

NOTES TO THE FINANCIAL STATEMENTS continued

9. DERIVATIVE INSTRUMENTS (Rmillion)

| | Consolidated | | Company | |
|---|--------------|------|---------|------|
| | 2017 | 2016 | 2017 | 2016 |
| The fair value of derivative instruments at year end was: | | | | |
| Forward exchange contracts - hedge accounted | | 6 | | 6 |
| Forward exchange contracts - not hedge accounted | | 1 | | 1 |
| Futures contracts - hedge accounted | (9) | 52 | (9) | 52 |
| | (9) | 59 | (9) | 59 |
| Summarised as: | | | | |
| Derivative assets | | 60 | | 60 |
| Derivative liabilities | (9) | (1) | (9) | (1) |
| | (9) | 59 | (9) | 59 |

Further details on derivative instruments are set out in note 25.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit and cash advanced, repayable on demand and excludes bank overdrafts.

11. SHARE CAPITAL (Rmillion)

| | Consolidated | | Company | |
|---|--------------|------|---------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Authorised: | | | | |
| 150 000 000 ordinary shares of R1,00 each | 150 | 150 | 150 | 150 |
| Issued and fully paid: | | | | |
| 135 112 506 ordinary shares of R1,00 each | 135 | 135 | 135 | 135 |

Under control of the directors in terms of a shareholders' resolution: 6 755 625 shares (2016: 6 755 625 shares).



Details of the employee share incentive schemes are set out on pages 79 to 84 in the Remuneration Report.

12. BEE HELD CONSOLIDATION SHARES (Rmillion)

| | Consolidated | |
|---|--------------|-------|
| | 2017 | 2016 |
| Broad based 18% interest: | | |
| 25 104 976 (2016: 25 104 976) ordinary shares | 839 | 839 |
| BEE employee 7% interest: | | |
| 649 079 (2016: 830 888) ordinary shares | | |
| | 839 | 839 |
| Less BEE SPV reserves | (197) | (214) |
| | 642 | 625 |

13. DEFERRED TAX (Rmillion)

| | Consolidated | | Company | |
|---|--------------|-------------------------------|---------|-------------------------------|
| | 2017 | 2016 Restated (note 35) | 2017 | 2016 Restated (note 35) |
| Balance at beginning of year | 2 864 | 2 491 | 400 | 486 |
| Currency alignment | (215) | 327 | | |
| Current year other comprehensive income charge/(relief) on: | | | | |
| Actuarial gain/(loss) | 11 | (6) | 11 | (4) |
| Hedge reserve | (2) | 3 | (2) | 3 |
| Current year income statement (relief)/charge on: | | | | |
| Earnings before capital profits | (128) | 33 | (47) | (89) |
| Capital profits | 13 | 2 | 13 | 2 |
| Prior years | (6) | 14 | | 2 |
| Balance at end of year | 2 537 | 2 864 | 375 | 400 |
| Comprising temporary differences related to: | | | | |
| Property, plant and equipment | 1 908 | 2 085 | 638 | 560 |
| Growing crops | 1 035 | 1 271 | 550 | 453 |
| Long-term receivable | 193 | 177 | 193 | 177 |
| Current assets | 280 | 237 | 14 | 9 |
| Current liabilities | (125) | (118) | (42) | (33) |
| Tax losses | (882) | (699) | (805) | (569) |
| Other | 128 | (89) | (173) | (197) |
| | 2 537 | 2 864 | 375 | 400 |

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14. BORROWINGS (Rmillion)

| | | Consolidated | | Company | |
|--|-------------------------|--------------|--------------|--------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Long-term | | 4 975 | 3 791 | 4 861 | 3 631 |
| Short-term and bank overdraft | | 2 546 | 3 187 | 2 575 | 2 994 |
| | | 7 521 | 6 978 | 7 436 | 6 625 |
| Long-term borrowings comprise: | | | | | |
| | Effective interest rate | | | | |
| Secured: | | | | | |
| SA Rand | | | | | |
| Repayable 2019/20 | 10,70% | 157 | 199 | | |
| Finance leases (note 28) | 11,50% | 2 | 3 | 2 | 3 |
| | | 159 | 202 | 2 | 3 |
| Unsecured: | | | | | |
| SA Rand | | | | | |
| Repayable 2023/24 | 3 month JIBAR + 0,50% | 120 | | 120 | |
| Repayable 2023/24 | 3 month JIBAR + 2,70% | 410 | | 410 | |
| Repayable 2022/23 (2016: repayable 2017/18) | 3 month JIBAR + 3,05% | 180 | 180 | 180 | 180 |
| Bond repayable 2021/22 | 3 month JIBAR + 2,85% | 180 | | 180 | |
| Bond repayable 2021/22 | 3 month JIBAR + 2,85% | 220 | | 220 | |
| Repayable 2020/21 | 3 month JIBAR + 2,55% | 300 | | 300 | |
| Bond repayable 2020/21 | 3 month JIBAR + 2,80% | 180 | 180 | 180 | 180 |
| Repayable 2019/20 (2016: repayable 2017/18) | 3 month JIBAR + 2,55% | 500 | 500 | 500 | 500 |
| Repayable 2019/20 | 3 month JIBAR + 2,05% | 500 | 500 | 500 | 500 |
| Repayable 2019/20 | 3 month JIBAR + 2,00% | 350 | 350 | 350 | 350 |
| Repayable 2019/20 (2016: repayable 2017/18) | 3 month JIBAR + 2,30% | 375 | 500 | 375 | 500 |
| Repayable 2018/19 (2016: repayable 2017/18) | 3 month JIBAR + 2,30% | 375 | 250 | 375 | 250 |
| Repayable 2018/19 | 3 month JIBAR + 1,85% | 350 | 350 | 350 | 350 |
| Bond repayable 2018/19 | 3 month JIBAR + 2,60% | 350 | 350 | 350 | 350 |
| Repayable 2018/19 (2016: repayable 2017/18) | 3 month JIBAR + 2,50% | 300 | 300 | 300 | 300 |
| Bond repayable 2018/19 | 3 month JIBAR + 2,40% | 170 | 170 | 170 | 170 |
| Repaid during the current year | | | 223 | | 220 |
| | | 4 860 | 3 853 | 4 860 | 3 850 |
| Long-term borrowings | | 5 019 | 4 055 | 4 862 | 3 853 |
| Less current portion included in short-term borrowings | | 44 | 264 | 1 | 222 |
| | | 4 975 | 3 791 | 4 861 | 3 631 |

Plant and machinery of Mozambique subsidiaries with a book value of R367 million (2016: R581 million) are encumbered as security for the secured long-term borrowings and certain short-term borrowings of nil (2016: R84 million).

Short-term borrowings comprise call loans and bank overdrafts with various South African financial institutions at interest rates linked to the prime overdraft rate as well as short-term borrowings in Mozambique of nil (2016: R71 million) and in Zimbabwe equivalent to R2 million (2016: R94 million).

Summary of future long-term loan repayments by financial year:

| Year | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Thereafter |
|----------|---------|---------|---------|---------|---------|------------|
| Rmillion | 44 | 1 593 | 1 792 | 480 | 400 | 710 |

In terms of the company's memorandum of incorporation the borrowing powers exercisable by the directors is limited to R19 107 million.

15. NON-RECOURSE EQUITY-SETTLED BEE BORROWINGS (Rmillion)

| | | Consolidated | |
|--|-------------------------|--------------|------------|
| | | 2017 | 2016 |
| The non-recourse equity-settled BEE borrowings comprise: | | | |
| | Effective interest rate | | |
| 4 122 000 Class B redeemable preference shares | 80% of prime | 693 | 689 |
| Less BEE cash resources | | 70 | 84 |
| | | 623 | 605 |

These borrowings relate to Tongaat Hulett's black economic empowerment partners, yoMoba SPV Proprietary Limited and TH Infrastructure SPV Proprietary Limited, which have been fully consolidated in terms of IFRS. yoMoba SPV Proprietary Limited owns 11 157 767 ordinary shares and TH Infrastructure SPV Proprietary Limited owns 13 947 209 ordinary shares in Tongaat Hulett.

The original preference share structure, comprising Class A and Class B redeemable preference shares, ran up until mid-2014 and had a fixed coupon payable semi-annually on 2 January and 1 July each year. The Class A redeemable preference shares were repaid on 1 July 2014, while the repayment terms of the Class B redeemable preference shares were extended to 31 July 2017. The dividend payable on these shares is also payable on 31 July 2017. The debt due will be settled by the SPVs utilising the shares that they hold in Tongaat Hulett together with dividends received from Tongaat Hulett. These SPVs will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

16. PROVISIONS (Rmillion)

| | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Post-retirement medical aid obligations | 576 | 600 | 435 | 450 |
| Retirement gratuity obligations | 208 | 226 | 126 | 130 |
| | 784 | 826 | 561 | 580 |

Further details on provisions are set out in note 31.

17. TRADE AND OTHER PAYABLES (Rmillion)

| | Consolidated | | Company | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Accounts payable | 3 080 | 3 520 | 1 874 | 1 589 |
| Maize obligation - interest bearing | 509 | 376 | 509 | 376 |
| | 3 589 | 3 896 | 2 383 | 1 965 |

The directors consider that the carrying amount of trade and other payables approximates their fair value.

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18. OPERATING PROFIT (Rmillion)

| | Consolidated | | Company | |
|--|--------------|-------------------------------|--------------|-------------------------------|
| | 2017 | 2016 Restated (note 35) | 2017 | 2016 Restated (note 35) |
| Revenue | 17 915 | 16 676 | 9 188 | 8 405 |
| Cost of sales - cane, sugar and maize purchases | (6 259) | (5 448) | (5 214) | (4 527) |
| Cost of sales - other (includes goods, services, salaries and wages and offcrop) | (7 555) | (7 906) | (2 789) | (2 893) |
| Administration and other expenses | (1 689) | (1 728) | (695) | (673) |
| Marketing and selling expenses | (385) | (373) | (241) | (233) |
| Other net income (including growing crops fair value change) | 309 | 425 | 1 515 | 679 |
| Capital profits (note 19) | 12 | 42 | 118 | 91 |
| BEE IFRS 2 charge and transaction costs | (15) | (19) | (14) | (18) |
| Operating profit | 2 333 | 1 669 | 1 868 | 831 |
| Disclosable items included in operating profit: | | | | |
| Income from subsidiaries: | | | | |
| Dividends received | | | 1 024 | 333 |
| Management fees | | | 124 | 108 |
| Amortisation of intangible assets | 8 | 8 | 8 | 8 |
| Auditors' remuneration: | | | | |
| Fees | 18 | 17 | 7 | 7 |
| Other services | 4 | 2 | 1 | |
| Depreciation charged: | | | | |
| Buildings | 104 | 108 | 8 | 8 |
| Cane roots | 481 | 644 | 130 | 143 |
| Plant and equipment | 277 | 287 | 169 | 151 |
| Vehicles and other | 165 | 192 | 28 | 17 |
| Growing crops: gain from change in fair value | 143 | 141 | 245 | 141 |
| Management fees paid to subsidiaries | | | 1 | 1 |
| Management fees paid to third parties | 5 | 5 | | |
| Operating lease charges (property, plant and vehicles) | 75 | 85 | 68 | 78 |
| Surplus/(loss) on disposal of property, plant and equipment | 4 | (4) | | (1) |
| Share-based payments: | | | | |
| IFRS 2 charge on SARS, LTIP and DBP | 60 | 60 | 54 | 44 |
| BEE IFRS 2 charge | 13 | 17 | 12 | 16 |
| Technical fees paid | 22 | 20 | 22 | 20 |
| Translation of foreign currencies | 95 | 22 | (4) | 5 |
| Valuation adjustments: | | | | |
| Financial instruments | (2) | 5 | (2) | 5 |
| Fair value hedges: | | | | |
| - Net (losses)/gains on the hedged item | (64) | 57 | (64) | 57 |
| - Net gains/(losses) on the hedging instrument | 64 | (57) | 64 | (57) |

Included in the consolidated revenue is notional interest on credit granted to customers of R122 million (company: R70 million).
Included in the consolidated cost of sales is notional interest on credit received from suppliers of R46 million (company: R19 million).

19. CAPITAL PROFITS (Rmillion)

| | Consolidated | | Company | |
|---|--------------|-----------|------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Comprises: | | | | |
| Surplus on sale of land, cane roots and buildings | 38 | 88 | 144 | 136 |
| Costs thereon | (26) | (46) | (26) | (45) |
| Capital profits before tax | 12 | 42 | 118 | 91 |
| Tax (note 21) | (13) | (3) | (13) | (2) |
| Capital profits after tax | (1) | 39 | 105 | 89 |

20. NET FINANCING (COSTS)/INCOME (Rmillion)

| | Consolidated | | Company | |
|-------------------------------|--------------|-------|---------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| Net financing costs comprise: | | | | |
| Interest paid - external | (973) | (778) | (839) | (631) |
| Interest capitalised | 34 | 28 | 34 | 28 |
| Interest paid - subsidiaries | | | (60) | (101) |
| Financing costs | (939) | (750) | (865) | (704) |
| Interest received - external | 129 | 70 | 8 | 6 |
| Finance income | 129 | 70 | 8 | 6 |
| Net financing costs | (810) | (680) | (857) | (698) |

Excluded from the consolidated Interest received is notional interest on credit granted to customers of R122 million (company: R70 million).

Excluded from the consolidated Interest paid is notional interest on credit received from suppliers of R46 million (company: R19 million).

21. TAX (Rmillion)

| | Consolidated | | Company | |
|---|--------------|-------------------------------|---------|-------------------------------|
| | 2017 | 2016 Restated (note 35) | 2017 | 2016 Restated (note 35) |
| Tax on earnings before capital profits: | | | | |
| Current | 542 | 287 | 17 | 14 |
| Deferred | (128) | 33 | (47) | (89) |
| Prior years | 1 | 3 | | 2 |
| | 415 | 323 | (30) | (73) |
| Tax on capital profits: | | | | |
| Current | | 1 | | |
| Deferred | 13 | 2 | 13 | 2 |
| | 13 | 3 | 13 | 2 |
| Tax charge/(relief) for the year | 428 | 326 | (17) | (71) |
| Foreign tax included above | 277 | 75 | 17 | 14 |
| Reconciliation of statutory rate to effective rate: | | | | |
| Tax charge at normal rate of South African tax | 426 | 277 | 283 | 37 |
| Adjusted for: | | | | |
| Non-taxable amounts | (77) | (37) | (54) | (48) |
| Dividends received from subsidiaries | | | (287) | (93) |
| Assessed losses of foreign subsidiaries | 11 | 9 | | |
| Non-deductible expenditure | 33 | 26 | 12 | 9 |
| Foreign tax rate variations | (12) | 22 | | |
| Foreign withholding tax | 11 | 10 | 9 | 7 |
| Capital gains | 35 | 16 | 20 | 15 |
| Prior years | 1 | 3 | | 2 |
| Tax charge/(relief) | 428 | 326 | (17) | (71) |
| Normal rate of South African tax | 28,0% | 28,0% | 28,0% | 28,0% |
| Adjusted for: | | | | |
| Non-taxable amounts | (5,1) | (3,7) | (5,3) | (36,3) |
| Dividends received from subsidiaries | | | (28,4) | (70,4) |
| Assessed losses of foreign subsidiaries | 0,7 | 0,9 | | |
| Non-deductible expenditure | 2,2 | 2,7 | 1,2 | 6,9 |
| Foreign tax rate variations | (0,8) | 2,2 | | |
| Foreign withholding tax | 0,7 | 1,0 | 0,9 | 5,4 |
| Capital gains | 2,3 | 1,6 | 1,9 | 11,4 |
| Prior years | 0,1 | 0,3 | | 1,6 |
| Effective rate of tax | 28,1% | 33,0% | (1,7%) | (53,4%) |

Normal tax losses of R3 151 million (2016: R2 496 million) have been utilised to reduce deferred tax. Management considers that there will be sufficient future profits to utilise these tax losses. No deferred tax asset has been raised in respect of tax losses of foreign subsidiaries of R110 million (2016: R227 million) that may not be utilised in the short term or may expire in terms of applicable tax legislation.