

# CORPORATE GOVERNANCE

Tongaat Hulett is committed to sound corporate governance and ethical leadership in all its business practices. It continues to uphold and endorse the application of the principles recommended in the Code of Corporate Practices and Conduct embodied in the King II Report. The company recognises the need to add value to all stakeholders, conduct business with openness, integrity and accountability, and provide timely, relevant and meaningful reporting. The board of directors believes that it has complied, in all material respects, with the provisions of the King II Code and the related Listings Requirements of the JSE Limited (JSE), as well as all the applicable statutes and regulatory requirements guiding its conduct throughout the period under review.

As part of its ongoing commitment to corporate discipline, ethical leadership, sustainability and good citizenship, Tongaat Hulett welcomes the recent introduction of The King Code of Governance Principles (King III). Proactive steps are being taken to ensure the appropriate application of the principles relevant to Tongaat Hulett in advance of the reporting required in the 2011 Annual Report.

The roles and responsibilities of the directors, as well as the company's code of ethics for directors and employees, are detailed in a Corporate Governance Manual. This, together with established policies and practices on matters such as safety, health and environment, social investment, broad based black economic empowerment and employment equity, provide a sound framework for sustainable corporate governance within Tongaat Hulett.

## BOARD OF DIRECTORS

The board adopted a Charter, which forms part of the Corporate Governance Manual and records the board's continued objective to provide responsible business leadership with due regard to the interest of shareholders and other stakeholders, including present and future customers, suppliers, employees, as well as the community and the environment within which the company operates. The Board Charter regulates and deals, inter alia, with the fiduciary duties and responsibilities of individual directors toward the company, the approval of strategy and policies, risk management and control, orientation of new directors and conflict of interest.

Tongaat Hulett has a unitary board structure comprising twelve non-executive and three executive directors, drawn from a broad spectrum of the business community. The directors represent a wide range of skills, knowledge and experience, and bring independent judgment to the board deliberations and decisions. The majority of the non-executive directors are independent, with no one individual having unfettered powers of decision-making.

The roles of the independent Non-Executive Chairman, J B Magwaza, and the Chief Executive Officer, P H Staude, are separate with a clear division of responsibilities. In accordance with the company's articles of association, directors are subject to retirement either by rotation at intervals of three years or at the close of business of the next annual general meeting after a director attains the age of seventy years. Directors retiring by rotation may be re-elected at the annual general meeting at which they retire. New directors may only hold office until the next annual general meeting, at which they will be required to retire and offer themselves for election.

On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and markets within which it operates. There are no term contracts of service between any of the directors and the company or any of its operations.

In assisting the board to discharge its duties, board committees have been established which provide, through transparency, disclosure and review, the assurance that operational performance and risk management are monitored. In this regard there is also a record of matters specifically reserved for the board's decision. A formal self-evaluation of the board and its committees, and the assessment of the Chairman by the board, aimed at improving the board's effectiveness, is carried out annually and areas of improvement or concern are identified and adequately addressed.

The board of directors is responsible to shareholders for the performance and the affairs of the company, retaining effective control over the company and giving strategic direction to management. The board has delegated to the Chief Executive Officer and other senior management authority to run the day-to-day affairs of the company. In addition to written board resolutions, levels of authority and materiality delegated to management are approved by the board and are clearly recorded in the Authorities Framework contained in the Corporate Governance Manual, which is utilised by all operations within Tongaat Hulett.

The board meets at least five times a year, with special or additional meetings convened as circumstances dictate. Comprehensive board documentation is prepared and distributed in advance of each meeting, with an opportunity to propose additional matters for discussion at meetings. All directors have access to appropriate information and to the advice and services of the Company Secretary. Independent professional advice is available to directors in appropriate circumstances at the company's expense.

**Attendance of directors at board meetings during the 15 month period to 31 March 2010**

Director	Board	
	A	B
P M Baum <sup>1</sup>	5	3
E le R Bradley <sup>2</sup>	2	2
B G Dunlop	8	8
F Jakoet	8	7
J John	8	7
R P Kupara <sup>3</sup>	3	3
J B Magwaza	8	7
T V Maphai	8	4
M Mia	8	8
N Mjoli-Mncube	8	7
M H Munro	8	8
A A Maleiane <sup>4</sup>	2	2
T H Nyasulu	8	5
C M L Savage <sup>2</sup>	2	2
C B Sibisi	8	8
P H Staude	8	8
R H J Stevens	8	7
J G Williams <sup>1</sup>	5	4

A: Indicates the number of meetings held during the year while the director was a member of the board

B: Indicates the number of meetings attended during the year while the director was a member of the board

- 1: Resigned from the board with effect from 14 August 2009
- 2: Retired from the board with effect from 29 April 2009 (AGM)
- 3: Appointed to the board with effect from 8 October 2009
- 4: Appointed to the board with effect from 23 November 2009

**BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY**

In accordance with the Board Charter, the board has approved and delegated authority for specific matters to various committees, all of which have formal terms of reference. Through regular reporting by the committees, the board is able to monitor, inter alia, key risk areas, and financial and non-financial aspects relevant to the company's various businesses. The formal terms of reference and the delegated authority regarding each committee are set out in the Corporate Governance Manual.

**Audit and Compliance Committee**

The Audit and Compliance Committee is appointed by the board each financial year and comprises three non-executive directors of the company, all of whom are independent. The members possess the necessary expertise to direct the committee constructively in the execution of its responsibilities. The current members are J John (Chairman), F Jakoet and M Mia. The Chief Executive Officer, P H Staude; the Chief Financial Officer, M H Munro; the Internal Audit Manager, M M Jean-Louis and representatives of the internal and external auditors attend by invitation. The Company

Secretary, M A C Mahlari, is the secretary for this committee. The committee meets at least three times a year.

The Audit and Compliance Committee's terms of reference, which have been approved by the board, include financial reporting and operational matters such as the monitoring of controls, loss prevention, litigation, reputational issues and JSE, statutory and regulatory compliance matters. The Audit and Compliance Committee terms of reference and the Internal Audit Charter reflect applicable requirements made by the Corporate Laws Amendment Act, No 24 of 2006.

In addition, the committee is responsible for ensuring that there is an effective risk management process and regularly reviews the effectiveness of risk management activities and receives confirmation of the various ongoing risk management activities relevant to each operation. Each major operational area has its own audit and compliance committee, which subscribes to the same company audit philosophies and reports to the Tongaat Hulett Audit and Compliance Committee.

The committee provides a forum through which the external and internal auditors report to the board. It is responsible for the consideration for appointment and review of internal and independent external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining documentation relating to the interim and annual financial statements. In addition, it reviews procedures and policies of internal control, including internal financial control and internal audit reports. The adequacy and capability of Tongaat Hulett's external and internal audit functions are also subject to continuous review. The committee further considers the independence and objectivity of external auditors.

Management is focused on continuous improvements to systems of internal control. An external quality assurance review of the internal audit function was performed during the normal review cycle, which concluded that the Tongaat Hulett internal audit function "generally conforms" to the standards recommended by the Institute of Internal Auditors, which is the highest rating in terms of the standards of the Institute of Internal Auditors. The status of "generally conforms" continues to be applicable for a period of five years from the date of validation in terms of the standards of the Institute of Internal Auditors.

The external and internal auditors have unrestricted access to members of the Audit and Compliance Committee and its Chairman at all times, ensuring that their independence is

in no way impaired. Both the internal and external auditors have the opportunity of addressing the committee and its Chairman at each of the meetings without management being present.

The Audit and Compliance Committee determines the purpose, authority and responsibility of the internal audit function in an Internal Audit Charter, which has been approved by the committee and the board. The charter sets out the terms of reference of Tongaat Hulett's internal audit function, its reporting line to the Chairman of the committee and the fact that the internal auditors have unrestricted company wide access to all functions, records, property and personnel. The committee reviews the scope and coverage of the internal audit function and has approved its coverage and work plan for the financial year commencing 1 April 2010. While the internal audit function has been outsourced to a professional firm of registered accountants and auditors, co-ordinated by the Internal Audit Manager, the company's independent external auditors do not assist in the performance of any internal audit assignments.

The nature and extent of all non-audit services provided by the independent external auditors are approved and reviewed by the committee, to ensure compliance with the company's policy.

In accordance with the Corporate Laws Amendment Act, the Audit and Compliance Committee confirms that during the 15 month period to 31 March 2010 it carried out its functions responsibly and in accordance with its terms of reference. The committee is also satisfied that the designated auditors of the company are independent of the company. The committee has also considered the expertise and experience of the Tongaat Hulett financial director in terms of the Listings Requirements of the JSE and concluded that the financial director's expertise and experience meet the appropriate requirements.

The committee's attention to regulatory compliance is ongoing in line with the amendments to the regulatory environment. The framework of high priority laws and regulations applicable to Tongaat Hulett's operations has continued to be refined during the year with the aim of strengthening the culture of legal awareness and compliance. Management continuously assesses and reviews statutory and regulatory requirements and risks, and identifies appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions have come

to management's attention during the 15 month period to 31 March 2010 that indicate non-compliance with applicable legislation and codes of good practice.

The Audit and Compliance Committee had five meetings during the period under review. The record of attendance is contained in the table below.

### Attendance of directors at the Audit and Compliance Committee meetings during the 15 month period to 31 March 2010

Director	Audit and Compliance Committee	
	A	B
E le R Bradley <sup>1</sup>	1	1
F Jakoet <sup>2</sup>	4	4
J John	5	5
M Mia	5	5

A: Indicates the number of meetings held during the year while the director was a member of the committee

B: Indicates the number of meetings attended during the year while the director was a member of the committee

1: Retired from the Audit and Compliance Committee with effect from 29 April 2009 (AGM)

2: Appointed to the Audit and Compliance Committee with effect from 15 May 2009

### Safety, Health and Environment Committee

The Safety, Health and Environment (SHE) Committee, which comprises non-executive directors and the Chief Executive Officer, is chaired by an independent non-executive director, and meets at least twice a year. Its members are N Mjoli-Mncube (Chairman), F Jakoet, C B Sibisi and P H Staude. Several members of the executive team and other officers of the company attend this meeting. W G Streek is the secretary.

This committee oversees the performance of the company against its set safety, health and environment targets and objectives, and receives and considers reports relating to substantive SHE risks and liabilities that could potentially face the company. The committee also reviews key indicators on accidents and incidents and where appropriate, ensures that such information is communicated to the board. This board committee was constituted in September 2009 to support the executive SHE Committee whose responsibilities included the review of the major risks identified by the various committees at Tongaat Hulett's operations and the progress against SHE targets, thus providing a facility for

the development of an overall perspective on SHE matters and for the sharing of information and experiences across the company. The executive forums also consider and, where appropriate, respond to material national and international regulatory and technical developments in the fields of SHE management.

The SHE Committee had two meetings during the period under review. The record of attendance is contained in the table below.

#### Attendance of directors at the SHE Committee meetings during the 15 month period to 31 March 2010

Director	SHE Committee	
	A	B
F Jakoet	2	2
N Mjoli-Mncube	2	2
C B Sibisi	2	2
P H Staude	2	2

A: Indicates the number of meetings held during the year while the director was a member of the committee

B: Indicates the number of meetings attended during the year while the director was a member of the committee

#### Remuneration Committee

The Remuneration Committee, which meets at least three times a year, is chaired by an independent non-executive director and comprises only non-executive directors. The current members are M Mia (Chairman), J B Magwaza and N Mjoli-Mncube. P H Staude attends by invitation and M Serfontein is the secretary.

The reward philosophy, which has been approved by the board, is formulated to attract, motivate and retain directors, executives and employees needed to manage and run the company successfully. The Remuneration Committee is responsible for considering and making recommendations to the board on the policy and on the quantum, structure and composition of remuneration packages of executive directors and senior executives. In addition, it reviews general salary increases for management and the operation of the company's incentive schemes. Rewards are linked to both individual performance and the performance of the company. Independent external studies and comparisons are used to ensure that compensation is market related.

The Remuneration Committee had four meetings during the period under review. The record of attendance is contained in the table below.

#### Attendance of directors at the Remuneration Committee meetings during the 15 month period to 31 March 2010

Director	Remuneration Committee	
	A	B
P M Baum <sup>1</sup>	2	2
E le R Bradley <sup>2</sup>	2	1
J B Magwaza <sup>3</sup>	2	2
M Mia	4	4
N Mjoli-Mncube <sup>3</sup>	2	2
C M L Savage <sup>2</sup>	2	2

A: Indicates the number of meetings held during the year while the director was a member of the committee

B: Indicates the number of meetings attended during the year while the director was a member of the committee

1: Resigned from the Remuneration Committee with effect from 14 August 2009

2: Retired from the Remuneration Committee with effect from 29 April 2009 (AGM)

3: Appointed to the Remuneration Committee with effect from 15 May 2009

#### Nomination Committee

The Nomination Committee, which meets as required, comprises only non-executive directors. Its members are M Mia (Chairman), J B Magwaza and N Mjoli-Mncube. P H Staude attends by invitation and M Serfontein is the secretary. This committee's terms of reference ensure that, for board appointments, a rigorous, fair and open nomination and appointment process is established which will provide a balance of appropriate skills, knowledge and experience in the boardroom and support strong corporate performance. The committee makes recommendations to the board on the size, composition and demographics of the board, particularly in relation to the balance between executive, non-executive and independent directors, ensuring that there is a diversity of experience and backgrounds to create a cohesive and effective board. The committee also gives consideration to succession planning, and ensures that processes and plans are in place for orderly succession and for appointments to the board and to senior management.

## CORPORATE GOVERNANCE CONTINUED

The Nomination Committee had two meetings during the period under review. The record of attendance is contained in the table below.

### Attendance of directors at the Nomination Committee meetings during the 15 month period to 31 March 2010

Director	Nomination Committee	
	A	B
P M Baum <sup>1</sup>	1	1
E le R Bradley <sup>2</sup>	1	1
J B Magwaza <sup>3</sup>	1	1
M Mia	2	2
N Mjoli-Mncube <sup>3</sup>	1	1
C M L Savage <sup>2</sup>	1	1

A: Indicates the number of meetings held during the year while the director was a member of the committee

B: Indicates the number of meetings attended during the year while the director was a member of the committee

1: Resigned from the Nomination Committee with effect from 14 August 2009

2: Retired from the Nomination Committee with effect from 29 April 2009 (AGM)

3: Appointed to the Nomination Committee with effect from 15 May 2009

### EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee consists of senior Tongaat Hulett executives and deliberates on matters of strategy, business planning and the effective operation of the business, to provide leadership on key issues. The committee's focus is on the alignment of activities and initiatives throughout the company's operations.

The current members are P H Staude (Chairman), J D Bhana, R D S Cumbi, M Deighton, N P Dinga, B G Dunlop, B R Gumede, C Gwala, M M Jean-Louis, G P N Kruger, V C Macu, M A C Mahlari, M N Mohale, S D Mtsambiwa, M H Munro, S J Saunders and M Serfontein. The Company Secretary, M A C Mahlari is the secretary of this committee.

### Risk Committee

Risk management continues to be dynamic, evolving and integrated into the core of running the company. This is of particular relevance in the current business environment, which is recognised as having many changing and challenging elements, particularly in the context of the volatile global economy and specific localised dynamics. As a company that operates across a spectrum of evolving global themes including renewable energy and climate change, Tongaat Hulett's business platforms and operational areas continually monitor, manage and target the arising risks and opportunities.

While the board is ultimately accountable for risk management, company management has implemented various processes throughout its operations to ensure that risk management has become part of the day-to-day activities of the business. This seeks to address risk and opportunity areas relevant to Tongaat Hulett.

The risk management review process targets an appropriate balance between the issues that are specific to, and managed in, an operational area and those issues that are significant or cross cutting enough to be considered and managed in an appropriate way, on a Tongaat Hulett basis. The approach to risk management includes being able to identify and describe or analyse risks at all levels throughout the organisation, with mitigating actions being implemented at the appropriate point of activity. The significant high impact risk areas and the related mitigating action plans are monitored at a Tongaat Hulett Risk Committee level. Risks and mitigating actions are given relevant visibility at appropriate forums throughout the organisation.

The Risk Committee composition is as follows: M H Munro (Chairman), M Deighton, B G Dunlop, M M Jean-Louis, G P N Kruger, M A C Mahlari, M N Mohale, S J Saunders and P H Staude.

Appropriate plans and resources have been identified in order to ensure the implementation of recovery procedures, where potential risks have been identified as having the possibility of constituting a disaster.

Company wide systems of internal control exist in all key operations to manage risks. This system supports the board in discharging its responsibility of ensuring that the risks associated with the operations are effectively managed. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of board assurance and regular reports are presented to the board.

The company's internal audit function provides independent assurance to the Risk Committee and the board on the effectiveness of the appropriate internal control processes throughout the company. The board also receives assurance from the Audit and Compliance Committee, which derives its information in part from regular external and internal audit reports throughout the company on risk and internal control.

### ACCOUNTABILITY AND CONTROL

The directors are required by the Companies Act to maintain records and prepare financial statements, which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations for that year, in conformity with International Financial Reporting

Standards. The financial statements are the responsibility of the directors and it is the responsibility of the independent auditors to report thereon.

To enable the directors to meet these responsibilities, standards have been set and systems of internal control implemented to reduce the risk of error or loss in a cost effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. They are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in an appropriate manner, which is above reproach.

The company's internal audit function operates independently in all operations to appraise and evaluate the effectiveness of the operational activities and the attendant business risks. Where necessary, recommendations are made for improvements in the systems of internal control and accounting practice based on internal audit plans and reports which take cognisance of relative degrees of risk of each function or aspect of business.

Comprehensive management reporting disciplines are in place, which include the preparation of annual budgets by all operating entities. The operating boards approve individual operational budgets, while the company budget is reviewed and approved by the Tongaat Hulett board. Monthly results and the financial status of the operations are reported against budgets and forecasts and compared to the results of the prior year. Profit projections and cash flow forecasts are regularly updated, taking into account various economic scenarios and working capital and borrowing levels are monitored on an ongoing basis.

## **CODE OF ETHICS**

The company operates within a Code of Ethics, which supports its commitment to a policy of fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the board, communicated and distributed to all employees across all levels in the company. The Code is based on a fundamental belief that all business transactions should be legal and conducted beyond reproach in the spirit of honesty, fairness and unquestionable ethics. The company has a zero tolerance approach to any violation of the law or unethical business dealing by any employee, including bribery and money laundering. The Code also addresses conflict of interest situations and encourages employees to report on any conflict or perceived conflict of interest situation. This may arise due to employees being offered and receiving gifts in return for favours, employees not being independent from business organisations having a contractual relationship or providing goods or services to

Tongaat Hulett, and employees' personal investments taking priority over transactions for the company and its clients.

Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it to the Company Secretary or senior officials at management level. Tongaat Hulett has engaged the services of an independent whistle blowing service provider to provide mechanisms to report on unethical behaviour or non-compliance with the Code of Ethics. The Audit and Compliance Committee assists the board in overseeing the consistent application of and compliance with the Code. Appropriate action is taken in respect of all reported instances of non-compliance with the Code by employees.

No material infractions of the Code have been reported during the period under review.

## **REMUNERATION REPORT**

The company's remuneration philosophy is described on page 49 and as set out below. Details of remuneration paid to directors and executive directors' interests in share incentive scheme awards of the company are set out on pages 97 to 98 and 103 to 105 respectively.

## **EXECUTIVE REMUNERATION**

The remuneration of senior management is determined by taking into consideration market comparisons and an assessment of performance related to the achievement of documented measurable performance targets. Strategic and business objectives, which are reviewed periodically, as well as a general assessment of performance are taken into account.

### **Basic Salary**

The cash package of senior management is subject to annual review by the Remuneration Committee and the board and is set with reference to relevant external market data.

### **Annual Executive Bonus Scheme**

The annual executive bonus scheme is based on a combination of the achievement of pre-determined targets and a general assessment of the individual's overall performance. These targets include measures of corporate and, where applicable, operational performance as well as the achievement of individual performance objectives related to key business strategies and requirements. Overall safety performance is an important factor in bonus determination.

### **Share Incentive Schemes**

The objective of the share incentive schemes is to strengthen the alignment of shareholder and management interests and assist in the attraction, retention and appropriate reward of management.

## CORPORATE GOVERNANCE CONTINUED

Under the Share Appreciation Right Scheme 2005 (SARS), Long Term Incentive Plan 2005 (LTIP) and Deferred Bonus Plan 2005 (DBP) schemes, senior management and employees of the company are awarded rights to receive shares in the company based on the value of these awards (after the deduction of employees' tax) when performance conditions have been met, the awards have vested and, in the case of the SARS, when the share appreciation rights have been exercised.

The accounting charges to the income statement required by IFRS 2 Share-based Payment are accounted for as equity-settled instruments. The costs associated with the settlement of awards under the share schemes qualify for a tax deduction by the company.

Details of the schemes and awards made from 2005 to 31 March 2010, after approval by the Remuneration Committee and the board, are detailed in the notes to the annual financial statements. The share incentive scheme in operation prior to 2005 was discontinued in 2005, with the previous awards continuing to run their course and no new awards being made.

Performance conditions governing the vesting of the scheme instruments are related to growth in earnings per share, share price, total shareholder return and return on capital employed, relative to targets that are intended to be challenging but achievable. Targets are linked, where applicable, to the company's medium term business plan, over three year performance periods, with actual grants being set each year considering the job level and cash package of the participating employee, their individual performance, and appropriate benchmarks of the expected combined value of the awards.

As a result of the unbundling of Hulamin and as detailed in the circular to shareholders in 2007, Tongaat Hulett is obliged to settle all benefits under the SARS grants of 2005 and 2006 and the original share options for its own employees using Tongaat Hulett shares. It will settle the outstanding share scheme benefits that arise after the award modifications for its own employees, by purchasing Tongaat Hulett shares in the market, or issuing Tongaat Hulett shares. The benefits related to the Hulamin component will be determined with reference to the Hulamin share price, and the Tongaat Hulett component with reference to the Tongaat Hulett share price. The benefits arising from the Hulamin component will be settled using Tongaat Hulett shares. Participants in the original, pre-2005 share option schemes, who had not exercised their options at the unbundling date converted their existing Tongaat-Hulett Group Limited options into two components, a Tongaat Hulett Limited component and

a Hulamin Limited component. Tongaat Hulett will settle the benefits of both components for its employees with Tongaat Hulett shares.

### **Other Benefits**

Membership of The Tongaat-Hulett Pension Fund is compulsory for all senior management and pension and life insurance benefits are provided. Other benefits constitute the provision of medical aid, gratuity at retirement and death and disability insurance.

### **NON-EXECUTIVE DIRECTORS' REMUNERATION**

Non-executive directors receive fees for their services on the company board and board committees. Directors' fees are recommended by the Remuneration Committee and considered by the board, and proposed to the shareholders for approval at each annual general meeting.

### **THIRD-PARTY MANAGEMENT**

No part of the company's business was managed during the year by any third party in which any director had an interest.

### **RELATED PARTY TRANSACTIONS**

The company has a process in place whereby the directors and key management have confirmed that, to the best of their knowledge, the information disclosed in Tongaat Hulett Limited's annual financial statements fairly represents their shareholding in the company, both beneficial and indirect, interest in share options of the company and the compensation earned from the company for the financial year. In addition, the directors and key management have confirmed that all interests have been declared.

### **INSIDER TRADING**

No director, officer or employee may deal either directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding its business or affairs. In addition, no director, officer or employee may trade in the company's shares during closed periods. Closed periods are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods, and while the company is under a cautionary announcement.

### **GOING CONCERN ASSERTION**

The directors confirm that they are satisfied that the company has adequate strategic, financial and operational resources to continue in business for the foreseeable future. The basis upon which this assessment is made is recorded at the time of approval of the annual financial statements. The board continues to adopt the going concern basis for preparing the financial statements.