ABF Overseas Limited, by way of:
  - a scheme of arrangement in terms of section 114(1)(c) of the Companies Act, to be proposed by the Board between Illovo and its Shareholders, other than AOL; or
  - if the Scheme fails and ABF so elects, a general offer by ABF to the Offer Shareholders to acquire the Offer Shares.
- On 20 April 2016, ABF assigned all its rights and obligations under the Transaction Implementation Agreement to its wholly-owned subsidiary, AB Sugar Africa Limited ("ABS Africa"), as permitted by the Transaction Implementation Agreement, through which the Proposed Offer will be implemented. Offer Shareholders will receive a cash consideration of R25 per share.
- If the proposed scheme of arrangement is implemented, or if the general offer is made and implemented, the company's shares will be delisted from the Main Board of the JSE Limited securities exchange.
- As announced on the Securities Exchange News Service (SENS) on 8 April 2016 and subsequently on 26 April 2016, Associated British Foods plc ("ABF"), through its wholly-owned subsidiary, AB Sugar Africa Limited, made an offer to acquire all of the issued ordinary shares in Illovo (other than the 236 569 232 shares already owned by ABF Overseas Limited ("AOL")) by way of a scheme of arrangement in terms of section 114(1)(c) of the Companies Act, 2008, between Illovo and its shareholders (other than AOL) ("the Scheme"); or if the Scheme fails and ABF so elects, by way of a general offer to those shareholders ("General Offer"), for a cash consideration of R25,00 per share ("Consideration").
- A circular setting out the terms and conditions of the Scheme and the General Offer ("Circular"), and incorporating notice of a general meeting of shareholders on 25 May 2016, was distributed by registered post to shareholders on 26 April 2016, with a copy thereof posted on Illovo's website, [www.illovosugar.co.za](http://www.illovosugar.co.za). On 25 May 2016, the shareholders voted in favour of the Scheme.
- It is anticipated that the Illovo Board will be restructured as a consequence and upon implementation of the proposed offer to minority shareholders referred to above, if such offer is approved. Consistent with Illovo being a wholly-owned subsidiary of ABF, and in order to remove any duplication of roles, the restructured board will comprise four directors (the first such directors being Dr M I Carr and Messrs G B Dalgleish, M H Abdool-Samad, and J Cowper).

### Going concern

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

### Holding company

ABF Overseas Limited is the holding company of Illovo Sugar Limited with a 51.3% interest in its issued share capital. ABF Overseas Limited is a wholly-owned subsidiary of Associated British Foods plc, which is therefore the ultimate holding company of Illovo Sugar Limited. Associated British Foods plc is listed on the London Stock Exchange.

## Matters for consideration at annual general meeting

### *Election of committee members*

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

In the light of the anticipated restructuring of the Illovo board if the offer to minority shareholders referred to above is approved by the shareholders, proposals for the appointment of suitably qualified directors, with the expertise required for membership of the audit committee will be considered following such restructuring of the board, prior to the next annual general meeting of the company.

### *Appointment of independent external auditors*

In terms of section 90(1) read with section 61(8) of the Companies Act (which requires that shareholders approve the appointment of the independent external auditors on an annual basis) the committee will in due course, prior to the next annual general meeting, consider and make recommendations to the board, which in turn will make recommendations to the shareholder(s) relative to the appointment of the company's independent registered auditors for the year ending 31 March 2017.

On behalf of the Audit Committee

**Dr D Konar**

*Audit Committee Chairman*

2 June 2016

# Independent auditor's report

We have audited the consolidated and separate financial statements of Illovo Sugar Limited set out on pages 13 to 73, which comprise the statements of financial position as at 31 March 2016, and the statement of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Illovo Sugar Limited as at 31 March 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Illovo Sugar Limited for 39 years.

### Deloitte & Touche

*Registered Auditors*

**Per: GC Tweedy**

*Partner*

2 June 2016

**National executive:** \*LL Bam *Chief Executive* \*AE Swiegers *Chief Operating Officer* \*GM Pinnock *Audit* \*N Sing *Risk Advisory*  
\*NB Kader *Tax* TP Pillay *Consulting* S Gwala *BPaaS* \*K Black *Clients and Industries* \*JK Mazzocco *Talent and Transformation*  
\*MJ Jarvis *Finance* \*M Jordan *Strategy* \*MJ Comber *Reputation and Risk* \*TJ Brown *Chairman of the board*

**Regional leader:** \*R Redfearn

A full list of partners is available on request

\* *Partner and Registered Auditor*

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

Member of Deloitte Touche Tohmatsu Limited

# Consolidated and separate statement of profit or loss and other comprehensive income

for the year ended at 31 March 2016

	Notes	Group		Company	
		March 2016 Rm	March 2015 Rm	March 2016 Rm	March 2015 Rm
<b>Revenue</b>	4	<b>13 169.9</b>	13 266.5	–	–
Cost of sales		<b>(8 160.8)</b>	(8 206.1)	–	–
<b>Gross profit</b>		<b>5 009.1</b>	5 060.4	–	–
Distribution expenses		<b>(1 223.6)</b>	(1 155.2)	–	–
Administrative expenses		<b>(1 608.4)</b>	(1 517.8)	<b>(143.4)</b>	(74.4)
Other operating (expenses)/income		<b>(766.9)</b>	(732.3)	<b>8.4</b>	6.8
<b>Operating profit/(loss)</b>	5	<b>1 410.2</b>	1 655.1	<b>(135.0)</b>	(67.6)
Dividend income		<b>1.0</b>	2.8	<b>360.8</b>	562.8
Net financing (costs)/income	6	<b>(457.0)</b>	(355.8)	<b>168.8</b>	140.7
<b>Profit before non-trading items</b>		<b>954.2</b>	1 302.1	<b>394.6</b>	635.9
Share of profit from joint venture	16	<b>5.5</b>	4.6		
Share of profit from associates	17	<b>24.0</b>	22.1		
Material items	7	<b>23.3</b>	3.0	–	–
<b>Profit before taxation</b>		<b>1 007.0</b>	1 331.8	<b>394.6</b>	635.9
Taxation	8	<b>(334.5)</b>	(388.0)	<b>(55.7)</b>	(34.6)
<b>Profit for the year</b>		<b>672.5</b>	943.8	<b>338.9</b>	601.3
<b>Attributable to:</b>					
Shareholders of Illovo Sugar Limited		<b>580.1</b>	826.4	<b>338.9</b>	601.3
Non-controlling interest		<b>92.4</b>	117.4		
		<b>672.5</b>	943.8	<b>338.9</b>	601.3
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss in subsequent years:</b>					
Re-measurement of defined benefit obligations		<b>13.7</b>	43.2	<b>7.3</b>	47.9
Tax effect of re-measurement of defined benefit obligations		<b>(3.8)</b>	(13.4)	<b>(2.0)</b>	(13.4)
<b>Items that may be reclassified to profit or loss in subsequent years:</b>					
Foreign currency translation differences		<b>(708.9)</b>	(408.9)		
Cash flow hedges		<b>44.9</b>	(13.7)	<b>(0.2)</b>	–
Tax effect of cash flow hedges		<b>(5.7)</b>	2.3		
Hedge of net investment in foreign subsidiaries		<b>(687.5)</b>	(26.1)		
Tax effect of hedge of net investment in foreign subsidiaries		<b>41.1</b>	11.7		
<b>Total comprehensive (loss)/income for the year</b>		<b>(633.7)</b>	538.9	<b>344.0</b>	635.8
<b>Attributable to:</b>					
Shareholders of Illovo Sugar Limited		<b>(590.4)</b>	431.1	<b>344.0</b>	635.8
Non-controlling interest		<b>(43.3)</b>	107.8		
		<b>(633.7)</b>	538.9	<b>344.0</b>	635.8
<b>Earnings per share</b>	10				
Basic (cents)		<b>125.9</b>	179.4		
Diluted (cents)		<b>125.9</b>	179.4		
<b>Headline earnings per share</b>	10				
Basic (cents)		<b>113.6</b>	179.0		
Diluted (cents)		<b>113.6</b>	179.0		

# Consolidated and separate statement of financial position

as at 31 March 2016

	Notes	Group		Company	
		March 2016 Rm	March 2015 Rm	March 2016 Rm	March 2015 Rm
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>9 814.5</b>	9 472.9	<b>2 442.9</b>	2 282.6
Property, plant and equipment	11	<b>7 574.8</b>	7 043.3	<b>372.6</b>	205.2
Investment property	12	–	–	<b>276.3</b>	279.7
Cane roots	13	<b>1 800.8</b>	1 776.4	–	–
Intangible assets	14	<b>117.4</b>	311.9	–	–
Investment in subsidiaries	15	–	–	<b>1 716.0</b>	1 716.0
Investment in joint venture	16	<b>3.5</b>	0.7	–	–
Investment in associates	17	<b>68.8</b>	73.5	–	–
Investments	18	<b>76.5</b>	74.7	<b>76.5</b>	74.7
Loans	19	<b>142.2</b>	163.9	<b>0.8</b>	0.8
Deferred taxation assets	30	<b>30.5</b>	28.5	<b>0.7</b>	6.2
<b>Current assets</b>		<b>5 817.0</b>	5 353.6	<b>2 549.6</b>	2 376.3
Inventories	20	<b>987.7</b>	1 022.6	<b>8.4</b>	4.2
Growing cane	21	<b>1 914.3</b>	1 797.2	–	–
Trade and other receivables	22	<b>2 220.7</b>	1 660.9	<b>42.1</b>	77.0
Factory overhaul costs	23	<b>327.3</b>	372.0	–	–
Derivative financial instruments	24	<b>29.2</b>	24.4	–	–
Amounts due by subsidiaries	15	–	–	<b>2 496.6</b>	2 096.5
Cash and cash equivalents		<b>337.8</b>	476.5	<b>2.5</b>	198.6
<b>Total assets</b>		<b>15 631.5</b>	14 826.5	<b>4 992.5</b>	4 658.9
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders of Illovo Sugar Limited</b>		<b>5 613.3</b>	6 472.4	<b>4 224.9</b>	4 128.5
Share capital and premium	25	<b>1 196.0</b>	1 440.2	<b>1 196.0</b>	1 440.2
Share-based payment reserve	26	<b>3.8</b>	7.2	<b>3.8</b>	7.2
Other reserves	27	<b>(7.5)</b>	(3.9)	<b>(0.2)</b>	35.6
Retained earnings	28	<b>4 421.0</b>	5 028.9	<b>3 025.3</b>	2 645.5
Non-controlling interest		<b>1 152.9</b>	1 203.3	–	–
<b>Total equity</b>		<b>6 766.2</b>	7 675.7	<b>4 224.9</b>	4 128.5
<b>Non-current liabilities</b>		<b>4 677.7</b>	3 754.4	<b>107.3</b>	106.6
Long-term borrowings	29	<b>2 938.8</b>	2 042.9	–	–
Deferred taxation liabilities	30	<b>1 449.5</b>	1 412.6	–	–
Deferred income	31	<b>91.8</b>	101.8	–	–
Provisions	34	<b>197.6</b>	197.1	<b>107.3</b>	106.6
<b>Current liabilities</b>		<b>4 187.6</b>	3 396.4	<b>660.3</b>	423.8
Short-term borrowings	32	<b>1 922.7</b>	1 164.6	<b>274.1</b>	–
Trade and other payables	33	<b>2 151.5</b>	2 042.5	<b>354.3</b>	391.9
Taxation		<b>36.0</b>	64.9	–	–
Provisions	34	<b>36.4</b>	43.3	<b>19.6</b>	30.4
Amounts due to subsidiaries	15	–	–	<b>12.1</b>	1.5
Derivative financial instruments	24	<b>41.0</b>	81.1	<b>0.2</b>	–
<b>Total liabilities</b>		<b>8 865.3</b>	7 150.8	<b>767.6</b>	530.4
<b>Total equity and liabilities</b>		<b>15 631.5</b>	14 826.5	<b>4 992.5</b>	4 658.9



# Consolidated and separate statement of changes in equity

for the year ended 31 March 2016

Group	Share capital and premium Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Shareholders of Illovo Sugar Limited Rm	Non-controlling interest Rm	Total Rm
<b>Balance at 31 March 2014</b>	1 886.3	13.1	5.8	4 435.1	6 340.3	1 128.3	7 468.6
Total comprehensive income for the year	–	–	(426.5)	857.6	431.1	107.8	538.9
Profit for the year				826.4	826.4	117.4	943.8
Re-measurement of defined benefit obligations				31.2	31.2	(1.4)	29.8
Cash flow hedges			(9.7)		(9.7)	(1.7)	(11.4)
Hedge of net investment in foreign subsidiaries			(11.9)		(11.9)	(2.5)	(14.4)
Foreign currency translation differences			(404.9)		(404.9)	(4.0)	(408.9)
Issue of share capital	0.8				0.8		0.8
Distributions paid	(446.9)				(446.9)	(129.0)	(575.9)
Gain on part-disposal of shareholding in subsidiary				93.1	93.1	96.2	189.3
Gain on liquidation of subsidiary				59.9	59.9		59.9
Purchase of shares (forfeitable share plan)		(5.9)			(5.9)		(5.9)
Transfer of foreign currency translation reserve			416.8	(416.8)	–		–
<b>Balance at 31 March 2015</b>	1 440.2	7.2	(3.9)	5 028.9	6 472.4	1 203.3	7 675.7
Total comprehensive income for the year	–	–	(1 179.4)	589.0	(590.4)	(43.3)	(633.7)
Profit for the year				580.1	580.1	92.4	672.5
Re-measurement of defined benefit obligations				8.9	8.9	1.0	9.9
Cash flow hedges			33.5		33.5	5.7	39.2
Hedge of net investment in foreign subsidiaries			(627.4)		(627.4)	(19.0)	(646.4)
Foreign currency translation differences			(585.5)		(585.5)	(123.4)	(708.9)
Transactions with non-controlling shareholders	–			(21.1)	(21.1)	22.7	1.6
Distributions paid	(244.2)				(244.2)	(29.8)	(274.0)
Purchase of shares (forfeitable share plan)		(5.2)			(5.2)		(5.2)
Share-based payments charge		1.8			1.8		1.8
Transfer of other reserves			(37.1)	37.1	–		–
Transfer of foreign currency translation reserve			1 212.9	(1 212.9)	–		–
<b>Balance at 31 March 2016</b>	1 196.0	3.8	(7.5)	4 421.0	5 613.3	1 152.9	6 766.2

# Consolidated and separate statement of changes in equity continued

for the year ended 31 March 2016

Company	Share capital and premium Rm	Share-based payment reserve Rm	Other reserves Rm	Retained earnings Rm	Shareholders of Illovo Sugar Limited Rm
<b>Balance at 31 March 2014</b>	1 886.3	13.1	35.6	2 009.7	3 944.7
Total comprehensive income for the year	–	–	–	635.8	635.8
Profit for the year				601.3	601.3
Re-measurement of defined benefit obligations				34.5	34.5
Issue of share capital	0.8				0.8
Distributions paid	(446.9)				(446.9)
Purchase of shares (forfeitable share plan)		(5.9)			(5.9)
<b>Balance at 31 March 2015</b>	1 440.2	7.2	35.6	2 645.5	4 128.5
Total comprehensive income for the year	–	–	(0.2)	344.2	344.0
Profit for the year				338.9	338.9
Re-measurement of defined benefit obligations				5.3	5.3
Cash flow hedges			(0.2)		(0.2)
Distributions paid	(244.2)				(244.2)
Purchase of shares (forfeitable share plan)		(5.2)			(5.2)
Share-based payments charge		1.8			1.8
Transfer of other reserves			(35.6)	35.6	–
<b>Balance at 31 March 2016</b>	<b>1 196.0</b>	<b>3.8</b>	<b>(0.2)</b>	<b>3 025.3</b>	<b>4 224.9</b>

# Consolidated and separate statement of cash flows

for the year ended 31 March 2016

	Notes	Group		Company	
		March 2016 Rm	March 2015 Rm	March 2016 Rm	March 2015 Rm
<b>Cash flows from operating activities</b>					
Cash operating profit/(loss)	a	<b>1 097.4</b>	1 663.7	<b>(119.2)</b>	(54.8)
Working capital movements	b	<b>(310.6)</b>	(314.1)	<b>(27.4)</b>	59.8
Cash generated from/(utilised in) operations		<b>786.8</b>	1 349.6	<b>(146.6)</b>	5.0
Net financing (costs)/income		<b>(457.0)</b>	(355.8)	<b>168.8</b>	140.7
Taxation paid	c	<b>(137.7)</b>	(252.7)	<b>(39.6)</b>	(36.2)
Dividend income		<b>1.0</b>	2.8	<b>360.8</b>	562.8
Distributions paid	d	<b>(274.0)</b>	(575.9)	<b>(244.2)</b>	(446.9)
<b>Net cash (outflows)/inflows from operating activities</b>		<b>(80.9)</b>	168.0	<b>99.2</b>	225.4
<b>Cash flows from investing activities</b>					
Replacement of property, plant and equipment		<b>(352.4)</b>	(365.6)	<b>(8.6)</b>	(4.7)
Expansion of property, plant and equipment		<b>(1 077.0)</b>	(318.3)	<b>(155.5)</b>	(71.8)
Expansion of area under cane		<b>(17.3)</b>	(5.7)	–	–
Capitalisation of product registrations		<b>(4.4)</b>	(9.9)	–	–
Proceeds on disposal of property		<b>0.4</b>	3.1	–	–
Proceeds on disposal of plant and equipment		<b>24.0</b>	6.5	<b>1.0</b>	1.2
Movement on investments and loans		<b>53.2</b>	21.5	<b>(401.1)</b>	(303.9)
Acquisition of business	e	<b>(2.2)</b>	–	–	–
Disposal of business	f	<b>(0.9)</b>	–	–	–
<b>Net cash outflows from investing activities</b>		<b>(1 376.6)</b>	(668.4)	<b>(564.2)</b>	(379.2)
<b>Net cash outflows before financing activities</b>		<b>(1 457.5)</b>	(500.4)	<b>(465.0)</b>	(153.8)
<b>Cash flows from financing activities</b>					
Long-term borrowings raised/(repaid)		<b>636.3</b>	(79.6)	–	–
Short-term borrowings raised/(repaid)		<b>668.6</b>	276.2	<b>274.1</b>	(0.4)
Issue of share capital	g	–	0.8	–	0.8
Purchase of shares in terms of forfeitable share plan	h	<b>(5.2)</b>	(5.9)	<b>( 5.2)</b>	(5.9)
Proceeds on part-disposal of shareholding in subsidiary		–	189.3	–	–
<b>Net cash inflows/(outflows) from financing activities</b>		<b>1 299.7</b>	380.8	<b>268.9</b>	(5.5)
<b>Net decrease in cash and cash equivalents</b>		<b>(157.8)</b>	(119.6)	<b>(196.1)</b>	(159.3)
<b>Cash and cash equivalents at beginning of year</b>		<b>476.5</b>	597.1	<b>198.6</b>	357.9
Exchange rate translation		<b>19.1</b>	(1.0)	–	–
<b>Cash and cash equivalents at end of year</b>		<b>337.8</b>	476.5	<b>2.5</b>	198.6

## Notes to the statement of cash flows

	Group		Company	
	March	March	March	March
	2016	2015	2016	2015
	Rm	Rm	Rm	Rm
<b>a. Cash operating profit/(loss) is calculated as follows:</b>				
Operating profit/(loss)	1 410.2	1 655.1	(135.0)	(67.6)
Material items	23.3	3.0	–	–
	1 433.5	1 658.1	(135.0)	(67.6)
<b>Add back:</b>				
Depreciation	343.7	336.8	14.0	14.0
Amortisation of intangible assets	15.3	5.6	–	–
Amortisation of deferred income	(10.0)	(10.0)	–	–
Change in fair value of cane roots	(247.4)	(208.6)	–	–
Change in fair value of growing cane	(416.2)	(111.6)	–	–
Loss on closure and subsequent disposal of business	168.8	–	–	–
Profit on disposal of property	(177.0)	(3.0)	–	–
Profit on disposal of plant and equipment – insurable event	(15.1)	–	–	–
Profit on disposal of plant and equipment	–	(3.6)	–	(1.2)
Share-based payments charge	1.8	–	1.8	–
Cash operating profit/(loss)	1 097.4	1 663.7	(119.2)	(54.8)
<b>b. Working capital movements comprise the following:</b>				
Inventories	(58.7)	(14.9)	(4.2)	1.9
Trade and other receivables	(558.5)	(311.0)	22.3	36.7
Factory overhaul costs	10.4	(32.2)	–	–
Trade and other payables	296.2	44.0	(45.5)	21.2
Working capital movements	(310.6)	(314.1)	(27.4)	59.8
<b>c. Taxation paid is reconciled to the amounts disclosed in the income statements as follows:</b>				
Amounts overpaid/(unpaid) at beginning of year	0.5	(70.6)	15.4	7.6
Exchange rate translation	1.1	(3.4)	–	–
Per statement of profit or loss (excluding deferred taxation)	(109.2)	(178.2)	(52.2)	(28.4)
Amounts overpaid at end of year	(30.1)	(0.5)	(2.8)	(15.4)
Total taxation paid	(137.7)	(252.7)	(39.6)	(36.2)
<b>d. Distributions paid are reconciled as follows:</b>				
Distributions paid to shareholders of Illovo Sugar Limited (refer note 10 to the financial statements)	(244.2)	(446.9)	(244.2)	(446.9)
Distributions paid to non-controlling shareholders of subsidiaries	(29.8)	(129.0)	–	–
Total distributions paid	(274.0)	(575.9)	(244.2)	(446.9)

## Notes to the statement of cash flows continued

	Group		Company	
	March	March	March	March
	2016	2015	2016	2015
	Rm	Rm	Rm	Rm
<b>e. Acquisition of business</b>				
The fair value of the assets acquired and liabilities assumed of the business acquired was as follows:				
Intangible assets	37.3	–	–	–
Purchase consideration	37.3	–	–	–
Less: Deferred consideration	(35.1)	–	–	–
Cash consideration paid	2.2	–	–	–
Full details of the acquisition have been provided in note 42.				
<b>f. Disposal of business</b>				
The carrying value of the assets and liabilities disposed of was:				
Intangible assets	231.3	–	–	–
Inventories	2.1	–	–	–
Trade and other receivables	2.6	–	–	–
Cash and cash equivalents	0.9	–	–	–
Trade and other payables, net of closure costs	(3.7)	–	–	–
	233.2	–	–	–
Non-controlling interest	1.6	–	–	–
Recycling of foreign currency translation differences	(66.0)	–	–	–
Loss on closure and subsequent disposal of business	(168.8)	–	–	–
Proceeds on disposal of business	–	–	–	–
Less: Cash and cash equivalents disposed of	(0.9)	–	–	–
Disposal of business	(0.9)	–	–	–
Full details of the disposal have been provided in note 43.				
<b>g. Issue of share capital</b>				
As all outstanding share options vested fully in the prior year, no new shares have been issued (2015: 107 600)	–	0.8	–	0.8
<b>h. Purchase of shares in terms of forfeitable share plan</b>				
In terms of the forfeitable share plan, the company purchased 292 000 (2015: 224 000) shares on behalf of the participants to the scheme.	(5.2)	(5.9)	(5.2)	(5.9)

# Notes to the financial statements

## 1. Significant accounting policies

The principal accounting policies adopted are set out below.

### BASIS OF PREPARATION

#### 1.1 Accounting framework

The consolidated and separate financial statements (collectively referred to as “the financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”); the interpretations applicable to companies reporting under IFRS as developed by the IFRS Interpretations Committee and issued after approval by the IASB; the Companies Act of South Africa, 2008; the Listings Requirements of the JSE Limited; the South African Institute of Chartered Accountants (“SAICA”) Financial Reporting Standards as issued by the Accounting Practices Committee; and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The basis of preparation is consistent with the prior year, except for the adoption of the new and revised standards adopted which have been disclosed in note 2. The adoption of these standards has had no significant impact on the consolidated and separate financial statements.

#### 1.2 Underlying concepts

The financial statements are prepared on the going concern basis.

Assets and liabilities, as well as income and expenses, are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset, and the net amount reported, only when a legally enforceable right to set off the amounts exists and the intention is to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in 1.3 below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### 1.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of International Accounting Standard (“IAS”) 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value-in-use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 inputs: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices).

Level 3 inputs: Unobservable inputs for the asset or liability.

#### 1.4 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred, have expired or when substantially all the risks and rewards of ownership has passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

#### 1.5 Foreign currencies

##### Functional and presentation currency

The financial statements of each individual group entity are presented in the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in South African Rand, which is the company’s functional and presentation currency.

##### Transactions and balances

Transactions in currencies other than the individual group entity’s functional currency (“foreign currencies”) are recognised at the exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are re-translated at the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not re-translated.

### 1.5 **Foreign currencies** *continued*

Foreign exchange gains and losses on monetary assets and liabilities are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings for the construction of an asset for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks, to which the group's hedge accounting policy applies.
- Exchange differences on monetary assets and liabilities receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation. On consolidation, these exchange differences are recognised in other comprehensive income and re-classified from equity to profit or loss on disposal of the foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses recognised in statement of profit or loss are presented within operating profit.

#### **Translation of foreign operations**

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into South African Rand using exchange rates prevailing at the end of each reporting period. Income and expense items, as well as cash flows, are translated at the average exchange rates for the reporting period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity and attributed to non-controlling interests as appropriate.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing at the reporting date.

On the disposal of a foreign operation (ie, a disposal of the group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences, accumulated in equity in respect of that operation, are reclassified to profit or loss. In relation to a partial disposal of a subsidiary that includes a foreign operation but does not result in the loss of control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

## **CONSOLIDATED FINANCIAL STATEMENTS**

### 1.6 **Basis of consolidation**

The separate financial statements reflect the interest in entities controlled by the company at cost less any provision for impairment.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company as if they are a single economic entity.

Control is achieved when the company has power over the entity; is exposed, or has rights to, variable returns from its involvement with the entity; and has the ability to use its power to affect its returns. The company re-assesses whether or not it controls an entity if the facts and circumstances indicate that there are changes to one or more of these elements.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately from the group's equity therein. On acquisition, the non-controlling interests are measured as their proportionate share of the fair value of the entity's identifiable assets and liabilities. Subsequent to acquisition, non-controlling interests are allocated a proportionate share of the subsidiary's profit or loss and each component of other comprehensive income even if this results in the non-controlling interest having a deficit balance, unless there is doubt as to the recoverability of the deficit balance.

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

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets and liabilities of the subsidiary (ie, reclassified to profit or loss). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, and when applicable the cost on initial recognition of an investment in an associate or joint venture.

When necessary, adjustments are made to the financial statements of a subsidiary to bring the accounting policies into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

## 1. Significant accounting policies continued

### 1.7 *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value.

Fair value is calculated as the sum of the acquisition date fair values of the assets transferred by the group, the liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except for:

- Deferred taxation assets or liabilities that are measured in accordance with IAS 12 Income Taxes;
- Assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 19 Employee Benefits;
- Liabilities or equity instruments related to share-based payments arrangements of the acquiree, or share-based payments arrangements of the group entered into to replace share-based payments arrangements of the acquiree, are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

### 1.8 *Interests in joint ventures and associates*

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties, including the group, that have joint control of the arrangement, have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of associates and joint ventures using the equity method of accounting, applying the group's accounting policies, from the acquisition date to the disposal sale (except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations).

Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. Losses of associates or joint ventures in excess of the group's interest are not recognised unless there is a binding legal or constructive obligation to contribute to the losses.

Goodwill arising on the acquisition of an associate or joint venture is accounted for in accordance with the group's accounting policy for goodwill, as set out in 1.7 above, but is included in the carrying amount of the associate or joint venture. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after re-assessment, is recognised immediately in profit or loss.

The requirements of IAS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including any goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where the group transacts with an associate or joint venture, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate or joint venture.



## STATEMENT OF FINANCIAL POSITION

### 1.9 **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Owner-occupied properties and investment properties in the course of construction are carried at cost, less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes professional fees and, for qualifying assets, borrowings costs capitalised in accordance with the group's accounting policy.

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

The group's depreciation rates are as follows:

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

The methods of depreciation, useful lives and residual values are reviewed annually.

Management considers market conditions and projected disposal values when assessing residual values and maintenance programmes and technological innovations when assessing useful lives.

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

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

### 1.10 **Investment property**

An investment property is land, a building or part of a building held by the owner to earn rentals or for capital appreciation or for both.

The cost model, as detailed in 1.9 above, is applied in accounting for investment property (ie, the investment property is recorded at cost less any accumulated depreciation and impairment losses).

### 1.11 **Intangible assets**

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

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

The group's amortisation rates are as follows:

Product registrations	20 years
Patents related to product registrations	10 years
Marketing and distribution rights	3 years

#### **Research expenditure**

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss when incurred.

#### **Development expenditure**

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised only if and when it results in an asset that can be identified, it is probable that the asset will generate future economic benefits (ie, the product or process is technically and commercially feasible and the group has sufficient resources to complete the development) and the development costs can be reliably measured.

#### **Product registrations**

Product registrations represents the cost of various patents, technology and other intellectual property required by the United States of America Environmental Protection Agency to obtain an exclusive registration to sell a furfural-based nematicide for application on food products.

#### **Exclusive marketing and distribution rights**

Exclusive marketing and distribution rights are measured initially at fair value as part of a business combination. Exclusive marketing and distribution rights are a separately identifiable intangible asset and represent the benefit of direct access to major customers in key markets.

#### **Strategic cane supply arrangement**

Strategic cane supply arrangements are measured initially at fair value as part of a business combination. Strategic cane supply arrangements are a separately identifiable intangible asset and represent security over cane supply for an operation.

# Notes to the financial statements continued

## 1. Significant accounting policies continued

### 1.12 Inventories

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

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

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

### 1.13 Factory overhaul costs

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

### 1.14 Biological assets

Biological assets are measured at fair value less costs to sell.

#### Cane roots

Cane roots are bearer plants. The fair value of cane roots is determined as the escalated average cost, using appropriate inflation-related indices, of each year of planting adjusted for the remaining expected life. The land to which the cane roots are allocated is measured separately and no notional rent is included in the cane roots valuation.

#### Growing cane

The fair value of growing cane is determined as the estimated sucrose content in the sugar cane at 31 March, valued at the estimated sucrose price for the following season.

The estimated sucrose price is adjusted for the estimated costs of harvesting the sugar cane and transporting it from the field to the mill.

The sucrose content is estimated in tons and is adjusted by a factor to reflect the growth of the cane at 31 March (ie, the cane growth percentage). The cane growth percentage reflects the long-term average climate and agricultural conditions at each operation and will not fluctuate for year-on-year changes in milling season length or weather events (e.g. floods or drought). Rather, such changes are embodied in the fair value through a revision to the estimated sucrose content to which the cane growth percentage is applied.

### 1.15 Provisions

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

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

### 1.16 Post-retirement obligations

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

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years for statutory purposes and annual for accounting purposes.

Actuarial gains and losses are recognised immediately in other comprehensive income. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the group is demonstrably committed to the curtailment or settlement. Past-service costs are recognised in profit or loss immediately to the extent that the benefits are already vested, otherwise past-service costs are amortised on the straight-line basis over the average period until the amended benefits become vested.

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

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

The group has an obligation to provide severance benefits to members of service-based retirement arrangements in Swaziland and Tanzania. These obligations are provided using the projected unit credits method, based on an annual actuarial valuation, and are unfunded.

Historically, qualifying employees were granted post-retirement medical benefits. Although the post-retirement medical benefit option is now closed, a liability still exists in respect of current and retired employees to whom the benefit was granted. The obligation is provided using the projected unit credit method, based on an annual actuarial valuation, and are unfunded.

**1.17 Deferred income**

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

**1.18 Deferred taxation**

Deferred taxation is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilised.

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

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for all taxable temporary differences, unless specifically exempt.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

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

**1.19 Financial instruments**

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

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

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

**Financial assets**

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

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

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

Investments are classified as "held-to-maturity" where the group has the expressed intention and ability to hold the investment to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts.

Other investments are classified as "available-for-sale" and are measured at fair value with any gains or losses being recognised through other comprehensive income. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss accumulated in equity is reclassified to profit or loss. Fair value, for this purpose, is market value if the investment is listed on a publicly quoted exchange, or a value arrived at by using appropriate valuation models if unlisted.

**Financial liabilities**

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

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

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

**Derivative financial instruments**

The group enters into derivative financial instruments, largely foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks.

# Notes to the financial statements continued

## 1. Significant accounting policies continued

### 1.19 *Financial instruments* continued

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

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

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

#### **Equity**

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

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### 1.20 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Cash and settlement discounts, rebates, sales taxes and other indirect taxes are excluded from revenue.

Where the group acts as agent and is remunerated on a commission basis, only the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

Revenue from sale of goods is recognised when the group has transferred the significant risks and rewards of ownership of the goods, the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the group, and the costs of the transaction can be measured reliably. The recognition date usually coincides with when the title of the goods has passed to the customer and the goods have been delivered.

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

Where extended terms are granted, interest received is accounted for over the term until payment is received.

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

### 1.21 *Material items*

Material items cover those amounts that are not considered to be of an operating or trading nature and generally include impairments of goodwill; impairments of non-current assets; profits and losses on the disposal of immovable property (ie, land and buildings); gains and losses on the destruction of property, plant and equipment in an insurable event; and profits and losses on the disposal or closure of businesses.

### 1.22 *Employee benefit costs*

The cost of providing employee benefit costs is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal and constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.

### 1.23 *Borrowings costs*

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

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

### 1.24 *Taxation*

The charge for current taxation is based on the results for the year as adjusted for income that is exempt from taxation, expenses that are not deductible for taxation purposes, and items that are taxable in other financial years. The charge for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case deferred taxation is also recognised in other comprehensive income.

## TRANSACTIONS AND EVENTS

### 1.25 Leases

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

#### **In the capacity of a lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the term of the lease.

#### **In the capacity of a lessee**

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

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

### 1.26 Impairment of assets

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

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

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

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

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

### 1.27 Hedge accounting

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

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

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

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

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

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

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

# Notes to the financial statements continued

## 1. Significant accounting policies continued

### 1.28 Share-based payments

#### Equity-settled share schemes

Executive directors, senior executives and other employees have been granted equity-settled share options in terms of a share option scheme and a forfeitable share plan. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant, and expensed on the straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest, with a corresponding increase in equity.

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

#### Cash-settled share schemes

Share appreciation rights granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss over the vesting period. The liability is re-measured annually until settled and any changes in fair value are recognised in profit or loss. Fair value is measured using a binomial model.

## 2. New and revised standards and interpretations

### 2.1 Revised IFRS standards adopted during the year

The following amended IFRS standards have been adopted in the year ended 31 March 2016 with no material impact on the amounts reported for the current and prior years. However, these may affect the accounting for future transactions and arrangements.

#### 2.1.1 Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 Employee Benefits clarifies how contributions to defined benefit plans by employees or third parties should be attributed to the periods of service.

#### 2.1.2 Annual Improvements to IFRSs (2010 – 2012 Cycle)

IFRS 2 Share-based Payment: The amendment revised the definitions of "vesting condition" and "market condition" and added definitions for "performance condition" and "service condition".

IFRS 3 Business Combinations: The amendment clarifies that contingent consideration recognised as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 8 Operating Segments: The amendment requires the disclosure of the judgements made by management in applying aggregation criteria to operating segments. A further amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is only required if the segment assets are reported regularly.

IFRS 13 Fair Value Measurement: The amendment clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis has not been removed provided the effect of discounting is not material.

IAS 24 Related Party Disclosures: The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

#### 2.1.3 Annual Improvements to IFRSs (2011 – 2013 Cycle)

IFRS 3 Business Combinations: The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

### 2.2 New and revised IFRS standards is issue, but not yet effective, with a material impact

The following new and revised IFRS standards have been issued but are not yet effective. The group has not early adopted any of these new standards. The new standards will have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practical to provide a reasonable estimate of the effect on the group until a detailed review is undertaken.

#### 2.2.1 Agriculture: Bearer Plants

IAS 41 Agriculture distinguishes between bearer plants and other biological assets. A bearer plant is defined as a living plant that:

- is used in production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants no longer form part of the scope of IAS 41 and are therefore not measured at fair value. Bearer plants must be accounted for in terms of IAS 16 Property, Plant and Equipment and measured at cost less accumulated depreciation and any accumulated impairment losses.

The group's cane root assets (as disclosed in note 14) meet the definition of a bearer plant and therefore this amendment will have a material impact on the group's financial statements.

The following impact on the group has been identified:

- Cane roots will no longer be separately disclosed on the statement of financial position, rather cane roots will be included as part of the property, plant and equipment balance. Cane roots will, however, be disclosed as a separate category within the property, plant and equipment note.
- Cane roots will not be measured at fair value and therefore the cost of replanting fields in previous years will no longer be escalated by the annual inflation rates.

## 2.2 **New and revised IFRS standards is issue, but not yet effective, with a material impact** *continued*

### 2.2.1 **Agriculture: Bearer Plants** *continued*

- The cost of replanting fields will no longer be recognised in profit or loss but will be capitalised to property, plant and equipment.
- The definition of the replant costs will be aligned with the requirements of IAS 16.
- The expected useful life of cane roots will remain between 7 and 10 years, which is in line with what is incorporated into the current fair value model.

The amendment will be effective for the year ending 31 March 2017 and will result in a decrease in the carrying amount of cane roots and consequently the group's total assets. Furthermore, profit before tax will be lower as the resultant reduction in the fair value movement will exceed the benefit of capitalising replant costs, net of depreciation.

As a result of these amendments, the financial statements for the year ending 31 March 2017 will reflect a restated comparative for the year ending 31 March 2016.

### 2.2.2 **IFRS 9 Financial Instruments**

The new standard replaces the multitude of classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortised cost and fair value.

The classification of financial assets will be driven by the group's business model for managing financial assets and the resultant contractual cash flow characteristics.

Financial liabilities that are measured at fair value will need to recognise the part of the fair value change related to the instrument's own credit risk in other comprehensive income rather than profit or loss.

A new impairment model has been introduced that involves a three-stage approach to measuring an impairment loss as the credit quality of financial assets changes.

New hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward.

The new standard will be effective for the year ending 31 March 2019. The directors anticipate that its application will have a material impact on the amounts reported and disclosures made in the financial statements; however, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is performed.

### 2.2.3 **IFRS 15 Revenue from Contracts with Customers**

The new standard established a single comprehensive model for entities to use in accounting for revenue and replaces IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The standard is based on the principle that revenue is recognised when the control of goods transfers to a customer, which replaces the notion of a transfer of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

The standard requires additional disclosures, may result in a change in the timing of when revenue is recognised and introduces specific rules on bill-and-hold arrangements, non-refundable upfront fees, and consignment arrangements to name a few.

The new standard will be effective for the year ending 31 March 2019 and will have follow-on effects on the group's business practices regarding systems, processes, controls and contracts. The directors anticipate that its application will have a material impact on the amounts reported and disclosures made in the financial statements; however, it is not practical to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is performed.

### 2.2.4 **IFRS 16 Leases**

The new standard replaces IAS 17 Leases and specifies the recognition, measurement and disclosure requirements for leases. A single lessee accounting model is introduced that requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a result, the group will be required to recognise an asset and liability for its long-term leases of land and buildings.

Lessors continue to classify leases as operating or finance and the requirements are substantially unchanged from the current accounting practice. The standard will be effective for the year ending 31 March 2020. The directors anticipate that its application will have a material impact on the amounts reported and disclosures made in the financial statements, however, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review is performed.

## 2. New and revised standards and interpretations continued

### 2.3. Revised IFRS standards is issue, but not yet effective, with no material impact

The following revised IFRS standards have been issued but are not yet effective. The revised standards are not expected to have a material impact on the future financial performance and financial position of the group.

#### 2.3.1 Accounting for Acquisitions of Interests in Joint Operations

The amendment to IFRS 11 Joint Arrangements clarifies that the acquirer of an interest in a joint operation, which constitutes a business, must apply the principles of IFRS 3 Business Combinations rather than account for the transaction as simply the purchase of a group of asset. The amendment will be effective for the year ending 31 March 2017.

#### 2.3.2 Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statements addressed difficulties preparers of financial statements had in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 seemed to prevent the use of judgement. The amendments will be effective for the year ending 31 March 2017.

#### 2.3.3 Acceptable Methods of Depreciation and Amortisation

The amendment to IAS 16 Property, Plant and Equipment clarifies that a revenue-based depreciation method is not appropriate. The amendment to IAS 38 Intangible Assets introduces a rebuttable presumption that a revenue-based amortisation method is not appropriate. The amendments will be effective for the year ending 31 March 2017.

#### 2.3.4 Equity Method in Separate Financial Statements

The amendment to IAS 27 Consolidated and Separate Financial Statements provides the option to account for investments in subsidiaries, joint ventures and associates using the equity method in an entity's separate financial statements. The amendment will be effective for the year ending 31 March 2017.

#### 2.3.5 Annual Improvements to IFRSs (2012 – 2014 Cycle)

All of the amendments described below will be effective for the year ending 31 March 2017.

IFRS 7 Financial Instruments – Disclosures: The amendment clarifies whether a servicing contract is continuing involvement in a transferred asset. A further amendment clarifies the offsetting of disclosures in condensed interim financial statements.

IAS 19 Employee Benefits: The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following judgements and key assumptions concerning future and other sources of estimation uncertainty, that affect the amounts recognised in the financial statements and related disclosure:

### 3.1 Impairment of assets

Intangible assets with an indefinite useful life are considered for impairment at least annually. At each reporting date, management considers whether there is any indication that its tangible and other intangible assets may be impaired. Factors taken into consideration are the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit itself.

If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

The value-in-use is determined from the future cash flows expected to be generated by the assets or cash-generating units which are extracted from formal seven-year business plans that are updated annually. The plans are approved by the board of the company and its major operating subsidiaries. The plans include estimates and assumptions regarding economic growth, market conditions, interest rates, exchange rate and competitive forces. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current carrying value and if lower, the assets are impaired to the present value.

### 3.2 Deferred taxation assets

Deferred taxation assets are measured to the extent it is probable that taxable income will be available in the future against which the assets can be utilised. The forecast profit and cash flows obtained from the seven-year business plans (as described in 3.1 above) are utilised in the assessment of the recoverability of deferred taxation assets. Management also exercises judgement in assessing the likelihood that the business plans will be achieved and that the deferred taxation assets are recoverable.

### 3.3 Operating segments

Segment reporting is presented in respect of the group's business and geographic segments. The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics.

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

Management has determined the business segments and reports on the operating segments as follows:

- Cane growing: Growing of sugar cane for use in the sugar production process.
- Sugar production: Manufacture and sale of sugar from sugar cane.



**3.3 Operating segments** *continued*

- Downstream and co-generation: Manufacture and sale of downstream products, including furfural and alcohol, and the supply of surplus electricity generated from the sugar production process.

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

Management evaluates the segment performance based on the operating results. Finance costs as well as segment liabilities are excluded due to the centralised nature of the group's treasury operations.

**3.4 Useful lives and residual values**

Property, plant and equipment as well as intangible assets are depreciated down to their estimated residual values over their anticipated useful lives using the straight-line basis.

The actual lives and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as maintenance programmes and technological innovation are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**3.5 Cane roots valuation**

The valuation of cane roots requires an assessment of the inflation rate used to escalate the prior period replant costs. The inflation rate assumption is based on the official rate published by the relevant authority in the country of operation and is adjusted for any specific factor that impacts the operations' cost structure, including any above-inflationary wage increases or the effect of exchange rate volatility on foreign-based input costs.

The escalated average costs of planting cane roots are adjusted for the remaining expected life. This requires an estimate by management of the average number of ratoons expected from the crop.

**3.6 Growing cane valuation**

Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport.

The estimated sucrose content requires management to assess the expected cane yield and sucrose content for the following season considering weather conditions and harvesting programs.

The estimated sucrose price requires management to estimate the demand for sugar in domestic and regional markets as well as the prices realised in those markets (including the impact of foreign currency exchange rates).

**3.7 Post-retirement obligations**

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

**3.8 Share-based payments**

Equity-settled share-based payments granted in terms of the Forfeitable Share Plan vest with the participant subject to the achievement of a non-market performance condition. Management must make an assessment on the likelihood of the performance condition being met when determining the IFRS 2 Share-based Payment charge to recognise in profit or loss. To date there have been two grants in terms of the forfeitable share plan. No expense has been recognised in respect of the first grant of the forfeitable share plan as vesting conditions are not expected to be met. The second grant is being expensed over the vesting period.

Cash-settled share-based payments are measured on the basis of an actuarial valuation using a standard binomial options pricing model and includes assumptions on the option lifetime, risk-free interest rate, the volatility of the share and exercise. Judgement is exercised by management, assisted by advisors, in determining these assumptions.

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

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>4. Revenue</b>				
Revenue represents the proceeds from:				
Sugar production	<b>9 332.0</b>	9 242.3	–	–
Cane growing	<b>2 547.1</b>	2 848.3	–	–
Downstream and co-generation	<b>1 290.8</b>	1 175.9	–	–
	<b>13 169.9</b>	13 266.5	–	–
Includes revenue from exports outside the country of origin of:	<b>3 436.3</b>	4 203.6	–	–
Interest income is disclosed in note 6 and dividend income is disclosed on the face of the income statement.				
<b>5. Operating profit/(loss)</b>				
Operating profit/(loss) has been determined after taking into account the following items:				
Depreciation	<b>343.7</b>	336.8	<b>14.0</b>	14.0
– freehold land and buildings	<b>13.8</b>	12.7	–	–
– investment property	–	–	<b>3.4</b>	3.4
– leasehold properties	<b>18.0</b>	20.3	–	–
– equipment under finance leases	<b>16.7</b>	11.9	–	–
– plant, machinery and other	<b>295.2</b>	291.9	<b>10.6</b>	10.6
Profit on disposal of plant and equipment	–	(3.6)	–	(1.2)
Amortisation of factory overhaul costs	<b>422.1</b>	349.7	–	–
Amortisation of intangible assets	<b>15.3</b>	5.6	–	–
Amortisation of deferred income	<b>(10.0)</b>	(10.0)	–	–
Fair value adjustments				
– cane roots	<b>247.4</b>	208.6	–	–
– growing cane	<b>416.2</b>	111.6	–	–
Operating lease charges				
– property	<b>41.9</b>	41.8	<b>9.6</b>	11.1
– plant and equipment	<b>2.3</b>	9.5	<b>0.6</b>	0.2
Rental income – investment property	–	–	<b>(21.1)</b>	(19.9)
Auditors' remuneration	<b>19.6</b>	19.2	<b>5.8</b>	6.0
– audit fees	<b>17.0</b>	16.6	<b>4.2</b>	5.1
– fees for other services	<b>2.2</b>	2.3	<b>1.6</b>	0.9
– expenses	<b>0.4</b>	0.3	–	–
Research costs	<b>7.8</b>	11.7	–	–
Share-based payments charge	<b>1.8</b>	–	<b>1.8</b>	–
Retirement benefit costs	<b>186.1</b>	178.2	<b>92.2</b>	86.0
Staff costs	<b>2 482.9</b>	2 387.0	<b>131.3</b>	117.9
Foreign exchange losses/(gains) on trading balances	<b>144.5</b>	(52.2)	<b>(1.0)</b>	(2.3)

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>6. Net financing costs/(income)</b>				
Interest paid on:				
Bank and short-term borrowings	<b>307.5</b>	240.5	<b>64.8</b>	48.8
Long-term borrowings	<b>100.9</b>	35.2	–	–
Loans from related parties	<b>74.8</b>	58.3	–	–
Other	<b>31.6</b>	28.9	<b>9.2</b>	10.4
Total interest paid	<b>514.8</b>	362.9	<b>74.0</b>	59.2
Less: capitalised to property, plant and equipment	<b>(92.8)</b>	(4.0)	<b>(7.0)</b>	(3.6)
	<b>422.0</b>	358.9	<b>67.0</b>	55.6
Interest received on:				
Loans and deposits	<b>(17.3)</b>	(10.3)	<b>(7.2)</b>	(2.0)
Loans to related parties	<b>(1.2)</b>	(3.1)	<b>(227.2)</b>	(192.0)
Total interest received	<b>(18.5)</b>	(13.4)	<b>(234.4)</b>	(194.0)
Foreign exchange losses/(gains) on funding balances	<b>53.5</b>	10.3	<b>(1.4)</b>	(2.3)
	<b>457.0</b>	355.8	<b>(168.8)</b>	(140.7)
<b>7. Material items</b>				
Profit on disposal of property	<b>177.0</b>	3.0	–	–
Profit on disposal of plant and equipment – insurable event	<b>15.1</b>	–	–	–
Loss on closure and subsequent disposal of business	<b>(168.8)</b>	–	–	–
	<b>23.3</b>	3.0	–	–

The group disposed of a farm owned by the South African operation and realised a profit of R177.0 million. Plant and equipment at the Noodsberg operation in South Africa was damaged as a result of a fire. Insurance proceeds of R17.1 million were received, resulting in a profit of R15.1 million. Refer to note 43 for disclosure related to the loss on closure and subsequent disposal of business.

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>8. Taxation</b>				
<b>South African normal taxation</b>				
Current taxation				
– current year	15.3	50.3	9.3	23.1
– prior year	(4.5)	(1.5)	5.1	–
Deferred taxation				
– current year	23.3	22.0	4.5	6.2
– prior year	(0.4)	2.0	(1.0)	–
<b>Foreign taxation</b>				
Current taxation				
– current year	20.8	73.3		
– prior year	(4.2)	6.1		
Deferred taxation				
– current year	203.6	180.6		
– prior year	(1.2)	5.2		
Withholding taxation	81.8	50.0	37.8	5.3
	<b>334.5</b>	388.0	<b>55.7</b>	34.6
Deferred taxation recognised in other comprehensive income	<b>31.6</b>	0.6	<b>(2.0)</b>	(13.4)
	%	%	%	%
<b>Reconciliation of rate of taxation</b>				
South African normal rate of taxation	28.0	28.0	28.0	28.0
Increase/(decrease) in charge for year due to:	5.2	1.1	(13.9)	(22.6)
Prior year adjustments	(1.0)	0.9	1.0	–
Exempt income	(0.2)	–	(25.7)	(24.8)
Disallowable expenditure	2.3	0.8	1.3	0.1
Withholding tax	8.1	3.8	9.6	0.8
Items of a capital nature	3.0	–	–	–
Tax losses written off	–	2.1	–	–
Taxation rate differentials – foreign subsidiaries	(6.7)	(2.4)	–	–
Foreign tax credits	(2.2)	(7.2)	–	–
Other	1.9	3.1	(0.1)	1.3
Effective rate of taxation	<b>33.2</b>	29.1	<b>14.1</b>	5.4
	Rm	Rm	Rm	Rm
Tax effect of estimated tax losses at the end of the year	148.6	174.5	–	–
Estimated tax losses will expire as follows:				
Within one year	–	–	–	–
Between one and two years	–	–	–	–
Greater than two years	148.6	174.5	–	–
	<b>148.6</b>	174.5	–	–

Refer to note 30 for disclosures related to the recognition of deferred taxation assets for estimated tax losses.

	Group and Company	
	2016	2015
	Rm	Rm
<b>9. Distributions paid</b>		
Distribution number 45 of 60.0 cents per share (Final 2014) – paid 7 July 2014		276.4
Distribution number 46 of 37.0 cents per share (Interim 2015) – paid 12 January 2015		170.5
Distribution number 47 of 53.0 cents per share (Final 2015) – paid 6 July 2015	<b>244.2</b>	
	<b>244.2</b>	446.9

As set out in the directors' report, the consideration of R25.00 per share is calculated on the basis that Illovo will not make any distribution to its shareholders between 8 April 2016 and the settlement date of the consideration. Accordingly, no distribution to shareholders for the year ended 31 March 2016 has been declared.

	Group	
	2016	2015
	Rm	Rm
<b>10. Earnings and headline earnings per share</b>		
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<b>580.1</b>	826.4
Dilutive effect of potential ordinary shares	–	–
Earnings for the purpose of diluted earnings per share	<b>580.1</b>	826.4
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (shares)	<b>460 730 557</b>	460 723 036
<b>Reconciliation of headline earnings</b>		
Profit attributable to shareholders of Illovo Sugar Limited	<b>580.1</b>	826.4
Adjusted for:		
Profit on disposal of property	<b>(177.0)</b>	(3.0)
Profit on disposal of plant and equipment – insurable event	<b>(15.1)</b>	–
Loss on closure and subsequent disposal of business	<b>168.8</b>	–
Total gross effect of adjustments	<b>(23.3)</b>	(3.0)
Profit on disposal of property	<b>27.1</b>	–
Profit on disposal of plant and equipment – insurable event	<b>3.5</b>	–
Loss on closure and subsequent disposal of business	<b>(0.5)</b>	–
Total tax effect of adjustments	<b>30.1</b>	–
Profit on disposal of property	–	1.2
Loss on closure and subsequent disposal of business	<b>(63.4)</b>	–
Total non-controlling interest effect of adjustments	<b>(63.4)</b>	1.2
Headline earnings	<b>523.5</b>	824.6
<b>Headline earnings per share</b>		
Basic (cents)	<b>113.6</b>	179.0
Diluted (cents)	<b>113.6</b>	179.0

## Notes to the financial statements continued

	Group			
	2016		2015	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
<b>11. Property, plant and equipment</b>				
Freehold land and buildings	1 258.8	(205.0)	1 055.5	(189.4)
Leasehold properties	1 001.6	(171.3)	1 158.8	(182.5)
Plant, machinery and other	8 208.5	(2 556.2)	7 597.0	(2 438.9)
Equipment under finance lease	69.8	(31.4)	57.5	(14.7)
	<b>10 538.7</b>	<b>(2 963.9)</b>	9 868.8	(2 825.5)
<b>Net book value</b>	<b>7 574.8</b>		7 043.3	

With the exception of land and motor vehicles, the group's property, plant and equipment are insured at cost of replacement amounting to R27 023 million (2015: R26 756 million). Motor vehicles are insured at market value.

Certain of the group's property, plant and equipment with a book value totalling R2 639.9 million (2015: R434.3 million) has been pledged by way of a mortgage debenture as security for the long-term borrowings and deferred income referred to in notes 29 and 31 respectively.

Details of the freehold and leasehold properties are recorded in a register available for inspection at the registered office of the company or its subsidiaries.

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

	Freehold land and buildings Rm	Leasehold properties Rm	Plant, machinery and other Rm	Equipment under finance lease Rm	2016 Total Rm	2015 Total Rm
Net book value at beginning of year	866.1	976.3	5 158.1	42.8	7 043.3	6 783.3
Additions	201.0	20.5	1 195.6	12.3	1 429.4	683.9
Disposals	(1.4)	–	(8.9)	–	(10.3)	(3.0)
Exchange rate translation	1.9	(148.5)	(397.3)	–	(543.9)	(84.1)
	1 067.6	848.3	5 947.5	55.1	7 918.5	7 380.1
Depreciation	(13.8)	(18.0)	(295.2)	(16.7)	(343.7)	(336.8)
<b>Net book value at end of year</b>	<b>1 053.8</b>	<b>830.3</b>	<b>5 652.3</b>	<b>38.4</b>	<b>7 574.8</b>	7 043.3

	Company			
	2016		2015	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
<b>11. Property, plant and equipment</b> continued				
Freehold land and buildings	235.2	–	100.7	–
Plant, machinery and other	205.0	(67.6)	165.7	(61.2)
	<b>440.2</b>	<b>(67.6)</b>	266.4	(61.2)
<b>Net book value</b>	<b>372.6</b>		205.2	

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

	Freehold land and buildings Rm	Plant, machinery and other Rm	2016 Total Rm	2015 Total Rm
Net book value at beginning of year	100.7	104.5	205.2	139.3
Additions	134.5	29.6	164.1	76.5
Disposals	–	(1.0)	(1.0)	–
Transfers from other group companies	–	14.9	14.9	–
	<b>235.2</b>	<b>148.0</b>	<b>383.2</b>	215.8
Depreciation	–	(10.6)	(10.6)	(10.6)
<b>Net book value at end of year</b>	<b>235.2</b>	<b>137.4</b>	<b>372.6</b>	205.2

## 12. Investment property

	Company			
	2016		2015	
	Cost Rm	Accumulated depreciation Rm	Cost Rm	Accumulated depreciation Rm
Commercial warehouse	286.8	(10.5)	286.8	(7.1)
<b>Net book value</b>	<b>276.3</b>		279.7	

The carrying amount of the company's investment property comprises:

	2016 Total Rm	2015 Total Rm
Net book value at the beginning of the year	279.7	283.1
Depreciation	(3.4)	(3.4)
Net book value at end of year	<b>276.3</b>	279.7
<b>Fair value of investment property</b>	<b>398.2</b>	380.9

Investment property comprises a single commercial warehouse located in Pietermaritzburg, South Africa that is leased to the company's subsidiary, Illovo Sugar (South Africa) Limited at market related rentals.

The fair value measurement of investment property has been categorised as a Level 3 Fair Value as it is determined using unobservable inputs into a discounted cash flow valuation model. The key assumptions include the rental income per annum of R21.1 million (2015: R19.9 million), a rental escalation rate of 6% (2015: 6%) and a discount rate of 10.7% (2015: 10.7%).

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>13. Cane roots</b>				
The cane roots are bearer plants and are therefore presented as non-current assets.				
The carrying value of cane roots comprises:				
Carrying value at beginning of year	<b>1 776.4</b>	1 531.0	–	–
Change in fair value	<b>247.4</b>	208.6	–	–
Expansion of area under cane	<b>17.3</b>	5.7	–	–
Exchange rate translation	<b>(240.3)</b>	31.1		
Carrying value at end of year	<b>1 800.8</b>	1 776.4	–	–
Area under cane at 31 March (hectares):				
Malawi	<b>20 076</b>	19 908		
Mozambique	<b>6 100</b>	6 130		
South Africa	<b>8 932</b>	8 925		
Swaziland	<b>9 087</b>	8 646		
Tanzania	<b>9 897</b>	9 643		
Zambia	<b>17 045</b>	16 892		
	<b>71 137</b>	70 144		

The fair value measurement for cane roots has been categorised as a Level 3 Fair Value as it is determined using unobservable inputs to the valuation methodology, and is based on the best information at the reporting date.

Cane roots with a carrying value of R264.9 million (2015: nil) have been pledged as security for long-term borrowings of Zambia Sugar Plc, refer to note 29.

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

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

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

		Malawi	Mozambique	South Africa	Swaziland	Tanzania	Zambia
2016	(%)	<b>25</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>22</b>
2015	(%)	28	5	6	5	4	8

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

	March 2016		March 2015	
	+1% Rm	-1% Rm	+1% Rm	-1% Rm
Fair value of cane roots	<b>1 811.3</b>	<b>1 790.3</b>	1 787.9	1 764.9



	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>14. Intangible assets</b>				
Intangible assets comprise product registrations, a strategic cane supply arrangement and an exclusive marketing and distribution right.				
<b>Cost</b>				
Product registrations	–	227.5	–	–
Strategic cane supply arrangement	<b>91.2</b>	108.9	–	–
Exclusive marketing and distribution right	<b>39.3</b>	–	–	–
	<b>130.5</b>	336.4	–	–
<b>Accumulated amortisation</b>				
Product registrations	–	(24.5)	–	–
Exclusive marketing and distribution right	<b>(13.1)</b>	–	–	–
	<b>117.4</b>	311.9	–	–
<b>Net book value</b>				
The carrying value of intangible assets comprises:				
Balance at beginning of year	<b>311.9</b>	288.0	–	–
Acquisition of business	<b>37.3</b>	–	–	–
Disposal of business	<b>(231.3)</b>	–	–	–
Current year expenditure	<b>4.4</b>	9.9	–	–
Amortised during the year	<b>(15.3)</b>	(5.6)	–	–
Exchange rate translation	<b>10.4</b>	19.6	–	–
Balance at end of year	<b>117.4</b>	311.9	–	–

Product registrations, which are internally generated, represent the cost of registering the group's exclusive right to sell MultiGuard Protect, a furfural based nematicide developed by the group, in the United States of America. Following difficulties in obtaining a registration with the USA Environmental Protection Agency for the application of the nematicide on food crops, the business was closed and subsequently disposed of to the non-controlling shareholders. Refer to note 43. Product registration costs were amortised over 20 years and the patent relating to the product registrations over 10 years.

The strategic cane supply arrangement represents the security over the cane for Zambia Sugar Plc that arose from the acquisition of Nanga Farms Plc. The strategic cane supply arrangement is considered to have an indefinite useful life as the group has the ability to control the arrangement into the foreseeable future, thus ensuring net cash inflows for the group for an indefinite period, and evidence supports its ability to do so. The strategic cane supply arrangement is tested for impairment annually.

The exclusive marketing and distribution right arose when the group acquired the business of Kilombero Sugar Distributors Limited, and represents the benefit of direct access to major sugar customers in Tanzania. The marketing and distribution right is amortised over three years. Refer to note 42.

## Notes to the financial statements continued

## 15. Investment in subsidiaries

The principal subsidiaries of Illovo Sugar Limited are as follows:

2016	Issued capital Rm	Effective percentage holding %	Shares at cost Rm	Amounts due by subsidiaries Rm	Amounts due to subsidiaries Rm
<b>Direct investment</b>					
CGS Investments (Pty) Limited	–	100	0.9	–	(1.5)
East African Supply (Pty) Limited	20.0	100	20.0	1.5	–
Illovo Group Holdings Limited – ordinary	–	100	–	–	–
Illovo Group Holdings Limited – preference	2 469.2	100	1 125.3	–	(10.6)
Illovo Sugar (South Africa) Limited <sup>#</sup>	569.8	100	569.8	1 066.1	–
<b>Indirect investment</b>					
Glendale Sugar Limited	5.6	100	–	–	–
Illovo Distillers (Tanzania) Limited <sup>#</sup>	244.2	80	–	0.9	–
Illovo Distributors (Pty) Limited	–	100	–	–	–
Illovo Group Financing Services Limited	–	100	–	–	–
Illovo Group Marketing Services Limited	–	100	–	33.6	–
Illovo Sugar (Malawi) Limited <sup>#</sup>	16.9	76	–	392.0	–
Illovo Sugar España, S.L.	–	100	–	–	–
Illovo Tanzania Limited	–	100	–	–	–
Illprop (Pty) Limited	1.3	100	–	–	–
Kilombero Holdings Limited	275.8	73	–	–	–
Kilombero Sugar Company Limited <sup>#</sup>	1.6	55	–	12.0	–
Maragra Açúcar SA <sup>#</sup>	478.9	90	–	17.6	–
Mitra Sugar Limited	5.7	100	–	–	–
Nanga Farms Plc <sup>#</sup>	7.9	66	–	1.3	–
Palaa Consultores Marketing E Servicos Lda	–	100	–	–	–
Reynolds Brothers Limited	–	100	–	–	–
Sucoma Holdings Limited	928.4	100	–	–	–
Ubombo Sugar Limited <sup>#</sup>	49.5	60	–	854.7	–
Zambia Sugar Plc <sup>#</sup>	332.2	76	–	116.9	–
			1 716.0	2 496.6	(12.1)

<sup>#</sup> Major operating subsidiary

During the current year, the group liquidated its investment in Illovo Sugar Ireland which resulted in no financial impact on the group. The investment in Agriguard LLC was disposed of to the non-controlling shareholders and Illovo (USA) Company was placed into voluntary liquidation. Refer to note 43.

Further disclosure on amounts due by/(to) subsidiary companies have been provided in note 40.3.

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

# Major operating subsidiary

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

## Notes to the financial statements continued

**15. Investment in subsidiaries** continued

Summarised financial information in respect of each of the group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Illovo Sugar (Malawi) Limited Rm	Kilombero Sugar Company Limited Rm	Maragra Açúcar SA Rm	Ubombo Sugar Limited Rm	Zambia Sugar Plc Rm
<b>2016</b>					
Non-current assets	1 235.9	831.2	671.0	1 692.8	2 727.3
Current assets	1 451.6	300.8	229.0	260.1	1 862.0
Non-current liabilities	(923.8)	(270.3)	(295.4)	(688.9)	(2 120.1)
Current liabilities	(751.1)	(409.3)	(202.6)	(726.3)	(1 014.9)
Equity attributable to Illovo Sugar Limited	(769.5)	(248.8)	(361.9)	(322.6)	(1 105.2)
Non-controlling interests	243.1	203.6	40.1	215.1	349.1
Revenue	2 456.0	1 196.6	475.1	1 471.2	2 884.2
Profit/(loss) attributable to Illovo Sugar Limited	151.7	45.7	(23.2)	26.1	122.9
Profit/(loss) attributable to non-controlling interests	47.9	37.4	(2.6)	17.4	38.8
Profit/(loss) for the year	199.6	83.1	(25.8)	43.5	161.7
Other comprehensive (loss)/income attributable to Illovo Sugar Limited	(8.2)	1.1	–	0.2	(21.8)
Other comprehensive (loss)/income attributable to non-controlling interests	(2.6)	0.9	–	0.1	(6.9)
Other comprehensive (loss)/income/ for the year	(10.8)	2.0	–	0.3	(28.7)
Total comprehensive income/(loss) attributable to Illovo Sugar Limited	143.5	46.8	(23.2)	26.3	101.1
Total comprehensive income/(loss) attributable to non-controlling interests	45.3	38.3	(2.6)	17.5	31.9
Total comprehensive income/(loss) for the year	188.8	85.1	(25.8)	43.8	133.0
Dividends paid to non-controlling interests	–	–	–	–	16.3
Net cash (outflows)/inflows from operating activities	(766.5)	161.5	(76.4)	110.2	(225.8)
Net cash outflows from investing activities	(75.2)	(50.4)	(37.2)	(58.5)	(717.3)
Net cash (outflows)/inflows from financing activities	–	(126.6)	107.7	(52.6)	942.8
Net cash outflows	(841.7)	(15.5)	(5.9)	(0.9)	(0.3)

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

## Notes to the financial statements continued

## 16. Investment in joint venture

Principal joint venture of the group	Year-end	Nature of business	% Holding	
			2016	2015
Glendale Distilling Company	31 March	Alcohol distillers	50	50
Glendale Distilling Company is incorporated in South Africa.				
			2016 Rm	2015 Rm
Balance at beginning of year			0.7	0.7
Share of post acquisition profit			5.5	4.6
Dividend declared by joint venture			(2.7)	(4.6)
Balance at end of year			3.5	0.7
Summarised financial information in respect of the group's joint venture is set out below. The summarised financial information below represents the group's share of the financial performance and financial position of the joint venture:				
Non-current assets			6.6	6.6
Current assets			19.5	20.5
Non-current liabilities			(15.2)	(19.9)
Current liabilities			(7.4)	(6.5)
Net assets			3.5	0.7
Revenue			37.7	36.0
Profit for the year			5.5	4.6
Dividends received from joint venture			2.7	4.6

Details of the transactions and balances with the joint venture have been provided in note 40.4.

## 17. Investment in associates

Principal associates of the group	Year-end	Nature of business	% Holding	
			2016	2015
Gledhow Sugar Company (Pty) Limited	31 March	Sugar milling	<b>30.0</b>	30.0
Kilombero Sugar Distributors Limited	30 September	Dormant	<b>20.0</b>	20.0
Lacsa (Pty) Limited	31 March	Lactulose producer	<b>35.0</b>	35.0
Relax Limited	31 March	Lactulose agents	<b>35.0</b>	35.0

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

The group acquired the sugar distribution business of KSD with effect from 1 April 2015. KSD is a dormant entity and will be liquidated in due course. Refer to note 42 for further details.

	2016	2015
	Rm	Rm
<b>Investment in associate companies</b>		
Balance at beginning of year	<b>73.5</b>	67.6
Share of post-acquisition profit	<b>24.0</b>	22.1
Dividend declared by associate companies	<b>(35.0)</b>	(20.1)
Exchange rate translation	<b>6.3</b>	3.9
Balance at end of year	<b>68.8</b>	73.5
Summarised financial information in respect of the group's associates is set out below. The summarised financial information below represents the group's share of the financial performance and financial position of the associates:		
Non-current assets	<b>54.7</b>	62.3
Current assets	<b>144.2</b>	122.7
Non-current liabilities	<b>(36.5)</b>	(43.4)
Current liabilities	<b>(93.6)</b>	(68.1)
Net assets	<b>68.8</b>	73.5
Revenue	<b>386.7</b>	403.7
Profit for the year	<b>24.0</b>	22.1
Dividends received from associates	<b>35.0</b>	20.1

Details of the transactions and balances with associated companies have been provided in note 40.5.

	Group		Company	
	2016	2015	2016	2015
	Rm	Rm	Rm	Rm
<b>18. Investments</b>				
Defined benefit pension fund asset (refer note 35)	<b>74.1</b>	72.3	<b>74.1</b>	72.3
Other investments	<b>2.4</b>	2.4	<b>2.4</b>	2.4
	<b>76.5</b>	74.7	<b>76.5</b>	74.7
<b>19. Loans</b>				
Loans to associate companies	<b>36.9</b>	59.3	–	–
Loans to joint venture	<b>15.2</b>	23.2	–	–
Grower loans	<b>87.3</b>	75.6	–	–
Other loans	<b>2.8</b>	5.8	<b>0.8</b>	0.8
	<b>142.2</b>	163.9	<b>0.8</b>	0.8

Grower and other loans bear interest at varying rates and have various terms of repayments. None of these loans were past due or impaired at the end of the reporting period. Details of the loans receivable from related parties have been provided in note 40.4 and 40.5.

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>20. Inventories</b>				
Finished goods	465.8	489.8	8.0	–
Consumables and components	521.9	532.8	0.4	4.2
	<b>987.7</b>	1 022.6	<b>8.4</b>	4.2

In arriving at the carrying value of inventories a stock provision of R19.5 million (2015: R25.7 million) has been taken into account. Inventory with a carrying value of R209.2 million (2015: nil) has been pledged as security for long-term borrowings of Zambia Sugar Plc. Refer to note 29.

**21. Growing cane**

The carrying value of growing cane comprises:

Carrying value at beginning of year	1 797.2	1 662.5	–	–
Change in fair value	416.2	111.6	–	–
Exchange rate translation	(299.1)	23.1		
Carrying value at end of year	<b>1 914.3</b>	1 797.2	–	–

Growing cane is classified as immature until it is ready for harvest.

The fair value measurement of growing cane has been categorised as a Level 3 Fair Value as it is determined using unobservable inputs to the valuation methodology, and is based on the best information available at reporting date.

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

	Malawi	Mozambique	South Africa	Swaziland	Tanzania	Zambia
<b>2016</b>						
Expected commercial harvest area (hectares) – 2017	19 464.6	5 883.6	4 927.8	8 603.4	9 588.0	16 503.6
Estimated yield (tons cane/hectare)	95.8	74.0	56.9	66.2	74.9	103.1
Estimated cane growth at 31 March (%)	68.2	71.6	40.0	67.7	46.2	65.7
<b>2015</b>						
Expected commercial harvest area (hectares) – 2016	19 054.0	5 929.9	5 179.0	8 236.0	9 376.0	16 907.8
Estimated yield (tons cane/hectare)	101.7	83.5	59.1	92.0	84.2	113.5
Estimated cane growth at 31 March (%)	67.5	66.7	57.0	66.7	50.0	66.7

With effect 1 April 2015, the estimated cane growth percentage at 31 March was revised to better reflect the climatic and growing conditions at each operation. The revision to the estimate increased operating profit by R6.3 million.

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

	March 2016		March 2015	
	+1% Rm	-1% Rm	+1% Rm	-1% Rm
Estimated sucrose content	1 931.4	1 887.3	1 813.1	1 776.4
Estimated sucrose price	1 938.6	1 892.0	1 819.9	1 774.6

Growing cane with a carrying value of R553.7 million (2015: nil) has been pledged as security for long-term borrowings of Zambia Sugar Plc. Refer to note 29.



	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>22. Trade and other receivables</b>				
Trade receivables	<b>1 567.8</b>	1 243.7	–	–
Pre-payments	<b>75.0</b>	61.6	<b>0.6</b>	0.2
Taxation receivable	<b>66.1</b>	65.4	<b>2.8</b>	15.4
VAT recoverable	<b>192.6</b>	145.9	<b>21.0</b>	41.0
Other receivables	<b>319.2</b>	144.3	<b>17.7</b>	20.4
	<b>2 220.7</b>	1 660.9	<b>42.1</b>	77.0
<p>The directors consider the carrying amount of trade and other receivables to approximate their fair value. Additional disclosures concerning the management of credit risk have been provided in note 41.</p> <p>An allowance has been made for impairment of receivables amounting to R7.0 million (2015: R1.7 million) in the group. No allowance for impairment of receivables has been provided for in the company (2015: nil). Refer to note 41.5 for additional disclosure.</p> <p>Receivables with a carrying value of R776.9 million (2015: nil) have been pledged as security for long-term borrowings of Zambia Sugar Plc. Refer to note 29.</p>				
<b>23. Factory overhaul costs</b>				
Balance at beginning of year	<b>372.0</b>	338.6	–	–
Capitalised during the year	<b>411.7</b>	381.9	–	–
Amortised during the year	<b>(422.1)</b>	(349.7)	–	–
Exchange rate translation	<b>(34.3)</b>	1.2	–	–
Balance at end of year	<b>327.3</b>	372.0	–	–
<b>24. Derivative financial instruments</b>				
Forward exchange contracts – designated as cash flow hedges	<b>(11.8)</b>	(56.7)	<b>(0.2)</b>	–
	<b>(11.8)</b>	(56.7)	<b>(0.2)</b>	–
Comprising:				
Assets	<b>29.2</b>	24.4	–	–
Liabilities	<b>(41.0)</b>	(81.1)	<b>(0.2)</b>	–
	<b>(11.8)</b>	(56.7)	<b>(0.2)</b>	–

The fair value of derivative financial instruments has been categorised as a Level 2 Fair Value as it is determined using inputs that are observable, either directly (ie, as prices), or indirectly (ie, derived from prices), other than quoted prices in an active market. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in note 41.

## Notes to the financial statements continued

	Group and Company	
	2016	2015
	Rm	Rm
<b>25. Share capital and premium</b>		
<b>Authorised:</b>		
900 000 000 (2015: 900 000 000) ordinary shares of 4 cents each	<b>36.0</b>	36.0
<b>Issued and fully paid:</b>		
460 730 557 (2015: 460 730 557) ordinary shares of 4 cents each	<b>18.4</b>	18.4
Share premium	<b>1 177.6</b>	1 421.8
	<b>1 196.0</b>	1 440.2
The movement for the year was as follows:		
Balance at beginning of year	<b>1 440.2</b>	1 886.3
Share options exercised	–	0.8
Distributions paid	<b>(244.2)</b>	(446.9)
Balance at end of year	<b>1 196.0</b>	1 440.2
Issued share capital includes 516 000 shares (2015: 224 000) purchased on behalf of the executive directors and senior employees in terms of the Forfeitable Share Plan. Refer to note 36 for further details on this plan.		
<b>26. Share-based payment reserve</b>		
Equity-settled share option scheme	<b>13.1</b>	13.1
Forfeitable share plan, net of share purchases	<b>(9.3)</b>	(5.9)
Total share-based payment reserve	<b>3.8</b>	7.2
Movement for the year:		
Balance at beginning of year	<b>7.2</b>	13.1
Purchase of shares (forfeitable share plan)	<b>(5.2)</b>	(5.9)
Share-based payments charge	<b>1.8</b>	–
Balance at end of year	<b>3.8</b>	7.2

Details of the equity-settled share option scheme and equity-settled forfeitable share plan have been provided in note 36.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>27. Other reserves</b>				
Comprises:				
Capital redemption reserve fund	–	37.1	–	35.6
Hedging reserve	<b>(7.5)</b>	(41.0)	<b>(0.2)</b>	–
Foreign currency translation reserve	–	–		
<b>Total other reserves</b>	<b>(7.5)</b>	(3.9)	<b>(0.2)</b>	35.6
Movement for the year:				
Balance at beginning of year	<b>(3.9)</b>	5.8	<b>35.6</b>	35.6
Transfer of foreign currency translation reserve	<b>1 212.9</b>	416.8		
Transfer of capital redemption reserve fund	<b>(37.1)</b>	–	<b>(35.6)</b>	–
Total comprehensive income for the year:				
Cash flow hedges	<b>33.5</b>	(9.7)	<b>(0.2)</b>	–
Hedge of net investment in foreign subsidiary	<b>(627.4)</b>	(11.9)		
Foreign currency translation differences	<b>(585.5)</b>	(404.9)		
<b>Balance at end of year</b>	<b>(7.5)</b>	(3.9)	<b>(0.2)</b>	35.6
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the gains and losses on instruments that hedge the group's net investment in foreign subsidiaries.				
When the foreign currency translation reserve results in an accumulated loss, the balance is transferred to retained earnings to reduce distributable reserves.				
The capital redemption reserve fund is no longer required to be disclosed separately and has been transferred to retained earnings.				
<b>28. Retained earnings</b>				
Balance at beginning of year	<b>5 028.9</b>	4 435.1	<b>2 645.5</b>	2 009.7
Total comprehensive income for the year:				
Profit for the year	<b>580.1</b>	826.4	<b>338.9</b>	601.3
Re-measurement of defined benefit obligations	<b>8.9</b>	31.2	<b>5.3</b>	34.5
Transfer of foreign currency translation reserve	<b>(1 212.9)</b>	(416.8)		
Transfer of capital redemption reserve fund	<b>37.1</b>	–	<b>35.6</b>	–
Transactions with non-controlling shareholders	<b>(21.1)</b>	–		
Gain on part-disposal of shareholding in subsidiary	–	93.1		
Gain on liquidation of subsidiary	–	59.9		
<b>Balance at end of year</b>	<b>4 421.0</b>	5 028.9	<b>3 025.3</b>	2 645.5

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>29. Long-term borrowings</b>				
Secured borrowings	903.0	302.2	–	–
Unsecured borrowings	2 238.6	1 840.4	–	–
Total borrowings	3 141.6	2 142.6	–	–
Less: Current portion redeemable and repayable within one year (refer to note 32)	(202.8)	(99.7)	–	–
	2 938.8	2 042.9	–	–
The above borrowings are due for repayment in the following years ending 31 March:				
2016		99.7	–	–
2017	202.8	1 002.9	–	–
2018	288.8	89.9	–	–
2019	2 481.1	950.1	–	–
2020 and thereafter	168.9	–	–	–
	3 141.6	2 142.6	–	–

	Foreign currency million	Years of repayment	Interest rate %	Group 2016 Rm	2015 Rm
<b>Analysis of borrowings</b>					
Unsecured loans:					
US Dollar <sup>^</sup>	151.6	2019	3.9	2 238.6	1 840.4
<b>Total unsecured borrowings</b>				2 238.6	1 840.4
Secured loans:					
Tanzanian Shilling <sup>*</sup>	31 308.0	2016 – 2019	10.6	211.4	259.4
South African Rand <sup>~</sup>		2016 – 2020	8.7	38.4	42.8
Zambian Kwacha <sup>#</sup>	486.3	2016 – 2020	26.5	653.2	–
<b>Total secured borrowings</b>				903.0	302.2
<b>Total borrowings</b>				3 141.6	2 142.6

<sup>^</sup> Loans due to Mountsfield Park Finance Limited, a fellow subsidiary of the holding company, Associated British Foods plc.

<sup>\*</sup> Loan secured by land and buildings of Illovo Distillers (Tanzania) Limited, with a net book value of R352.3 million (2015: R352.4 million).

<sup>~</sup> Finance lease liability secured by the assets leased with a carrying value of R38.4 million (2015: R42.8 million).

<sup>#</sup> Loan for the construction of a new refinery secured by property, plant and equipment, biological assets and other current assets of Zambia Sugar Plc with a carrying value of R4 006.6 million.

All loans bear interest at variable, market-related interest rates.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>30. Deferred taxation</b>				
Balance at beginning of year	<b>1 384.1</b>	1 145.8	<b>(6.2)</b>	(25.8)
Charged to profit or loss – current year	<b>226.9</b>	202.6	<b>4.5</b>	6.2
Charged to profit or loss – prior year	<b>(1.6)</b>	7.2	<b>(1.0)</b>	–
Other comprehensive income (relief)/charge	<b>(31.6)</b>	(0.6)	<b>2.0</b>	13.4
Exchange rate translation	<b>(158.8)</b>	29.1		
Balance at end of year	<b>1 419.0</b>	1 384.1	<b>(0.7)</b>	(6.2)
The balance comprises temporary differences attributable to:				
– property, plant and equipment	<b>845.0</b>	785.5	<b>21.7</b>	15.2
– growing cane and cane roots	<b>784.8</b>	779.2	–	–
– tax losses	<b>(148.6)</b>	(174.5)	–	–
– other	<b>(62.2)</b>	(6.1)	<b>(22.4)</b>	(21.4)
Balance at end of year	<b>1 419.0</b>	1 384.1	<b>(0.7)</b>	(6.2)
– asset	<b>(30.5)</b>	(28.5)	<b>(0.7)</b>	(6.2)
– liability	<b>1 449.5</b>	1 412.6	–	–
The group has a number of operating subsidiaries that have estimated tax losses arising from a combination of tax allowances on major capital expansion projects and the challenging trading conditions. The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.				
<b>31. Deferred income</b>				
Co-generation electricity supply	<b>101.8</b>	111.8	–	–
Less: Portion to be recognised within one year (refer to note 33)	<b>(10.0)</b>	(10.0)	–	–
	<b>91.8</b>	101.8	–	–

Deferred income represents an amount received for the exclusive right for the Swaziland Electricity Company, to purchase all surplus electricity in Swaziland. The deferred income will be amortised to profit over the duration of the supply agreement and is secured by farmland with a net book value of R30.6 million (2015: R30.6 million). The balance of the deferred income is secured by a guarantee from the company.

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>32. Short-term borrowings</b>				
Bank loans	320.7	614.7	–	–
Amounts due to holding company	369.5	–	–	–
Bank overdraft	1 029.7	450.2	274.1	–
Total current portion of long-term borrowings (refer to note 29)	202.8	99.7	–	–
Current portion of long-term borrowings	185.5	85.5	–	–
Current portion of finance lease liability (refer to note 39.1)	17.3	14.2	–	–
	<b>1 922.7</b>	1 164.6	<b>274.1</b>	–
The bank loans and bank overdrafts are repayable on demand and bear interest at variable market-related interest rates.				
Further disclosures relating to amounts due to the holding company have been provided in note 40.1.				
<b>33. Trade and other payables</b>				
Trade payables	917.5	978.5	252.3	297.9
Accruals and other payables	1 115.0	973.2	89.6	82.6
Leave pay	79.1	80.8	12.4	11.4
Deferred income (refer to note 31)	10.0	10.0	–	–
Deferred consideration payable (refer to note 43)	29.9	–	–	–
	<b>2 151.5</b>	2 042.5	<b>354.3</b>	391.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider the carrying amount of trade payables to approximate fair value.

The group has financial risk management policies in place to ensure that suppliers are paid within the pre-agreed credit terms.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>34. Provisions</b>				
<b>Post-retirement benefits</b>				
Balance at beginning of year	212.9	194.8	109.5	99.8
Raised during the year	14.4	7.8	0.1	1.9
Utilised during the year	(6.5)	(2.3)	–	–
Actuarial (losses)/gains	(8.6)	12.5	(2.2)	7.8
Exchange rate translation	0.3	0.1		
Balance at end of year	212.5	212.9	107.4	109.5
Current portion	22.8	20.0	8.0	7.1
Non-current portion	189.7	192.9	99.4	102.4
The split of the post-retirement benefits is:				
– defined benefit pension funds (net obligation)	1.2	1.6	–	–
– post-retirement medical benefits	132.6	136.4	107.4	109.5
– severance benefits	78.7	74.9	–	–
	212.5	212.9	107.4	109.5
Refer to note 35 for further details of post-retirement benefits.				
<b>Cash-settled share-based payments</b>				
Balance at beginning of year	27.5	50.0	27.5	45.8
Utilised during the year	(8.0)	(22.5)	(8.0)	(18.3)
Balance at end of year	19.5	27.5	19.5	27.5
Current portion	11.6	23.3	11.6	23.3
Non-current portion	7.9	4.2	7.9	4.2
Refer to note 36 for further details of the cash-settled share-based payment obligation.				
<b>Closure costs</b>				
Balance at beginning of year	–	–	–	–
Disposal of business	4.2	–	–	–
Utilised during the year	(2.2)	–	–	–
Balance at end of year	2.0	–	–	–
Current portion	2.0	–	–	–
Non-current portion	–	–	–	–
The closure costs provision represents management's best estimate of any remaining obligations related to the closure of the furfural-based nematicide business in the United States of America. Refer to note 43.				
<b>Total provisions</b>				
Balance at beginning of year	240.4	244.8	137.0	145.6
Disposal of business	4.2	–	–	–
Raised during the year	14.4	7.8	0.1	1.9
Utilised during the year	(16.7)	(24.8)	(8.0)	(18.3)
Actuarial (losses)/gains	(8.6)	12.5	(2.2)	7.8
Exchange rate translation	0.3	0.1		
Balance at end of year	234.0	240.4	126.9	137.0
Current portion	36.4	43.3	19.6	30.4
Non-current portion	197.6	197.1	107.3	106.6

**35. Retirement benefits**

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

During the year, a service cost of R16.1 million (2015: R14.2 million) was recognised in respect of defined benefit plans (refer to note 35.1), and an expense of R170.0 million (2015: R164.0 million) in respect of defined contribution plans and statutory retirement arrangements.

Further details of the defined benefit plans is disclosed in note 35.1.

**South Africa**

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

The defined benefit plan operates as a closed fund and covers 1 048 employees (2015: 1 096).

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

The accounting actuarial valuation of the defined benefit plan was carried out as at 31 March 2016 in accordance with IAS 19. The combined fair value of the benefit plan assets amounted to R1 231.7 million (2015: R1 175.9 million), whilst the present value of promised retirement benefits totalled R955.6 million (2015: R990.2 million). As at 31 March 2016, the company is only unconditionally entitled to a surplus in the plan assets of R74.1 million (2015: R72.3 million). This surplus has been recognised as an asset.

In arriving at these findings, the actuary took into account a discount rate of 9.60% (2015: 7.30%), an expected rate of salary increase of 8.20% (2015: 6.00%), an expected rate of pension increase of 6.48% (2015: 4.50%) and an expected rate of inflation of 7.20% (2015: 5.00%).

A net expense of R6.3 million (2015: R7.9 million) has been recognised in the financial period relating to the defined benefit plan. The current year contribution to the three defined contribution plans totalled R81.3 million (2015: R76.8 million).

**Malawi**

Pensions are provided for all senior employees through the Sucoma Group Defined Contribution Fund and the Sucoma Non-contributory Defined Contribution Fund. The assets are held in independently administered funds. Retirement benefits for other staff are provided for by the Employment Act regulations. The pension cost of R16.3 million (2015: R15.2 million) is recognised in the year in which it is incurred.

**Zambia**

Zambia Sugar Plc provides retirement benefits for its employees through a defined contribution pension scheme. Contributions to the defined contribution pension scheme are recognised in the year in which the related services are rendered by the employees. An amount of R22.6 million (2015: R22.8 million) was expensed during the year in respect of the defined contribution pension scheme.

Membership of the National Pension Authority is compulsory for all employees of Zambia Sugar Plc and Nanga Farms Plc with the exception of expatriate employees. Monthly contributions are made by both the employer and the employee, and in the current year the employer's contribution totalled R20.2 million (2015: R20.7 million).

**Swaziland**

The group provides retirement benefits for all its permanent employees through a defined contribution fund and a provident fund. The company contributions of R12.7 million (2015: R11.9 million) to these funds are treated as an expense in the financial period.

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

The accounting actuarial valuation of the defined benefit plan was carried out as at 31 March 2016 in accordance with IAS 19. The fair value of the benefit plan assets amounted to R9.2 million (2015: R9.6 million) while the actuarial present value of promised retirement benefits totalled R10.4 million (2015: R11.2 million) resulting in a deficit of R1.2 million (2015: R1.6 million). Net expense of R0.1 million (2015: nil) has been recognised in profit and loss.

In arriving at the valuation, the actuary took into account a discount rate of 9.10% (2015: 6.70%) and an inflation rate of 6.70% (2015: 4.50%).



### Tanzania and Mozambique

There are no group retirement plans in Tanzania and Mozambique; however, employees are covered for retirement purposes by statutory social security arrangements established by the respective governments. The group contributes a percentage of the payroll in terms of the statutory requirements and in the current year R11.5 million (2015: R11.0 million) and R5.4 million (2015: R5.6 million) was expensed in respect of these arrangements in Tanzania and Mozambique respectively.

### Service-based retirement arrangements

The group has an obligation to provide severance benefits to members of service-based retirement arrangements in Swaziland and Tanzania based on the length of permanent employment service. At 31 March 2016, the total provision amounted to R78.7 million (2015: R74.9 million).

### Post-retirement medical benefits

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

The unfunded liability for post-retirement medical benefits is provided on the projected unit credit method, determined actuarially. At 31 March 2016, the total provision amounted to R132.6 million (2015: R136.4 million). During the current year, R10.3 million (2015: R11.0 million) was expensed to the income statement whilst actuarial gains of R5.5 million (2015: actuarial losses of R9.4 million) were recognised in full in other comprehensive income. The group expects to make contributions of R9.0 million (2015: R8.2 million) during the next financial year.

A valuation of this provision was performed as at 31 March 2016. In arriving at the valuation, the actuary took into account a discount rate of 9.80% (2015: 7.60%), an expected rate of health care inflation of 9.20% (2015: 7.40%) and an expected retirement age of 58 (2015: 58).

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>35.1 Defined benefit plans</b>				
The amount included in the statement of financial position in respect of defined benefit obligations, in terms of IAS 19, is as follows:				
Fair value of plan assets	<b>1 240.9</b>	1 185.5	<b>1 231.7</b>	1 175.9
Present value of funded defined benefit obligations	<b>(966.0)</b>	(1 001.4)	<b>(955.6)</b>	(990.2)
	<b>274.9</b>	184.1	<b>276.1</b>	185.7
Unrecognised surplus in terms of Paragraph 58 limitation	<b>(202.0)</b>	(113.4)	<b>(202.0)</b>	(113.4)
Funded status	<b>72.9</b>	70.7	<b>74.1</b>	72.3
Present value of unfunded defined benefit obligations	<b>(211.3)</b>	(211.3)	<b>(107.3)</b>	(109.5)
Net liability arising from defined benefit obligation	<b>(138.4)</b>	(140.6)	<b>(33.2)</b>	(37.2)
– defined benefit asset	<b>74.1</b>	72.3	<b>74.1</b>	72.3
– defined benefit liability	<b>(212.5)</b>	(212.9)	<b>(107.3)</b>	(109.5)

The net defined benefit obligation is made up of the following: Illovo Sugar Pension Fund R74.1 million asset (2015: R72.3 million asset), the Ubombo Sugar Pension Fund R1.2 million liability (2015: R1.6 million liability), severance benefits in Swaziland of R67.9 million liability (2015: R63.9 million liability), severance benefits in Tanzania of R10.8 million liability (2015: R11.0 million liability) and post-retirement medical benefits R132.6 million liability (2015: R136.4 million liability). The pension funds are funded obligations, whereas the severance and post-retirement medical benefits are unfunded obligations. The pension fund surplus of R74.1 million (2015: R72.3 million) will be recovered through a reduction in future contributions.

## Notes to the financial statements continued

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>35. Retirement benefits</b> continued				
<b>35.1 Defined benefit plans</b> continued				
Movements in the fair value of the plan assets:				
Balance at beginning of year	<b>1 185.5</b>	1 179.8	<b>1 175.9</b>	1 170.8
Expected return on plan assets	<b>82.7</b>	103.9	<b>82.1</b>	103.2
Contributions	<b>5.6</b>	10.1	<b>4.9</b>	6.5
Benefits and risk premiums paid	<b>(104.1)</b>	(82.1)	<b>(102.3)</b>	(78.2)
Administration expenses paid	<b>(3.3)</b>	(2.0)	<b>(3.1)</b>	(2.0)
Actuarial gains/(losses)	<b>74.5</b>	(24.2)	<b>74.2</b>	(24.4)
Balance at end of year	<b>1 240.9</b>	1 185.5	<b>1 231.7</b>	1 175.9
Movements in the present value of the defined benefit obligations:				
Balance at beginning of year	<b>1 212.7</b>	1 084.7	<b>1 099.7</b>	980.7
Current service cost	<b>16.1</b>	14.2	<b>10.9</b>	9.2
Interest cost	<b>86.9</b>	96.4	<b>77.2</b>	86.3
Contributions by plan members	<b>1.8</b>	1.9	<b>1.9</b>	2.0
Benefits and risk premiums paid	<b>(117.8)</b>	(96.2)	<b>(110.3)</b>	(85.2)
Administration expenses paid	<b>(3.1)</b>	(2.0)	<b>(3.1)</b>	(2.0)
Actuarial (gains)/losses	<b>(19.5)</b>	113.6	<b>(13.4)</b>	108.7
Exchange rate translation	<b>0.2</b>	0.1		
Balance at end of year	<b>1 177.3</b>	1 212.7	<b>1 062.9</b>	1 099.7
Unfunded defined benefit obligation	<b>211.3</b>	211.3	<b>107.3</b>	109.5
Funded defined benefit obligation	<b>966.0</b>	1 001.4	<b>955.6</b>	990.2
Movements in the unrecognised surplus in terms of Paragraph 58 limitation:				
Balance at beginning of year	<b>(113.4)</b>	(269.9)	<b>(113.4)</b>	(269.9)
Interest on unrecognised surplus	<b>(8.3)</b>	(24.5)	<b>(8.3)</b>	(24.5)
Actuarial gains	<b>(80.3)</b>	181.0	<b>(80.3)</b>	181.0
Balance at end of year	<b>(202.0)</b>	(113.4)	<b>(202.0)</b>	(113.4)
The amounts recognised in profit or loss in respect of these defined benefit plans are as follows:				
Current service cost	<b>16.1</b>	14.2	<b>10.9</b>	9.2
Interest on obligation	<b>86.9</b>	96.4	<b>77.2</b>	86.3
Expected return on plan assets	<b>(82.7)</b>	(103.9)	<b>(82.1)</b>	(103.2)
Interest on unrecognised surplus	<b>8.3</b>	24.5	<b>8.3</b>	24.5
Net expense in respect of defined benefit accounting	<b>28.6</b>	31.2	<b>14.3</b>	16.8
Actuarial gain recognised in other comprehensive income	<b>(13.7)</b>	(43.2)	<b>(7.3)</b>	(47.9)
The major categories of plan assets at the end of the reporting period are as follows:				
Cash	<b>312.0</b>	380.7	<b>310.9</b>	379.3
Equity	<b>334.2</b>	302.1	<b>332.6</b>	300.7
Bonds	<b>171.7</b>	169.9	<b>170.5</b>	169.2
International	<b>402.1</b>	307.2	<b>397.0</b>	301.0
Other	<b>20.9</b>	25.6	<b>20.7</b>	25.7
	<b>1 240.9</b>	1 185.5	<b>1 231.7</b>	1 175.9

### Sensitivity analysis

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

	Group			
	Inflation rate		Discount rate	
	+1%	-1%	+1%	-1%
	Rm	Rm	Rm	Rm
Defined benefit obligation	<b>1 319.6</b>	<b>1 075.1</b>	<b>1 068.9</b>	<b>1 307.9</b>

Re-measurement of the net defined benefit liability:

	Group		Company	
	2016	2015	2016	2015
	Rm	Rm	Rm	Rm
Actuarial (losses)/gains arising from changes in financial assumptions	<b>(16.6)</b>	59.5	<b>(13.5)</b>	57.6
Actuarial gains arising from changes in demographic assumptions	–	23.4	–	23.4
Actuarial gains arising from experience assumptions	<b>71.6</b>	6.5	<b>74.3</b>	3.3
	<b>55.0</b>	89.4	<b>60.8</b>	84.3

The group expects to make contributions of R3.2 million (2015: R3.3 million) to the defined benefit plans during the next financial year.

The plans typically expose the group to the following risks:

#### Interest risk

A decrease in the bond interest rate will increase the plan obligation; however this will be partially offset by an increase in the return of the plan's investments.

#### Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of participants. As such, an increase in the salary of the participants will increase the plan's obligation.

#### Investment risk

The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, bonds and cash.

### 36. Share-based payments

#### Equity-settled share option scheme

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

All outstanding share options were exercised in the prior year and as a result the scheme is closed and no further expense will be recognised in respect of the equity-settled share option scheme. The total expense recognised for the equity-settled share option scheme was R13.1 million.

#### Equity-settled Forfeitable Share Plan

During the year ended 31 March 2015, the group introduced a Forfeitable Share Plan (FSP) providing executive directors and senior employees (the participants) with a long-term incentive scheme.

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

During the year, 292 000 shares were approved by the Remuneration Committee and purchased by the company at a cost of R5.2 million (2015: 224 000 shares at a cost of R5.9 million).

To date there have been two grants in terms of the forfeitable share plan. No expense has been recognised in respect of the first grant of the forfeitable share plan as vesting conditions are not expected to be met. The second grant is being expensed over the vesting period.

Details of the share plan are as follows:

	Group and Company			
	Value Rm	Grant date	Vesting date	Expected vesting period
Number of shares granted				
224 000	5.9	02/12/2014	31/03/2017	2.3 years
292 000	5.2	03/06/2015	31/03/2018	2.8 years

#### Cash-settled equity instrument scheme

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

At 31 March 2016, the fair value of the obligation in respect of the cash-settled equity instrument scheme was determined actuarially, using a standard binomial options pricing model, to be R19.5 million (2015: R27.5 million) and an amount of R8.0 million recognised as income (2015: R22.5 million). The vesting periods for the scheme are one-third after three years, two-thirds after four years and the full allocation after five years.

From 2007, a financial performance hurdle was introduced that requires the cumulative growth in the group's headline earning per share to exceed the cumulative South African gross domestic product (GDP) for the same period as follows:

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

		2016	2015
<b>36. Share-based payments</b> continued			
The independent actuaries made use of the following assumptions in arriving at their valuation:			
<b>Share price</b>	(cents)	<b>2 065</b>	2 378
<b>Expected option lifetime</b>			
– grant date year ending 31 March 2007	(years)	<b>1</b>	1
– grant date year ending 31 March 2008	(years)	<b>1</b>	1
– grant date year ending 31 March 2009	(years)	<b>2</b>	1
– grant date year ending 31 March 2010	(years)	<b>3</b>	1
– grant date year ending 31 March 2011	(years)	<b>4</b>	1
– grant date year ending 31 March 2012	(years)	<b>4</b>	2
– grant date year ending 31 March 2013	(years)	<b>5</b>	3
– grant date year ending 31 March 2014	(years)	<b>6</b>	4
– grant date year ending 31 March 2015	(years)	<b>7</b>	5
– grant date year ending 31 March 2016	(years)	<b>7</b>	–
<b>Expected rolling volatility*</b>			
– one-year expected option lifetime	(%)	<b>18.89</b>	18.89
– two-year expected option lifetime	(%)	<b>20.95</b>	20.95
– three-year expected option lifetime	(%)	<b>19.15</b>	19.15
– four-year expected option lifetime	(%)	<b>19.15</b>	19.15
– five-year expected option lifetime	(%)	<b>19.84</b>	19.84
– six-year expected option lifetime	(%)	<b>22.14</b>	n/a
– seven-year expected option lifetime	(%)	<b>24.89</b>	n/a
<b>Risk-free interest rate</b>			
– one-year expected option lifetime	(%)	<b>7.29</b>	6.16
– two-year expected option lifetime	(%)	<b>8.12</b>	6.43
– three-year expected option lifetime	(%)	<b>8.35</b>	6.62
– four-year expected option lifetime	(%)	<b>8.54</b>	6.81
– five-year expected option lifetime	(%)	<b>8.68</b>	6.98
– six-year expected option lifetime	(%)	<b>8.76</b>	n/a
– seven-year expected option lifetime	(%)	<b>8.80</b>	n/a
Expected dividend yield	(%)	<b>4.16</b>	3.29
Forfeiture rate per annum	(%)	<b>5.00</b>	5.00

\* The volatility is determined using the annualised standard deviation of the continuously compounded rates of return of the share.

#### Illovo Sugar Employees' Share Purchase Scheme

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

## Notes to the financial statements continued

	Group	
	2016 Rm	2015 Rm
<b>37. Capital expenditure commitments</b>		
<b>Malawi</b>		
– contracted	<b>11.8</b>	25.4
– approved but not contracted	<b>116.0</b>	128.8
<b>Mozambique</b>		
– contracted	<b>25.4</b>	1.7
– approved but not contracted	<b>67.3</b>	39.8
<b>South Africa</b>		
– contracted	<b>23.3</b>	77.5
– approved but not contracted	<b>114.6</b>	191.7
<b>Swaziland</b>		
– contracted	<b>6.2</b>	3.3
– approved but not contracted	<b>39.9</b>	113.8
<b>Tanzania</b>		
– contracted	<b>6.8</b>	4.8
– approved but not contracted	<b>53.2</b>	55.7
<b>Zambia</b>		
– contracted	<b>138.3</b>	16.1
– approved but not contracted	<b>144.7</b>	994.6
<b>Corporate</b>		
– contracted	<b>44.7</b>	198.1
– approved but not contracted	<b>72.7</b>	17.1
Contracted	<b>256.5</b>	326.9
Approved but not contracted	<b>608.4</b>	1 541.5
	<b>864.9</b>	1 868.4

The group's core capital expenditure will be financed from cash resources and facilities negotiated but not yet utilised. Specific funding will be raised for expansionary capital projects.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>38. Contingent liabilities</b>				
Guarantees in respect of liabilities of associate companies	<b>100.0</b>	100.0	<b>100.0</b>	100.0
Guarantees in respect of liabilities of third parties	<b>35.3</b>	38.0	<b>13.5</b>	16.6
Claims against the group	<b>34.0</b>	17.9	–	–
Guarantees in respect of liabilities of subsidiary companies			<b>40.4</b>	1 202.1
	<b>169.3</b>	155.9	<b>153.9</b>	1 318.7

The decrease in the guarantees of the liabilities of subsidiary companies relates to the expiry of Illovo Group Holdings Limited external banking facilities. These banking facilities were replaced with a syndicated revolving credit facility during May 2016.

The group has guaranteed certain obligations of its associate company, refer to note 40.5.

A minority shareholder of Illovo Sugar (Malawi) Limited ("ISML") commenced legal action alleging that the affairs of ISML are being conducted in a manner that is prejudicial and/or oppressive to the plaintiff. While the plaintiff has sought various items of relief, the amount of damages claimed has not been specified. Management do not believe the plaintiff is entitled to any of the relief sought and is defending the action.

### 39. Leases

#### 39.1 Finance lease liabilities

Borrowings include finance lease liabilities in respect of leased computer equipment. The average lease term is four years and the group has the option to purchase the computer equipment for a nominal amount at the end of the lease term. The finance lease liabilities are secured by the assets leased. Interest rates underlying all finance lease liabilities are fixed at respective contract dates, at an average rate across the assets of 8.5% (2015: 8.5%).

	Minimum lease payments		Present value of minimum lease payments	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Not later than one year	22.2	17.6	17.3	14.2
Later than one year and not later than five years	24.2	35.2	21.1	28.6
Later than five years	–	–	–	–
	<b>46.4</b>	52.8	<b>38.4</b>	42.8
Less: future finance charges	<b>(8.0)</b>	(10.0)		
Present value of minimum lease payments	<b>38.4</b>	42.8	<b>38.4</b>	42.8
Included in the consolidated financial statements as:				
– current (refer to note 32)			17.3	14.2
– non-current (refer to note 29)			21.1	28.6
			<b>38.4</b>	42.8

#### 39.2 Operating lease commitments

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

	2017 Rm	2018 Rm	2019 Rm	2020 Rm	2021 onwards Rm	2016 Rm	2015 Rm
Property	21.7	16.9	15.3	13.8	53.1	120.8	153.3
Plant and equipment	6.0	6.0	5.7	5.7	9.2	32.6	36.0
Total lease commitments	27.7	22.9	21.0	19.5	62.3	153.4	189.3

**40. Related party transactions**

The group, in the ordinary course of business, enters into various transactions with related parties.

**40.1 Holding companies**

The group is controlled by the following entities:

Names	Type	Place of incorporation	Ownership interest (%)	
			2016	2015
ABF Overseas Limited	Immediate parent entity	United Kingdom	51.3	51.3
Associated British Foods plc	Ultimate parent entity and controlling entity	United Kingdom	51.3	51.3

Associated British Foods plc holds 100% of the issued share capital of ABF Overseas Limited.

Transactions and balances with the holding companies are as follows:

	Short-term borrowings Rm	Interest paid Rm	Dividends paid Rm
<b>2016</b>	<b>369.5</b>	<b>0.3</b>	<b>125.4</b>
2015	–	0.8	229.8

The group has a revolving credit facility with its holding company, Associated British Foods plc. During the current year, the group utilised this facility to bridge the time period between the expiry of the existing external banking facilities in March 2016 and the negotiation of a new syndicated revolving credit facility in May 2016. The loan is unsecured and bears interest at variable, market-related interest rates and will be repaid within three months of the reporting date. Refer to note 32.

**40.2 Fellow subsidiaries of the Associated British Foods plc group**

Transactions and balances with the fellow subsidiaries of the Associated British Foods plc group are as follows:

	Revenue on sale of sugar Rm	Long-term borrowings Rm	Interest paid Rm	Trade and other payables Rm
<b>2016</b>	<b>93.6</b>	<b>2 238.6</b>	<b>71.7</b>	<b>0.7</b>
2015	67.4	1 840.8	57.5	0.3

The group has two long-term US Dollar loans from Mountsfield Park Finance Limited. The loans are unsecured and bear interest at variable, market-related interest rates. The loans are due for repayment during 2019 as a single lump sum repayment. No further borrowings were advanced during the current year. The increase in the loan balance relates to the translation of the US Dollar balance to Rands through the foreign currency translation reserve. Refer to note 29.

The group sells a limited amount of sugar to The Silver Spoon Company, a division of British Sugar plc, and Azucarera Ebro SLU on the same commercial terms and conditions that would be available to third parties. All proceeds were recovered in full and no expense has been recognised in the current or prior year in respect of a bad or doubtful debt.

Trade and other payables represents amounts owing to British Sugar plc for the reimbursement of operating costs.



#### 40.3 Directly and indirectly owned subsidiaries

Details of investments in subsidiaries, including the major operating subsidiaries, are disclosed in note 15.

Balances and transactions between companies within the group have been eliminated on consolidation.

##### Related party transactions

Transactions between the company and its directly and indirectly owned subsidiaries:

	Operational support fees Rm	Procurement of goods and services on behalf of subsidiaries Rm	Brokerage fees Rm	Rental income Rm	Interest received Rm	Dividend income Rm
<b>2016</b>						
Major operating subsidiaries	157.6	558.7	–	21.1	226.4	92.1
Other subsidiaries	–	–	33.6	–	0.8	268.7
<b>2015</b>						
Major operating subsidiaries	190.6	619.9	–	19.9	189.6	104.2
Other subsidiaries	–	–	40.0	–	2.4	458.6

Material transactions between the major operating subsidiaries and other group companies (excluding the company):

	Revenue Rm	Commission on export sales Rm	Aircraft services Rm	Interest received Rm	Dividend income Rm
<b>2016</b>					
Major operating subsidiaries	175.3	41.8	7.3	297.0	84.7
<b>2015</b>					
Major operating subsidiaries	142.0	47.8	6.1	274.8	386.2

A limited amount of sugar is sold between the major operating subsidiaries on similar terms and conditions that would be available to third parties.

Operational support fees are charged to all operating subsidiaries in order to recover the costs of providing technical support, management support and operating a centralised procurement office. Technical support includes services rendered to improve agricultural and manufacturing performance as well as technical engineering services. Management support covers the provision of a range of business services including legal, taxation, treasury, governance, human resources and information technology. The centralised procurement office sources goods and services on behalf of the operating subsidiaries, utilising the group's scale to negotiate preferential supply arrangements.

The company procures certain goods and services on behalf of its subsidiaries. On receipt of an order from the major operating subsidiary, the centralised procurement office sources and purchases the required goods and services from third party suppliers. The cost of the goods and services procured, together with any transport costs, is recovered from the major operating subsidiaries. No mark-up is charged on the recovery of the procurement expenditure and any pricing benefit negotiated with the third party supplier by the centralised procurement office is passed on to the major operating subsidiary.

Illovo Group Marketing Services Limited ("IGMS") coordinates and manages the marketing, sale and distribution of the group's export sugar for which it earns a market-related commission. A portion of the commission earned by IGMS is paid to Mitra Sugar Limited to assist with the handling of sugar within the European Union.

## Notes to the financial statements continued

## 40. Related party transactions continued

## 40.3 Directly and indirectly owned subsidiaries continued

## Related party balances

Balances between the company and its directly and indirectly owned subsidiaries:

	Funding balances owing by subsidiaries Rm	Trading balances owing by subsidiaries Rm	Trading balances owing to subsidiaries Rm
<b>2016</b>			
Major operating subsidiaries	2 079.5	382.0	–
Other subsidiaries	–	35.1	12.1
<b>2015</b>			
Major operating subsidiaries	1 366.4	649.6	–
Other subsidiaries	–	80.5	1.5

Material transactions between the major operating subsidiaries and other group companies (excluding the company):

	Funding balances owing by subsidiaries Rm	Trading balances owing by subsidiaries Rm	Trading balances owing to subsidiaries Rm
<b>2016</b>			
Major operating subsidiaries	1 742.5	82.9	114.4
<b>2015</b>			
Major operating subsidiaries	1 843.6	213.4	–

Trading balances owing by subsidiaries represents the amount outstanding for procurement expenditure, operational support fees, commissions and the reimbursement of operating costs. Trading balances owing to subsidiaries represent proceeds received from export customers over the year-end cut-off, which as a result were not able to be remitted immediately to the major operating subsidiaries. The trading balances are unsecured, have varying repayment terms and only bear interest if the repayment terms have been exceeded, after which a market-related interest is charged on the overdue amount. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised.

Funding balances owing by the subsidiaries to the company arise from the capital expenditure and working capital requirements. As a result of liquidity constraints, trading balances of R419.7 million owing by Illovo Sugar (Malawi) Limited were refinanced with a long-term loan. All funding balances are unsecured and bear interest at variable, market-related interest rates.

	2016 Rm	2015 Rm
Illovo Sugar (South Africa) Limited	901.2	490.8
Illovo Sugar (Malawi) Limited	419.7	–
Maragra Açúcar SA	295.4	242.9
Ubombo Sugar Limited	833.3	875.6
Zambia Sugar Plc	1 372.4	1 600.7
	<b>3 822.0</b>	3 210.0

## 40.4 Joint venture

Details of the investment in the joint venture, Glendale Distilling Company, are disclosed in note 16.

Transactions and balances with the joint venture:

	Loan receivable Rm	Dividend income Rm
2016	15.2	2.7
2015	23.2	4.6

The loan receivable represents unpaid dividends owing to the group. The loan is unsecured, bears no interest and is repayable on demand. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised.

#### 40.5 Associate companies

Details of the investment in associate companies are disclosed in note 17.

Transactions and balances with the associate companies:

	Loans receivable Rm	Deferred consideration payable Rm	Marketing commissions Rm	Interest paid Rm	Interest received Rm	Dividend income Rm
<b>2016</b>						
Kilombero Sugar Distributors Limited	–	25.8	–	2.4	–	–
Lacsa (Pty) Limited	1.9	–	–	–	0.7	–
Relax Limited	35.0	–	–	–	0.5	35.0
<b>2015</b>						
Gledhow Sugar Company (Pty) Limited	–	–	–	–	–	4.2
Kilombero Sugar Distributors Limited	–	–	31.8	–	–	–
Lacsa (Pty) Limited	23.5	–	–	–	1.7	–
Relax Limited	35.8	–	–	–	1.4	15.9

The loans receivable are unsecured, bear interest at variable market-related rates and have no fixed repayment terms. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised.

The deferred consideration represents the balance owing to Kilombero Sugar Distributors Limited for the acquisition of its business. The balance is repayable over three years and bears interest at an effective rate of 7% per annum. Following the acquisition of the business, no further marketing commissions are paid to Kilombero Sugar Distributors Limited.

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

#### 40.6 Other related parties

ED & F Man Holdings Limited (“EDFM”), through its subsidiary companies (collectively referred to as the “EDFM Group”), is a minority shareholder in the group’s operating subsidiaries in Tanzania and is the majority shareholder of Kilombero Sugar Distributors Limited.

	Deferred consideration payable Rm	Trade payables Rm	Marketing commissions paid Rm	Interest paid Rm	Dividends paid Rm
<b>2016</b>					
EDFM Group	4.1	–	5.5	0.4	–
<b>2015</b>					
EDFM Group	–	0.5	2.3	–	–

The EDFM Group provides certain export marketing services for which it is paid a market-related commission.

The deferred consideration represents the balance owing to the EDFM Group for the acquisition of the business of Kilombero Sugar Distributors Limited. The balance is repayable over three years and bears interest at an effective rate of 7% per annum.

## Notes to the financial statements continued

## 40. Related party transactions continued

## 40.7 Compensation of key management personnel

The remuneration of executive directors for the year ended 31 March 2016 was as follows:

	Salary R'000	Bonus R'000	Retirement, medical and UIF contributions R'000	Car allowances R'000	Total reward R'000
Abdool-Samad M H	3 738	1 570	495	226	6 029
Dagleish G B	5 421	2 168	660	387	8 636
Hulley J P	3 117	919	418	260	4 714
Riddle L W	2 874	1 351	401	293	4 919
	<b>15 150</b>	<b>6 008</b>	<b>1 974</b>	<b>1 166</b>	<b>24 298</b>

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

	Salary R'000	Bonus R'000	Retirement, medical and UIF contributions R'000	Car allowances R'000	Total reward R'000
Abdool-Samad M H	3 445	1 034	455	230	5 164
Dagleish G B	4 806	1 300	587	379	7 072
Hulley J P	2 715	718	367	275	4 075
Riddle L W	2 659	997	370	295	4 321
	<b>13 625</b>	<b>4 049</b>	<b>1 779</b>	<b>1 179</b>	<b>20 632</b>

Details of equity-settled and cash-settled share incentives awarded to the executive directors have been included in the Directors' report on pages 4 and 5.

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

## Non-executive directors

The fees paid to non-executive directors for the years ended 31 March 2016 and 31 March 2015 were as follows:

	2016 R'000	2015 R'000
Hankinson M J	783	664
Gomwe G	344	–
Kana Dr S	408	–
Konar Dr D	559	525
MacLeod D G	721	2 200
Madi Prof P M	124	430
Molope C W N	543	484
Mpungwe A R	544	421
Munday T S**	1 419	736
Carr Dr M I#	–	–
Cowper J#	–	–
Lister P A#	–	–
Rhodes G M#	–	–
	<b>5 445</b>	<b>5 460</b>

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

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

**40.7 Compensation of key management personnel** *continued***Shareholders**

Details of the major shareholders of the company and a summary of the categories of shareholders are disclosed in the Directors' report on page 8.

**Interests of directors in contracts**

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

**41. Financial risk management**

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

Categories of financial instruments	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
<b>Financial assets</b>				
Loans and receivables	<b>2 367.0</b>	2 028.4	<b>21.0</b>	219.8
Investments	<b>76.5</b>	74.7	<b>76.5</b>	74.7
Derivative financial instruments designated as cash flow hedges	<b>29.2</b>	24.4	–	–
<b>Financial liabilities</b>				
Derivative financial instruments designated as cash flow hedges	<b>41.0</b>	81.1	<b>0.2</b>	–
Financial liabilities measured at amortised cost	<b>7 003.0</b>	5 240.0	<b>628.4</b>	391.9
<b>Reconciliation to the statement of financial position</b>				
Loans	<b>142.2</b>	163.9	<b>0.8</b>	0.8
Trade and other receivables	<b>1 887.0</b>	1 388.0	<b>17.7</b>	20.4
Cash and cash equivalents	<b>337.8</b>	476.5	<b>2.5</b>	198.6
<b>Loans and receivables</b>	<b>2 367.0</b>	2 028.4	<b>21.0</b>	219.8
Trade and other payables	<b>2 141.5</b>	2 032.5	<b>354.3</b>	391.9
Long-term borrowings	<b>2 938.8</b>	2 042.9	–	–
Short-term borrowings	<b>1 922.7</b>	1 164.6	<b>274.1</b>	–
<b>Financial liabilities measured at amortised cost</b>	<b>7 003.0</b>	5 240.0	<b>628.4</b>	391.9

**41.1 Treasury risk management**

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

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

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

## Notes to the financial statements continued

**41. Financial risk management** continued**41.2 Interest rate risk management**

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

The interest rate profile at 31 March 2016 is as follows:

		Floating rate		Fixed rate		Total borrowings
		Less than one year	Greater than one year	Less than one year	Greater than one year	
Borrowings	(Rm)	1 853.6	2 938.8	69.1	–	4 861.5
Total borrowings	(%)	38.1	60.5	1.4	–	100.0

**Interest rate sensitivity**

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

	2016 Rm	2015 Rm
If interest rates had been 50 basis points higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by	24.0	15.8

**41.3 Commodity price risk management**

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

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

#### 41.4 Currency risk management

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

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

	Group			
	Assets		Liabilities	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
US Dollar	<b>146.3</b>	193.4	<b>58.2</b>	40.1
Euro	<b>63.4</b>	58.1	<b>0.3</b>	0.3
Other	<b>42.4</b>	6.8	<b>19.7</b>	10.2

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

	Group			
	2016		2015	
	Foreign currency millions	Amount in Rm	Foreign currency millions	Amount in Rm
<b>Assets</b>				
US Dollar	<b>9.2</b>	<b>135.2</b>	15.2	184.0
Euro	<b>3.8</b>	<b>63.4</b>	4.5	58.1
Other		<b>42.4</b>		6.8
		<b>241.0</b>		248.9
<b>Liabilities</b>				
US Dollar	<b>3.94</b>	<b>58.2</b>	3.3	40.1
Euro	<b>0.02</b>	<b>0.3</b>	–	0.3
Other		<b>19.7</b>		10.2
		<b>78.2</b>		50.6

## Notes to the financial statements continued

## 41. Financial risk management continued

## 41.4 Currency risk management continued

## Foreign currency sensitivity

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

	US Dollar		Euro	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
10% foreign currency sensitivity	<b>(8.8)</b>	(15.3)	<b>(6.3)</b>	(5.8)

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

	Group					
	2016			2015		
	Foreign currency million	Average rate	Amount in Rm	Foreign currency million	Average rate	Amount in Rm
Foreign currency sold						
US Dollar	<b>14.5</b>	<b>17.39</b>	<b>252.1</b>	96.0	12.36	1 186.5
Euro	<b>37.9</b>	<b>16.16</b>	<b>612.5</b>	38.6	14.06	542.9
Foreign currency purchased						
US Dollar	<b>(6.6)</b>	<b>19.14</b>	<b>(126.3)</b>	(2.2)	12.18	(26.8)
Euro	–	–	–	(0.4)	13.0	(5.2)



#### 41.5 Credit risk management

Credit risk consists mainly of short-term cash deposits and cash equivalent investments, trade receivables and loans. The group only deposits short-term cash with major banks of high quality credit standing and limits the amount of credit exposure to any one counter-party. Trade receivables and loans comprise a widespread base, and group companies undertake ongoing credit evaluations of the financial condition of the other parties. Where appropriate, credit guarantee insurance cover is purchased. At 31 March 2016, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

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

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Not past due	<b>1 267.1</b>	1 112.9	–	–
Past due by 30 days	<b>190.8</b>	85.4	–	–
Past due by 60 days	<b>80.8</b>	30.6	–	–
Past due by 90 days	<b>11.0</b>	13.1	–	–
Past due by 120 days and over	<b>25.1</b>	3.4	–	–
	<b>1 574.8</b>	1 245.4	–	–
Less: Allowance for doubtful debts	<b>(7.0)</b>	(1.7)	–	–
Trade receivables	<b>1 567.8</b>	1 243.7	–	–
No specific trade receivables have been placed under liquidation in either the current or the prior year.				
<b>Allowance for doubtful debts</b>				
Set out below is a summary of the movement in the allowance for doubtful debts for the year:				
Balance at beginning of year	<b>1.7</b>	2.5	–	–
Increase/(decrease) in allowance	<b>5.4</b>	(0.8)	–	–
Exchange rate translation	<b>(0.1)</b>	–	–	–
Balance at end of year	<b>7.0</b>	1.7	–	–

#### 41.6 Liquidity risk management

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

The group treasury has access to the following local and foreign banking facilities at 31 March 2016:

	2016 Rm	2015 Rm
Local, fixed and flexible term, general banking facilities	<b>1 850.0</b>	1 999.9
Foreign, fixed and flexible term, general banking facilities	<b>6 142.0</b>	3 166.5
Total local and foreign banking facilities	<b>7 992.0</b>	5 166.4
Utilised portion of banking facilities	<b>4 861.5</b>	1 321.5
Unutilised portion of banking facilities	<b>3 130.5</b>	3 844.9
	<b>7 992.0</b>	5 166.4

#### 41.7 Capital risk management

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

**42. Acquisition of business**

On 1 April 2015, the group acquired the business of Kilombero Sugar Distributors Limited ("KSD"), a company in which the group holds a 20% investment. KSD held the exclusive right to market and distribute the group's sugar production in Tanzania. The group acquired the business to allow it direct access to existing customers in Tanzania as well as to exert increased influence over the marketing and distribution decisions. KSD will be liquidated in due course. From the date of acquisition, the business acquired from KSD has contributed R10.6 million to net profit before taxation.

The fair values of the identifiable assets of KSD as at the date of acquisition were:

	2016 Rm
Intangible assets	37.3
Purchase consideration	37.3
Less: Deferred consideration	(35.1)
Cash consideration paid	2.2

The deferred purchase consideration is payable over three years and bears interest at an effective interest rate of 7% per annum.

**43. Disposal of business**

On 17 September 2015, a decision was made to close the furfural-based nematicide business in the United States of America (USA) following difficulties in obtaining registration with the USA Environmental Protection Agency for application on food crops. During March 2016, the closure of the business was finalised when the group disposed of its 70% shareholding in Agriguard LLC, the underlying operating entity, to the non-controlling shareholders and subsequently placed Illovo Sugar (USA) Company, its USA subsidiary and the holding company of Agriguard LLC, into voluntary liquidation.

The carrying value of the assets and liabilities disposed of was:

	2016 Rm
Intangible assets	231.3
Inventories	2.1
Trade and other receivables	2.6
Cash and cash equivalents	0.9
Trade and other payables, net of closure costs	(3.7)
	233.2
Non-controlling interest	1.6
Recycling of foreign currency translation differences	(66.0)
Loss on closure and subsequent disposal of business (refer to note 7)	(168.8)
Proceeds on disposal of business	–
Less: Cash and cash equivalents disposed of	(0.9)
Disposal of business	(0.9)

**44. Post-balance sheet events**

As announced on the Securities Exchange News Service (SENS) on 8 April 2016 and subsequently on 26 April 2016, Associated British Foods plc, through its wholly-owned subsidiary, AB Sugar Africa Limited, made an offer to acquire all of the issued ordinary shares in Illovo (other than the 236 569 232 shares already owned by ABF Overseas Limited ("AOL")) by way of a scheme of arrangement in terms of section 114(1)(c) of the Companies Act, 2008, between Illovo and its shareholders (other than AOL) ("the Scheme"); or if the Scheme fails and ABF so elects, by way of a general offer to those shareholders ("General Offer") for a cash consideration of R25.00 per share ("Consideration").

A circular setting out the terms and conditions of the Scheme and the General Offer ("Circular"), and incorporating notice of a general meeting of shareholders on 25 May 2016, was distributed by registered post to shareholders on 26 April 2016, with a copy thereof posted on Illovo's website, [www.illovosugar.co.za](http://www.illovosugar.co.za). On 25 May 2016, the shareholders voted in favour of the Scheme.

No other material changes have taken place in the affairs of the group between the end of the financial year and the date of this report.

## 45. Segmental analysis

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

### Business segments

	Revenue Rm	Operating profit Rm	Capital expenditure Rm
<b>Year to 31 March 2016</b>			
Sugar production	9 332.0	835.0	1 203.3
Cane growing	2 547.1	236.9	208.2
Downstream and co-generation	1 290.8	338.3	39.6
	<b>13 169.9</b>	<b>1 410.2</b>	<b>1 451.1</b>

	Revenue Rm	Operating profit Rm	Capital expenditure Rm
<b>Year to 31 March 2015</b>			
Sugar production	9 242.3	1 179.8	455.1
Cane growing	2 848.3	207.4	218.5
Downstream and co-generation	1 175.9	267.9	25.9
	<b>13 266.5</b>	<b>1 655.1</b>	<b>699.5</b>

### Geographical segments

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm
<b>Year to 31 March 2016</b>				
Malawi	2 456.1	454.0	2 658.6	113.6
Mozambique	473.0	(15.5)	894.4	37.0
South Africa	4 586.0	119.5	3 423.7	291.5
Swaziland	1 471.2	134.3	2 014.6	96.0
Tanzania	1 299.4	230.0	1 616.4	41.7
Zambia	2 884.2	487.9	4 626.3	871.3
	<b>13 169.9</b>	<b>1 410.2</b>	<b>15 234.0</b>	<b>1 451.1</b>

	Revenue Rm	Operating profit Rm	Total assets Rm	Capital expenditure Rm
<b>Year to 31 March 2015</b>				
Malawi	2 362.7	625.3	2 878.7	178.1
Mozambique	593.3	24.6	944.7	39.1
South Africa	4 481.6	215.2	2 857.6	223.5
Swaziland	1 396.5	68.7	2 033.2	67.7
Tanzania	1 247.4	145.0	1 598.8	32.1
Zambia	3 185.0	576.3	3 984.1	159.0
	<b>13 266.5</b>	<b>1 655.1</b>	<b>14 297.1</b>	<b>699.5</b>

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

Segment revenue reported above represents revenue generated from external customers. Revenue of R1 563.8 million (2015: R1 312.9 million) arose from sales to the group's single largest customer. No other single customer contributed 10% or more to the group's revenue.

Revenue from sales between geographic segments totals R175.3 million (2015: R142.0 million) and has been eliminated on consolidation.

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