Tongaat Hulett

Audited Results for the year ended 31 March 2013

- **Revenue of R14,373 billion** (2012: R12,081 billion) **+19,0%**
- **Profit from operations of R2,145 billion** (2012: R1,921 billion) **+11,7%**
- **Cash flow from operations of R2,126 billion** (2012: R1,363 billion) **+56,0%**
- **Headline earnings of R1,058 billion** (2012: R891 million) **+18,7%**
- **Annual dividend of 340 cents per share** (2012: 290 cents per share) **+17,2%**

Condensed consolidated Rmillion	2013	2012

INCOME STATEMENT

	2013	2012
Revenue	**14 373**	12 081
Profit from operations	**2 145**	1 921
Bulk sales / capital profit on land	**16**	3
Other capital items	**(1)**	
BEE IFRS 2 charge and transaction costs	**(44)**	(48)
Valuation adjustments	**3**	2
Operating profit	**2 119**	1 878
Share of associate company's profit		1
Net financing costs (note 1)	**(560)**	(507)
Profit before tax	**1 559**	1 372
Tax (note 2)	**(389)**	(351)
Net profit for the year	**1 170**	1 021
Profit attributable to:		
Shareholders of Tongaat Hulett	**1 070**	889
Minority (non-controlling) interest	**100**	132
	1 170	1 021
Headline earnings attributable to Tongaat Hulett shareholders (note 3)	**1 058**	891
Earnings per share (cents)		
Net profit per share		
Basic	**970,7**	837,0
Diluted	**953,0**	817,6
Headline earnings per share		
Basic	**959,9**	838,9
Diluted	**942,3**	819,4
Dividend per share (cents)	**340,0**	290,0
Currency conversion		
Rand/US dollar closing	**9,21**	7,67
Rand/US dollar average	**8,48**	7,44
Rand/Metical average	**0,30**	0,27
Rand/Euro average	**10,95**	10,24
US dollar/Euro average	**1,29**	1,38

SEGMENTAL ANALYSIS

	2013	2012
REVENUE		
Starch operations	**2 859**	2 580
Land Conversion and Developments	**658**	366
Sugar		
Zimbabwe operations	**3 222**	2 266
Swaziland operations	**207**	163
Mozambique operations	**1 688**	1 437
SA agriculture, milling and refining	**3 920**	3 465
Downstream value added activities	**1 819**	1 804
Consolidated total	**14 373**	12 081
PROFIT FROM OPERATIONS		
Starch operations	**388**	363
Land Conversion and Developments	**350**	215
Sugar		
Zimbabwe operations	**630**	621
Swaziland operations	**76**	51
Mozambique operations	**421**	402
SA agriculture, milling and refining	**52**	93
Downstream value added activities	**256**	261
Centrally accounted and consolidation items	**(28)**	(85)
Consolidated total	**2 145**	1 921

STATEMENT OF CASH FLOWS

	2013	2012
Operating profit	**2 119**	1 878
Profit on disposal of property, plant and equipment	**(24)**	(10)
Depreciation	**472**	366
Growing crops and other non-cash items	**(385)**	(352)
Operating cash flow	**2 182**	1 882
Change in working capital	**(56)**	(519)
Cash flow from operations	**2 126**	1 363
Tax payments	**(239)**	(125)
Net financing costs	**(560)**	(507)
Cash flow from operating activities	**1 327**	731
Expenditure on property, plant and equipment:		
New	**(447)**	(329)
Replacement and plant overhaul	**(570)**	(345)
Expenditure on intangible assets	**(15)**	(20)
Capital expenditure on growing crops	**(157)**	(57)
Proceeds on disposal of property, plant and equipment	**40**	19
Investments	**(1)**	(4)
Net cash flow before dividends and financing activities	**177**	(5)
Dividends paid	**(357)**	(288)
Net cash flow before financing activities	**(180)**	(293)
Borrowings raised	**503**	516
Non-recourse equity-settled BEE borrowings	**(15)**	(24)
Shares issued	**5**	4
Settlement of share-based payment awards	**(94)**	(30)
Net increase in cash and cash equivalents	**219**	173
Balance at beginning of year	**592**	350
Foreign exchange adjustment	**106**	69
Cash and cash equivalents at end of year	**917**	592

CORPORATE INFORMATION

Tongaat Hulett Limited
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541

Directorate: J B Magwaza (Chairman), P H Staude (Chief Executive Officer)*, B G Dunlop*, F Jakoet, J John, R P Kupara^, AA Maleiane+, T N Mgoduso, N Mjoli-Mncube, M H Munro*, S G Pretorius, C B Sibisi.
* Executive directors ^ Zimbabwean + Mozambican

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P O Box 3, Tongaat 4400 Telephone: +27 32 439 4019 Facsimile: +27 31 570 1055

Transfer secretaries: Computershare Investor Services (Pty) Limited
Telephone: +27 11 370 7700

Sponsor: Investec Bank Limited Telephone: +27 11 286 7000

COMMENTARY

Tongaat Hulett's revenue grew by 19% to R14,373 billion for the 2012/13 year and headline earnings increased by 18,7% to R1,058 billion. Total sugar production increased by 104 000 tons (9%) to 1,254 million tons, after increasing by 14% in the prior year. The cane supplied to all the sugar mills grew to 10,3 million tons, with various on-going cane supply initiatives. The advantage of higher overall sugar production volumes with the related benefits in the unit costs of production were offset partially by continued general margin pressure in the relationship of selling price movements versus higher input costs. The starch operations benefitted from higher co-product realisations and world competitive maize costs, particularly with the new season maize in the second half of the year. An increasing number of hectares of land are moving towards becoming active developments in the land conversion activities. Overall, Tongaat Hulett's profit from operations increased by 11,7% to R2,145 billion (2012: R1,921 billion).

Operating profit from land conversion and development grew to R350 million (2012: R215 million) with a further R16 million in capital profits (2012: R3 million) being realised. In the past year, 65 developable hectares were sold. Revenue was generated from sales in the Cornubia Industrial, Umhlanga Ridge Town Centre, Ridgeside, La Lucia Ridge Office Estate, Izinga, Kindlewood, Mount Moriah and Zimbali areas.

Operating profit from the South African sugar operations including the downstream sugar value added activities amounted to R308 million (2012: R354 million). The agriculture, sugar milling and refining operations recorded operating profit of R52 million (2012: R93 million) and the various downstream sugar value added activities contributed R256 million (2012: R261 million). The season concluded with sugar production of 486 000 tons which was unchanged from the prior year. Local market sales were 3% below last year and consequently lower value export sales increased accordingly. With increased cost pressures, margins were under pressure. Production was impacted by the national transport strike in South Africa followed by unusually heavy rains in the last three months of the crushing season. There has been an increased level of carry-over cane from the current season into the next season. As expected, the unusually large gap between hectares under cane and hectares milled continued to feature. This is as a result of accelerated root replanting (with the time required from planting to first harvesting) to improve cane age / crop positioning for optimal harvesting, generate better yields and increase the crop's ability to withstand variable weather conditions. These actions are all aimed at increasing future cane supplies. New cane plantings driven by Tongaat Hulett in its cane catchment areas totalled 11 554 hectares, following the 8 687 hectares planted in the previous year and the 9 696 hectares before that.

In Swaziland, the Tambankulu sugar estate's operating profit increased to R76 million (2012: R51 million). Higher sucrose prices arose from a recovery in European Union realisations received by the Swaziland sugar industry. A raw sugar production equivalent of 58 000 tons was achieved for the year (2012: 59 000 tons).

The two Zimbabwean sugar operations generated operating profit of R630 million (US$74 million) compared to R621 million (US$84 million) last year. Sugar production increased by 28% to 475 000 tons (2012: 372 000 tons) as cane deliveries from private and third party farmers grew substantially. A cost increase of some 10% was experienced in the milling operations and in the own estate agricultural activities. In addition, the quantum of increase in cane values reported in 2011/12 was not repeated in 2012/13. Planting activities were curtailed in the latter part of the season due to dry weather conditions culminating in fewer hectares under cane at the end of the year. The weaker Euro/US$ exchange rate impacted negatively on export proceeds while the weaker average Rand/US$ impacted positively on the conversion of US$ profits into Rands.

Operating profit in Mozambique was R421 million compared to R402 million in 2012. Sugar production in Mozambique consolidated in the year under review, following the record 42% increase in the prior year, and amounted to 235 000 tons (2012: 233 000 tons). Rainfall conditions in the irrigation catchment area at Mafambisse led to a reduction in that harvest. The relative strength of the Metical impacted negatively on Euro export realisations while it had a favourable effect on converting Metical earnings into Rands.

Profit from the starch operations increased to R388 million for the year (2012: R363 million). Starch and glucose processing margins were favourably influenced by higher co-product realisations and local maize costs that were close to international prices, over the course of the full year. Domestic market volumes reflected depressed consumer demand and were similar to the prior year. Manufacturing plant performance has continued to improve.

The centrally accounted and consolidation items component of the income statement includes a gain of R68 million in respect of a pension fund employer surplus account allocation in the conversion from a defined benefit to a defined contribution arrangement in South Africa.

Finance costs increased to R560 million from R507 million in the 2011/12 year and are commensurate with the level of borrowings.

Cash flow from operations, before tax, increased to R2,1 billion (2012: R1,4 billion) which is in line with the growth in operating profit. The increase in operating cash flow follows the absorption of cash totalling more than R6 billion in the numerous expansion and new sugar cane establishment programs over the past 6 years. Tongaat Hulett's net debt at the end of March 2013 was R4,6 billion. The replacement of significant portions of short term debt with appropriately structured long term debt has been successfully concluded.

Total net profit before the deduction of minority interests was R1,170 billion (2012: R1,021 billion). Headline earnings attributable to Tongaat Hulett shareholders amounted to R1,058 billion compared to R891 million in 2012.

A final dividend of 190 cents per share has been declared, bringing the annual dividend to 340 cents per share (2012: 290 cents per share), a 17,2% increase.

OUTLOOK

Focus Areas

In the year ahead, Tongaat Hulett expects to make substantial progress in the multiple focus areas that will further enhance its strategic position.

Tongaat Hulett is in the fortunate position, in a world of sugar consumption growth of 2% per annum, new sugar milling capacity being costly, with good electricity and ethanol prospects, to still have more than 850 000 tons per annum of unutilised sugar milling capacity, after the growth of sugar production of 14% and 9% in the past two years respectively. A major focus remains on how to rapidly increase cane supplies to utilise the available milling capacity.

The on-going strategy to increase cane supply in South Africa is focused on commercial farmers, small-scale farmers and increasing Tongaat Hulett's influence in cane development through leasing additional land and collaborating with Government to rehabilitate cane supply on land reform farms that have gone out of cane. Of significance, is the co-operation agreement recently concluded with the Ingonyama Trust, which controls some 2,7 million hectares of land in KwaZulu-Natal.

Tongaat Hulett's two operations in Zimbabwe will continue to develop their positive socio-economic impact on the country. These operations employ 18 000 people and are in an important recovery, growth and expansion phase, which should create sustainable value for all stakeholders. A central part of this recovery is the substantial development of indigenous private cane farmers. As at the end of the 2012/13 season, at least 670 active indigenous private farmers, farming some 11 200 hectares and employing more than 5 600 people, supply 850 000 tons of cane which generates US$56 million in annual revenue for them. Zimbabwe, with Tongaat Hulett as a partner, has the potential to further develop indigenous private cane farmers substantially. This potential is linked to how much annual production can be achieved from the existing sugar mills. Based on Tongaat Hulett's view of its existing mills, a further 600 farmers on 12 700 hectares could supply an additional 1,4 million tons of cane per annum. In total, all these indigenous private cane farmer developments could earn more than US$140 million gross revenue per annum and employ more than 12 000 people.

A fundamental review has been launched to re-examine all bought-in goods and services, which currently total more than R4 billion per annum for Tongaat Hulett excluding cane and maize purchases. The review is, inter alia, examining the quantum, "value add", "in house or outsource" and possible longer term procurement arrangements. Unit costs of sugar production will continue to benefit from higher volumes and yields, as milling costs and many of the agricultural costs per hectare are mostly fixed.

The drive to optimise revenue earned from sugar cane is one of the most important strategic positioning issues. The coming year should see the compilation of a bid for the first 80MW power station following the Ministerial Determination for 800MW issued in December 2012. Planning for the project, including the environmental impact assessments and plant construction contracting processes, is well advanced. The diversion of world market export sugar to a regional ethanol regime remains a key focus area with serious interest from the oil industry to use bio ethanol as part of their options for Clean Fuels 2.

In South Africa, Tongaat Hulett is building on its good progress to date to accelerate land conversion. It has targeted some 8 500 developable hectares (13 500 gross hectares) for development. There are on-going processes on most of the targeted land to enhance its usage and value to all stakeholders. The extent and pace of planning, in collaboration with Government, has increased substantially. At present, some 1 900 developable hectares are the subject of well advanced environmental and planning processes.

Financial Results – The Year Ahead

Tongaat Hulett's financial results remain sensitive to movements in exchange rates, which impact particularly on export realisations and the conversion of profits from Zimbabwe and Mozambique into Rands.

The results will benefit from the projected growth in sugar production. The early season forecast is for total sugar production to grow by approximately 110 000 tons, with the increase coming from South Africa in this year. With the low dam levels in Zimbabwe, irrigation levels have been reduced and cane expansion and root replanting for both private growers and own estates have been curtailed, to be resumed once the dam levels recover.

The increased current focus and progress to date on reducing input costs should, to some extent, counter cost pressures. Wage increase agreements have been concluded at reasonable levels in both Mozambique and Zimbabwe.

Current dynamics point towards pressure on sugar prices in general. World prices are currently at their lowest point in 3 years. Sugar prices that will be achieved by Least Developed / African Caribbean Pacific Countries (LDC/ACPs) into the European Union for the coming year are uncertain. The market is currently over-supplied. The white sugar price is well above the world price. Sugar is being released into the market from out of quota EU beet sugar at reduced levies and from world market sugar at reduced duties. For the first time since the introduction of the current duty and quota free regime in 2009 for LDC/ACPs, the benefits of selling into the EU are being eroded. In the regional markets, a period of pressure on selling prices and pressure from imports could prevail if the world price remains low and pricing into Europe remains under pressure.

The starch operations remain well positioned. The current South African maize crop outlook is in line with the previous crop of 11,8 million tons. Maize continues to be priced at levels close to international prices. Starch and glucose volumes are expected to show modest growth with depressed local market demand being offset by a growth in export volumes, with continued improvements in manufacturing performance.

A number of new land developments are likely to become active and "shovel ready" before the year end. These new developments, together with existing active developments, are attracting increasing market interest. Various sales strategies (bulk sale, partnership or own development) continue to be reviewed for each land holding and implemented as appropriate. The number of hectares converted to development in a specific time period remains variable. The next period looks promising for own development sales. There are good prospects for substantial bulk sales, with an increase in both land available and interest by prospective purchasers. Significant bulk and semi-bulk land sale offers received in the last two years have been turned down on the grounds that they did not represent optimal value.

For and on behalf of the Board

J B Magwaza
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal 23 May 2013

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared a final gross cash dividend (number 171) of 190 cents per share for the year ended 31 March 2013 to shareholders recorded in the register at the close of business on Friday 12 July 2013.

The salient dates of the declaration and payment of this final dividend are as follows:

Last date to trade ordinary shares "CUM" dividend	Friday	5 July 2013
Ordinary shares trade "EX" dividend	Monday	8 July 2013
Record date	Friday	12 July 2013
Payment date	Thursday	18 July 2013

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 8 July 2013 and Friday 12 July 2013, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday 5 July 2013.

The dividend has been declared from income reserves. There are no STC credits available for utilisation. A net dividend of 161,5 cents per share will apply to shareholders liable for the local 15% dividend withholding tax and 190 cents per share for shareholders exempt from paying the dividend tax. The issued ordinary share capital as at 23 May 2013 is 108 647 700 shares. The company's income tax reference number is 9306/101/20/6.

For and on behalf of the Board

M A C Mahlari
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal

23 May 2013

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Condensed consolidated Rmillion	2013	2012

STATEMENT OF FINANCIAL POSITION

	2013	2012
ASSETS		
Non-current assets		
Property, plant and equipment	**10 287**	9 026
Growing crops	**4 583**	3 575
Long-term receivables, pension fund asset and prepayments	**455**	409
Goodwill	**300**	260
Intangible assets	**78**	65
Investments	**14**	12
	15 717	13 347
Current assets	**5 584**	4 435
Inventories	**1 858**	1 483
Trade and other receivables	**2 301**	1 976
Major plant overhaul costs	**508**	380
Derivative instruments		4
Cash and cash equivalents	**917**	592
TOTAL ASSETS	**21 301**	17 782
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**134**	140
Share premium	**1 539**	1 528
BEE held consolidation shares	**(747)**	(799)
Retained income	**6 596**	5 888
Other reserves	**859**	(48)
Shareholders' interest	**8 381**	6 709
Minority interest in subsidiaries	**1 371**	1 087
Equity	**9 752**	7 796
Non-current liabilities	**6 808**	4 706
Deferred tax	**1 951**	1 663
Long-term borrowings	**3 481**	1 732
Non-recourse equity-settled BEE borrowings	**722**	737
Provisions	**654**	574
Current liabilities	**4 741**	5 280
Trade and other payables (note 4)	**2 572**	1 997
Short-term borrowings	**2 078**	3 264
Derivative instruments	**16**	1
Tax	**75**	18
TOTAL EQUITY AND LIABILITIES	**21 301**	17 782
Number of shares (000)		
– in issue	**108 648**	105 143
– weighted average (basic)	**110 225**	106 209
– weighted average (diluted)	**112 274**	108 739

STATEMENT OF CHANGES IN EQUITY

	2013	2012
Balance at beginning of year	**6 709**	4 800
Total comprehensive income for the year	**2 014**	2 125
Retained earnings	**1 070**	889
Movement in hedge reserve	**(5)**	(2)
Foreign currency translation	**949**	1 238
Dividends paid	**(347)**	(279)
Share capital issued - ordinary	**5**	4
BEE held consolidation shares	**37**	42
Share-based payment charge	**57**	47
Settlement of share-based payment awards	**(94)**	(30)
Shareholders' interest	**8 381**	6 709
Minority interest in subsidiaries	**1 371**	1 087
Balance at beginning of year	**1 087**	840
Total comprehensive income for the year	**294**	256
Retained earnings	**100**	132
Foreign currency translation	**194**	124
Dividends paid to minorities	**(10)**	(9)
Equity	**9 752**	7 796

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2013	2012
Net profit for the year	**1 170**	1 021
Other comprehensive income	**1 138**	1 360
Movement in non-distributable reserves:		
Foreign currency translation	**1 143**	1 362
Hedge reserve	**(6)**	(3)
Tax on movement in hedge reserve	**1**	1
Total comprehensive income for the year	**2 308**	2 381
Total comprehensive income attributable to:		
Shareholders of Tongaat Hulett	**2 014**	2 125
Minority (non-controlling) interest	**294**	256
	2 308	2 381

NOTES

	2013	2012
1. Net financing costs		
Interest paid	**(596)**	(528)
Interest capitalised		1
Interest received	**36**	20
	(560)	(507)
2. Tax		
Normal	**(294)**	(112)
Deferred	**(90)**	(187)
Rate change adjustment - deferred	**(5)**	(16)
Secondary tax on companies		(36)
	(389)	(351)
3. Headline earnings		
Profit attributable to shareholders	**1 070**	889
Adjusted for:		
Capital profit on disposal of land	**(16)**	(3)
Capital loss on other items	**1**	
Loss on fixed assets and other disposals		2
Tax effect of the above items	**3**	3
	1 058	891

4. Trade and other payables
Included in trade and other payables is the maize obligation (interest bearing) of R216 million (2012: R161 million).

	2013	2012
5. Capital expenditure commitments		
Contracted	**175**	132
Approved	**312**	210
	487	342
6. Operating lease commitments	**104**	95
7. Guarantees and contingent liabilities	**38**	24

8. Basis of preparation
The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the information as required by International Accounting Standard 34 Interim Financial Reporting and the requirements of, including the audit thereof, in terms of the Companies Act of South Africa. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 March 2012. These financial statements were prepared under the supervision of the Chief Financial Officer, M H Munro CA (SA).

9. Audited results
These condensed financial statements, which have been derived from the audited annual financial statements and with which they are consistent in all material respects, have been audited by Deloitte & Touche. Their unmodified audit opinion on the annual financial statements is available for inspection at the registered office of the company. The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of the Integrated Annual Report after it has been released on or before 30 June 2013.