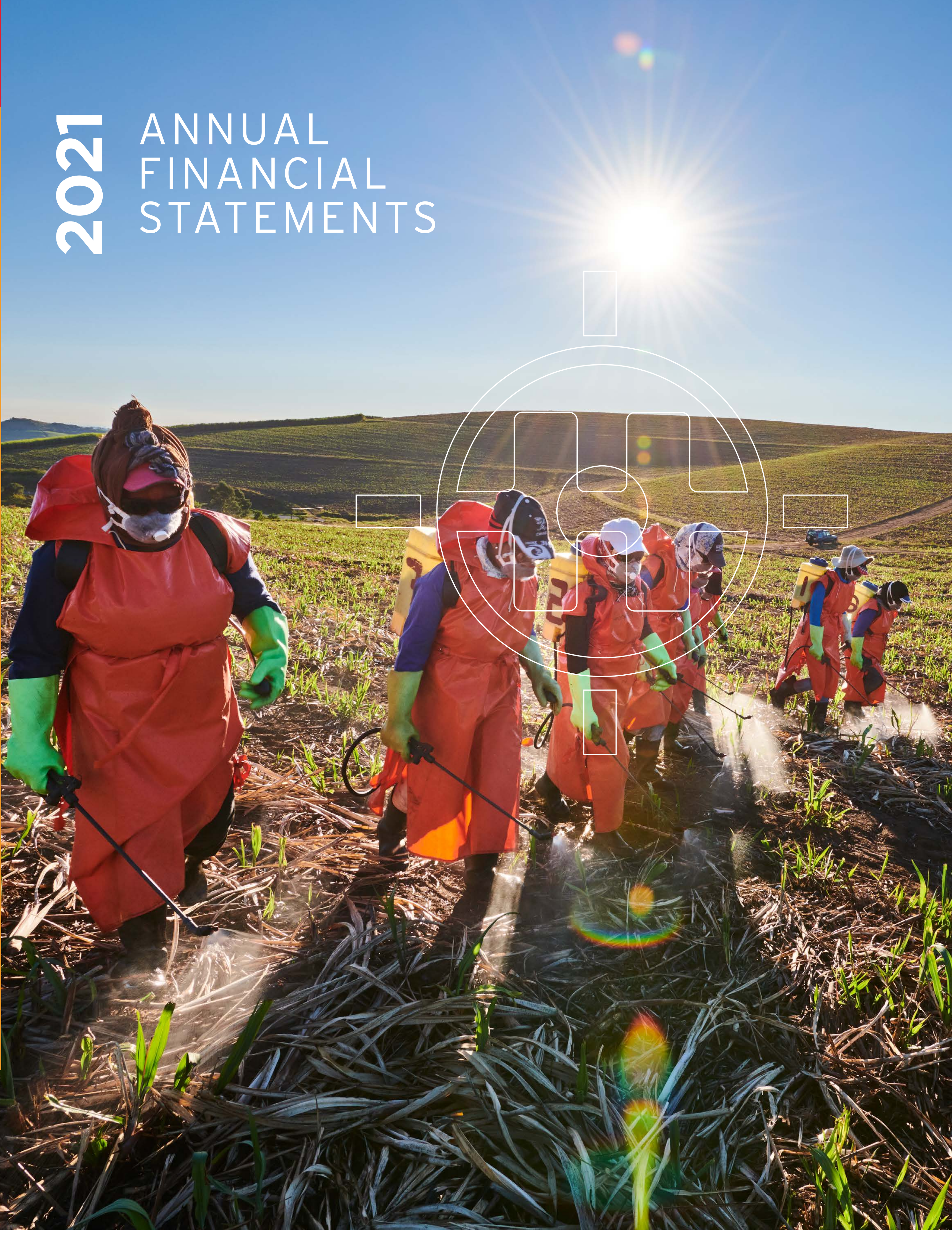
PARTNERING IN GROWTH

2021 ANNUAL FINANCIAL STATEMENTS



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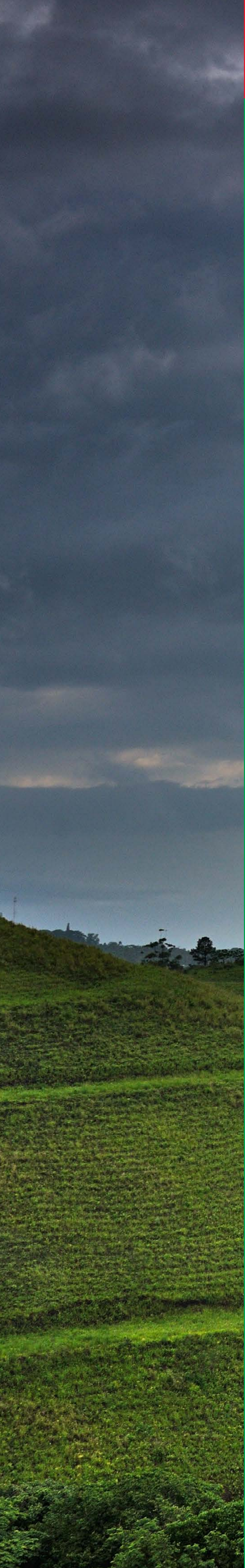

PARTNERING IN GROWTH

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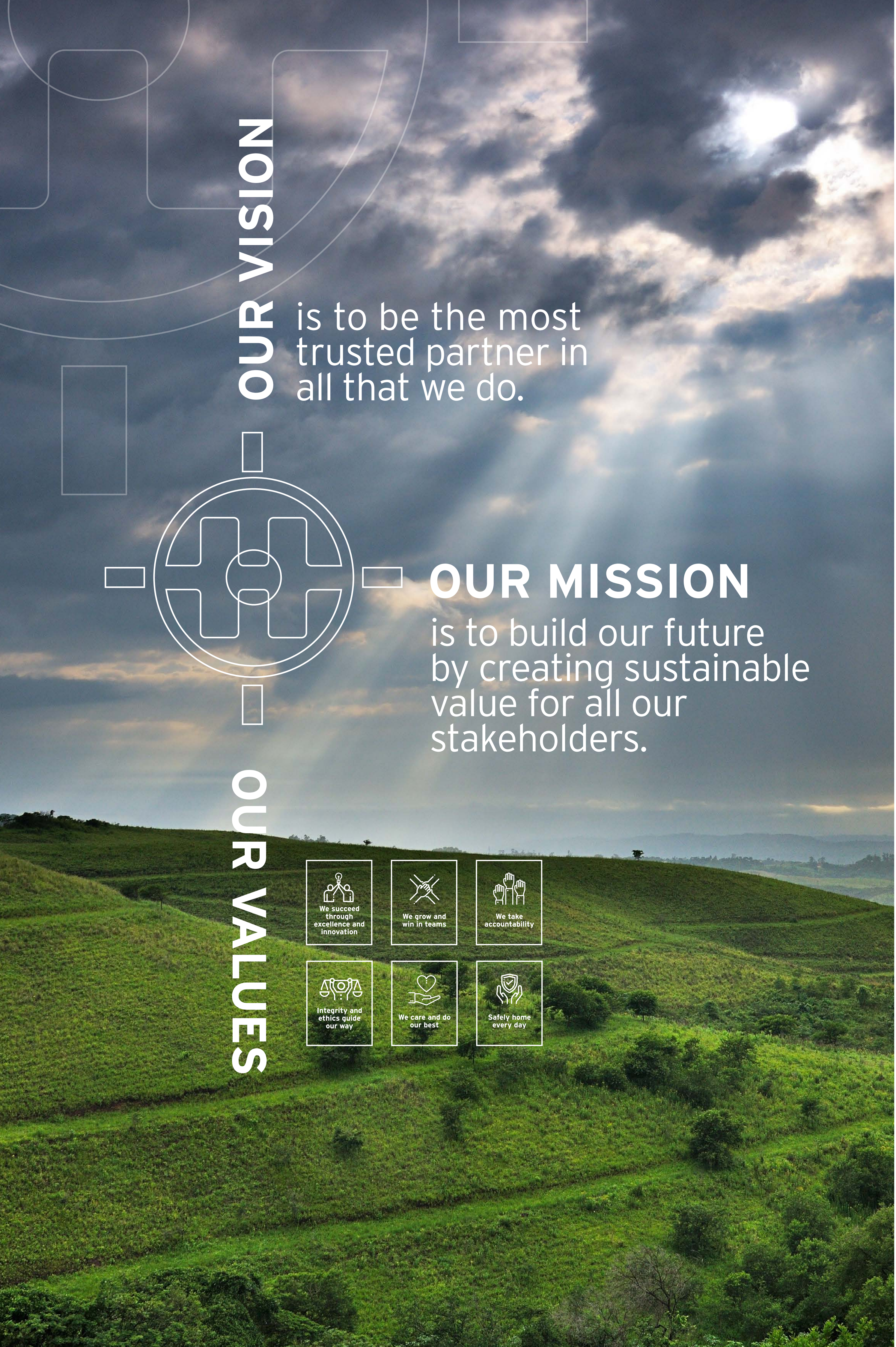
OUR VISION
is to be the most trusted partner in all that we do.
OUR MISSION
is to build our future by creating sustainable value for all our stakeholders.
OUR VALUES
We succeed through excellence and innovation
We grow and win in teams
We take accountability
Integrity and ethics guide our way
We care and do our best
Safely home every day

DIRECTORS REPORT

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The Board of Directors (the Board) is responsible for the preparation, integrity and fair presentation of the annual financial statements of the Company and Group that have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

In preparing the financial statements, the Company and Group have considered the appropriateness of its accounting policies, critical judgements and estimates, in order to achieve a fair reflection of events and conditions and to ensure compliance with IFRS. The Board concluded that the financial statements fairly present the financial position of the Company and Group at 31 March 2021 and the results of its operations for the year then ended.

The Board considered procedures and controls in order to ensure that, in all material respects, the Group's assets are protected and used as intended and with appropriate authorisation. The consolidated and separate annual financial statements were approved by the Board on 13 July 2021.

The Board hereby submit the annual financial statements for the year ended 31 March 2021.

GOING CONCERN

The Board has satisfied itself that the Company and Group will continue as a going concern for the year ahead, noting the existence of a material uncertainty in relation to the success of various debt restructure initiatives. As part of the going concern assessment, the Board considered the ability of the Group to achieve its debt reduction plan in accordance with the terms agreed with its lenders considering both the risks and mitigating responses thereto. Further details on the Board's going concern assessment have been included in the 'Basis of Preparation' section of these financial statements.

After carefully considering the negotiated debt refinance terms and the various mitigating actions disclosed, the Board has concluded that the Group and Company are able to discharge their liabilities in the normal course of business and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the annual financial statements, although a material uncertainty exists in relation to the success of the debt restructure initiatives described.

NATURE OF BUSINESS

Tongaat Hulett is an agri-processing business that includes the integrated components of agriculture, land management and property development. These activities are dealt with in detail on the website www.tongaat.com.

STATE OF AFFAIRS OF THE BUSINESS

During the year under review, the Company and Group went through significant change whilst implementing the turnaround strategy mandated by the Board and its debt reduction plan. Some of the key events to be highlighted in this report are:

COVID-19

The Group's sugar operations were defined as essential services in each of their respective countries of operation and were therefore able to operate with fewer unavoidable disruptions caused by COVID-19 and the associated lockdown restrictions. The Group has used the experience gained over the past 15 months of the pandemic to analyse the impact on its operations.

A potential risk identified is that it may take longer than anticipated to optimise production capacity and processes in light of increased absenteeism and/or delays in implementing necessary improvement projects. There has been limited negative impact on the commercial aspects of the Sugar businesses.

Disposal of businesses

Tongaat Hulett Starch

- On 28 February 2020, the Company entered into an agreement to dispose of its Starch operation to KLL Group Proprietary Limited (KLL Group), a wholly owned subsidiary of Barloworld Limited, for an enterprise value of R5.35 billion.
- On 12 May 2020 the KLL Group and the Company declared a dispute in terms of the sale and purchase agreement for the disposal of the starch operation on whether a material adverse change (MAC) had occurred. The dispute centred on whether the COVID-19 global pandemic and the consequences therefore (particularly the impact on sales to the alcoholic beverage industry) would result in the EBTIDA of the Starch operation for the year ending 31 March 2021 being 82.5% or less than the previous financial year.
- On 7 July 2021 shareholders were advised that the Company and KLL Group have now referred the dispute as to whether a MAC has occurred for determination by an independent third party (Rothschild and Co South Africa). On 21 September 2020, the independent third party determined that a MAC did not occur.
- On 2 November 2020 the sale of the Starch business was implemented. KLL Group paid the Company a total of R5 306 million, of which R450 million was held in an escrow account to cater for the possibility of claims being made by KLL Group against the Group under the warranties or other provisions of the share purchase agreement. An amount of R4 709 million was used to settle the Company's South African debt.

Tambankulu Estate

- The disposal of the Tambankulu Estate Proprietary Limited, the Company's agri-business operation in Eswatini, was announced on 17 June 2020. On 4 November 2020 the transaction became unconditional and was fully implemented with effect from 1 December 2020. The Company received proceeds of R400 million which were used to settle its South African debt.

Namibia packaging and distribution operation

- On 2 July 2020 it was announced that all suspensive conditions in relation to the disposal of the sugar packaging and distribution business of Tongaat Hulett (Namibia) (Proprietary) Limited (THN) had been fulfilled and effective transfer of the business was effective 1 July 2020. The Company had a 51% share of THN and its net share of the purchase consideration was R97 million. The proceeds received were used to settle the Company's South African borrowings.

The Group's earnings attributable to shareholders for the year ended 31 March 2021 amounted to R2 419 million (2020: R120 million) and includes a once-off gain of R3 848 million arising from the disposals above. This translates into an earnings per share of 1 794 cents (2020: 89 cents), based on the weighted average number of shares in issue during the year. Headline earnings per share for the year, which excludes the once-off gain above, was a loss of 631 cents (2020: 90 cents profit). In respect of its continuing operations, the Group reported a loss of per share of 689 cents (2020: 212 cents loss) and a headline loss per share of 822 cents (2020: 211 cents).

Debt Restructure

- In anticipation that COVID-19 may delay debt reduction transactions and cause pressure on the debt reduction milestones, particularly in light of the dispute with KLL Group described above, management engaged in negotiations in respect of a second restructure of the senior debt facilities. An amended and restated common terms agreement and facility agreements was signed on 4 November 2020 with the most significant amendments being the revision of the final repayment date to 30 September 2021, the revision of the default debt reduction milestones and the financial ratio covenants. Further details of the terms and conditions of the amended facilities have been provided in note 16 to the annual financial statements.
- At 31 March 2021, the Company had paid cumulative debt reduction proceeds of R6 006 million to the South African lenders and had therefore achieved the R6 000 million debt reduction proceeds milestone which was measured on 30 April 2021. Cumulative debt reduction transaction agreements totalling R6 566 million had been signed at 31 March 2021, which fell short of the R8 100 million required at that date to avoid an event of default. As a result, the Company and the South African lenders amended the milestone measurement date from 31 March 2021 to 30 April 2021, and amended the corresponding milestone amount to R6 400 million. Subsequently, the measurement date for the cumulative signed debt reduction transaction agreements for 30 June 2021 was amended to 13 July 2021, and the corresponding milestone amount was amended from R8 100 million to R6 400 million which resulted in the Company meeting such milestone.
- Owing to the worse than expected financial performance in the fourth quarter, the Company breached its EBITDA and Free Cash Flow financial covenants for the quarter ended 31 March 2021. The Company, due to the better than expected performance during the previous three quarters, did however meet its year to date covenants at 31 March 2021. At the Company's request, the South African lenders waived the above-mentioned covenant breach on 12 July 2021.
- Given that the Company's existing facilities are maturing within 12 months from the reporting date, the Company and the South African lenders agreed and signed a credit approved short-form term sheet on 12 July 2021 to refinance the SA Facilities. Legal agreements to give effect thereto are currently being drafted and it is expected that the refinancing will be concluded by 31 August 2021.

Regulatory

- On 1 July 2020, the JSE Limited imposed a public censure and the maximum fine of R7.5 million on the Company due to the material misstatement of its financial information from 2012 to 2018.
- On 24 August 2020, the Financial Sector Conduct Authority (FSCA) imposed an administrative penalty of R118.3 million (inclusive of costs reasonably incurred by the FSCA in investigating the contraventions) on the Company after due consideration to the factors set out in section 167 of the Financial Sector Regulation Act (FSR Act). The FSCA considered the Company's application for remission of the penalty and agreed to reduce a portion of the R118.3 million penalty. The FSCA ordered in terms of section 173 of the FSR Act that the Company ultimately pay R20 million (inclusive of investigation costs and interest) as an administrative penalty.

DIRECTORATE

David Noko was appointed to the Board on 1 July 2020 and Louisa Stephens was appointed to the Board on 15 July 2020. Both appointments were approved by shareholders at the 2020 annual general meeting. With effect from 1 July 2021, Mr Noko was appointed as the lead independent non-executive director.

The composition of the Board at the date of this report is as follows: Louis von Zeuner (Chairman), Gavin Hudson (CEO), Rob Aitken (CFO), Linda de Beer, Jean Nel, Robin Goetzsche, Dan Marokane, David Noko, Andile Sangqu and Louisa Stephens.

The directors retiring by rotation at the 2021 annual general meeting in accordance with Section 7 of the Memorandum of Incorporation are Jean Nel, Andile Sangqu and Robin Goetzsche. These directors are eligible and offer themselves for re-election. Details of each of these directors are set out in the Group's integrated annual report.

SHARE CAPITAL

The Company's authorised share capital is 150 million ordinary shares. At 31 March 2021, the issued share capital was 135.1 million ordinary shares. Refer to note 14 to the annual financial statements for further information.

DIRECTORS' SHAREHOLDINGS

The Directors' interests in the ordinary shares of the Company are set out in note 31 to the annual financial statements.

INTERESTS IN SUBSIDIARIES

The Company is the ultimate holding company of a number of subsidiaries, details of which are reflected in note 6 to the annual financial statements.

AUDITORS

The Audit and Compliance Committee has recommended that Ernst & Young Inc. be appointed as the independent registered auditor of the Group and Company, and to confirm the appointment of Merisha Kassie as the designated audit partner, in terms of the resolution to be proposed at the 2021 annual general meeting in accordance with the Companies Act.

SECRETARY

The Company Secretary is Johann van Rooyen.

OWNERSHIP

The shares of the Company are publicly listed on the Johannesburg Stock Exchange. No single shareholder, or group of shareholders, control the Company. Shareholders holding beneficially, directly or indirectly, in excess of 3% of the issued share capital of the Company are on the share analysis from page 118 to 119.

DIVIDENDS

The Board of Directors did not declare an interim or final dividend for the year ended 31 March 2021.

EVENTS AFTER THE REPORTING DATE

Details of all material events occurring between the reporting date and the date of authorising the annual financial statements have been disclosed in note 33 to the annual financial statements.

Louis von Zeuner
Chairman

Gavin Hudson
Chief Executive Officer

Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal

13 July 2021

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 14 to 117, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Compliance Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Gavin Hudson
Chief Executive Officer

Rob Aitken
Chief Financial Officer

Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal

13 July 2021

CERTIFICATE BY COMPANY SECRETARY

I certify that 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 of South Africa in respect of the year ended 31 March 2021 and that all such returns are true, correct and up to date.

Johann van Rooyen
Company Secretary

Amanzimnyama Hill Road,
Tongaat, KwaZulu-Natal

13 July 2021

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements, which appear on pages 14 to 117 have been prepared under the supervision of Rob Aitken, CA(SA) and were approved by the Board of directors on 13 July 2021.

Rob Aitken
Chief Financial Officer

Amanzimnyama Hill Road,
Tongaat, KwaZulu-Natal

13 July 2021

AUDIT AND COMPLIANCE COMMITTEE REPORT

INTRODUCTION

The Tongaat Hulett Audit and Compliance Committee (the Committee) is pleased to present its report in terms of the Companies Act, 71 of 2008 as amended (the Companies Act), the King Code of Governance for South Africa, 2016 (King IV) and the JSE Listings Requirements for the financial year ended 31 March 2021. The Committee functions within formal terms of reference and complies with all relevant legislation, regulation and governance codes. The terms of reference were reviewed, updated and approved in March 2021.

The role of the Committee is in the first instance to oversee financial reporting and matters related to that, including the external audit quality and independence. The Committee is also responsible for ensuring oversight over the internal audit function as it reviews, assesses and reports on the internal control environment in the Group. Furthermore, it overseas the governance of Information and Technology (IT) and is responsible for monitoring the overall effectiveness of corporate governance within the Group.

Despite the strides made in 2020 and the hope that 2021 will be easier, it came with a whole new suite of challenges considering the unchartered waters of navigating during a pandemic. The Committee continued to focus much of its attention on the internal audit structure and internal controls, finance capability and regulatory matters, as was the case in 2020. The appointment of Rena Botha as Chief Audit Executive, Mark Seele as Chief Information Officer and Sean de la Rosa as Chief Risk Officer, resulted in significant improvement and attention in these important areas. However, we are constantly reminded that this is a journey and it will take time to get to the level of maturity that is required in all of these areas. Further enhancements to the skills and experience of the finance team across the businesses are also a key focus area.

ATTENDANCE

The record of attendance of the members of this Committee is contained in the leadership and governance section of the Integrated Report.

COMPOSITION AND GOVERNANCE

We were delighted to gain the deep experience and skills of David Noko, who joined the Committee in March 2021. As at 31 March 2021, the Committee consisted of Linda de Beer (Chair), Jean Nel, Robin Goetzsche and David Noko. Members of the Committee satisfy the requirements to serve as members of an audit committee as provided for in Section 94 of the Companies Act and have adequate knowledge and experience to carry out their duties. All members are independent non-executives.

The CEO, CFO, Business Assurance Executive, Chief Risk Officer, Chief Information Officer and representatives from the external and internal auditors attend committee meetings by invitation. Other members of management are invited to attend certain meetings, or parts thereof, to provide the Committee with greater insight into specific areas and aspects within the Group. Closed sessions are held with internal and external auditors separately, from time to time, without management present. Closed sessions are also held with the CFO and with Committee members only.

The chair of the Committee reports to the Board on Committee activities and the matters discussed at each meeting. The performance of the Committee is reviewed as part of the effectiveness review of the Board and all its committees.

FOCUS AREAS DURING THE YEAR

For the period under review, the Committee satisfied its responsibilities in compliance with its terms of reference, which elaborates on the duties of the Committee. The Committee's terms of reference are not set out in detail in this report but can be accessed on the Tongaat Hulett website. The following were focus areas of the Committee during the year under review:

- Monitoring the quality and accuracy of financial reporting and compliance with IFRS in respect of financial practices and policies, considered the going concern status of the Group and recommended the financial statements to the Board for approval;
- Considering the compliance with the JSE 2020 Pro-active Monitoring Report as well as numerous guidance notes and other publications issued by the JSE in respect of COVID-19 reporting and other related matters;
- Continuous engagement with the external auditors to oversee independence and audit quality;
- Overseeing progress with the transition by 2022 to EY as the new external auditors (appointed by the Board and subject to shareholder approval at the 2021 AGM);
- Providing oversight over the Group's treasury function in order to ensure reliable cash forecasts, solvency and liquidity and an enhancement of treasury in general, with specific reference to the risk of trapped cash in Zimbabwe;
- Providing oversight over the Group's tax affairs;
- Embedding the restructured internal audit function through the appointment of an in-house Chief Audit Executive and a number of in-house staff members to further enhance the co-sourced arrangement with KPMG, as well as aligning the internal audit plan to the risks in the business;
- IT governance, with the emphasis on information and cyber security as well as the enhancement of the Group's IT capacity and maturity to serve the business information and reporting needs;
- Upskilling and enhancing the capacity of the finance function across the businesses.

EXTERNAL AUDITORS

In 2020, the Committee committed to change auditors. This process was finalised and the Board appointed Ernst & Young Inc (EY) in November 2020, for the 2022 audit onwards and commenced with the transition from Deloitte as our external audit firm.

Mark Holme from Deloitte was appointed as designated auditor at the 2020 AGM. Merisha Kassie from EY will be proposed for this role at the 2021 AGM for the 2022 audit.

As a Committee we would like to thank the Deloitte team, and specifically Mark Holme and Ruwayda Redfearn, who has recently been elected as Deloitte Africa Board Chair, for their ongoing commitment and professionalism despite very challenging circumstances.

EXTERNAL AUDIT: KEY AUDIT MATTERS

The Committee notes the following key audit matters set out in the audit report, which were also matters of focus for the Committee in the finalisation of the annual financial statements:

- Provision for development expenditure – specifically the bulk infrastructure commitment*
- Sugar refinery loss and related industry refund payment;
- Going concern*.

** Also a prior year key audit matter*

Provision for Development Expenditure

The provision for development was already a pertinent matter at the time of the 2019 financial statements restatement. At the time, and again during this year's year end reporting process, the Committee considered the appropriateness of accounting policies as well as key assumptions and judgments in respect of the recognition and measurement of current and future commitments in respect of property developments including the related bulk infrastructure spend. We are comfortable that these are reasonable and that assumptions erred on the side of conservatism.

Sugar refinery loss and related industry refund payment

The operational failures that led to the sugar loss at the refinery have been extensively investigated, considered and debated at a board level. The objectives were to understand the causes, the impact and the required corrective action. The board will continue to monitor corrective action and operational statistics, not only in respect of the refinery, but also elsewhere across operations.

The Committee's focus in respect of the refinery loss was twofold. Firstly, we ensured that the calculation, classification and disclosure of the impact was appropriate. Secondly, the Committee considered the results of the investigation by Internal Audit and assessed the remediation thereof by management in addressing the findings and instituting the necessary corrective actions and enhanced controls.

Going concern

The auditor's report includes a separate section under the heading "Material Uncertainty Related to Going Concern" which draws attention to the note in the financial statements that discloses the matters giving rise to the material uncertainty and states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. They further note that their opinion is not modified in respect of the matter.

In addition to the Board's regular assessment of liquidity and cash forecasts, the Committee reviewed a documented assessment by management of the going concern premise of the Group before recommending to the Board that the Group is a going concern and will remain so for the foreseeable future. The Committee also reviewed inter-company funding in terms of section 45 of the Companies Act, recommending such funding arrangements to the Board for consideration.

INTERNAL AUDITORS AND INTERNAL FINANCIAL CONTROLS

As previously noted, the internal audit function was restructured during the year, transitioning from an outsourced model to a co-sourcing model, led by the Chief Internal Audit Executive, Rena Botha. KPMG was retained as the co-sourced service provider.

The Committee considers on a quarterly basis, the findings of reviews performed by Internal Audit against its risk based plan, as well as corrective action put in place by Management to address control weaknesses. Progress had been made in improving the control environment and a very large portion of critical and high-level findings have already been adequately addressed. Furthermore, it was noted that the occurrence of repeat findings has reduced. Despite the progress made, this will remain a priority of the Committee until an acceptable level of maturity is achieved.

Internal Audit also coordinates a monthly and annual internal control self-assessment program by finance executives throughout the businesses. Validation tests in respect of the self-assessments have also be initiated by Internal Audit and these will be further enhanced in 2022.

Internal Audit performed its annual review of the effectiveness of the group's governance, risk and internal control environment; including its internal financial controls and IT controls, as they pertain to financial reporting, and the effectiveness of its risk management process. Internal Audit concluded that the internal control environment requires ongoing management intervention.

Furthermore, the Committee received feedback from Internal Audit on the work rolled out in the current year to support the CEO and FD sign off on internal controls, as required by section 3.84 of the JSE Listings Requirements. This section requires a statement by the CEO and FD, confirming that internal financial controls have been put in place to ensure that material information has been provided to effectively prepare the financial statements. Furthermore confirmation is to be given that the internal financial controls are adequate and effective, and can be relied upon in compiling the financial statements, and if not, that the deficiencies in the design and operational effectiveness of the internal financial controls has been disclosed to the Committee and the auditors, and that the necessary remedial action has been taken.

As part of this process, weakness highlighted that controls required enhancement in certain process's as these were adequate but ineffective in providing a strong early warning to management.

To this end, and in light of the control deficiencies identified, the CEO and FD confirmed to the Committee that they have ensured that all control deficiencies identified have been disclosed as required. Therefore, there is a level of comfort that these deficiencies are known and reported and that plans are in place for them to be addressed. There was also a level of comfort that these deficiencies did not have an impact on the information presented in the financial statements.

The Committee is of the view, based on the representations made by Internal Audit, External Audit and other related processes mentioned, that the internal financial controls in place for the Group were still not adequate and effective during the period under review. As noted above, the Committee is monitoring remedial action in this regard. The Committee has set a clear target to management that the control environment should be rated as adequate and effective at the end of the 2022 financial year.

It is also important to highlight that, despite significant progress in 2021 in putting the building blocks of risk and compliance in place, the combined assurance model is not yet at a level where it can be relied upon.

ANNUAL CONFIRMATIONS AND ASSESSMENTS

The Committee has, as part of its annual obligations considered and assessed the following:

- The skills and experience of the CFO, with which the Committee was comfortable, as well as with the Finance function, commented on above in respect of future focus and improvement.
- The appropriateness of financial reporting procedures and whether those are operational in all entities in the Group in order to effectively prepare and report on the financial statements.
- The effectiveness of the Internal Audit Function, which met the Committee's requirements.
- The adequacy and effectiveness of internal controls, with specific reference to internal financial controls, which need improvement, as commented before.
- Audit quality and auditor independence, with which the Committee was satisfied.
- Compliance with all related matters in terms of the JSE Listings Requirements and as per the JSE's 2020 Pro-active Monitoring Report.

COMMITTEE FOCUS IN 2022

In addition to the standard agenda items, the Committee will continue to focus on areas already identified for 2021, namely:

- Strengthening the Finance function, both at the centre and at the operational businesses level, with a greater integration between the two;
- Improvement of the internal control environment;
- Enhancement of treasury and tax management;
- Combined assurance implementation with the group wide integration of finance, risk and compliance functions; and
- Information and technology governance.

On behalf of the Audit and Compliance Committee

Linda de Beer
Audit and Compliance Committee Chair

Amanzimnyama Hill Road, Tongaat,
KwaZulu-Natal

13 July 2021

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Tongaat Hulett Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Tongaat Hulett Limited and its subsidiaries (the Group) set out on pages 17 to 129, which comprise the consolidated and separate statements of financial position as at 31 March 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Tongaat Hulett Limited and its subsidiaries as at 31 March 2021, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the going concern note included in the "Basis of preparation" and notes 16 and 33 to the consolidated and separate financial statements, which indicate that the Group's consolidated current liabilities exceed its consolidated current assets by R2 741 million and the Company's current liabilities exceed its current assets by R5 718 million. These notes disclose that the Group's South African debt has been refinanced with new repayment milestones that need to be met within 12 months of the date of this report, in order to reduce the Group and Company's debt to a sustainable level. The milestones are disclosed in the going concern and related notes to the consolidated and separate financial statements. This condition indicates that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in this respect.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the Key Audit Matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Provision for Development Expenditure (consolidated financial statements)	
As an integral part of the land conversion process, the Group often commits to providing certain bulk and basic infrastructure – generally roads and utilities, as part of the sale of developable land. These infrastructure commitments are often in partnership with the local municipality or the ultimate developers. Included in total provisions in note 19 of the consolidated financial statements, is a provision for development expenditure of R1 356 million (2020: R1 370 million), relating to the present value of the anticipated cash outflows associated with the bulk and basic infrastructure commitments. Measuring the provision is complex, manual and involves significant judgements by management in determining the total expected project costs. Further significant judgement is exercised by management in determining the amount of any constructive obligation to share the cost of bulk infrastructure with the municipality, as the group has contributed regularly and materially in the past. These total cost predictions are important as they inform the cost of sales allocation. Revenue recognition is driven by the costs incurred as a proportion of the estimated total costs in meeting the *IFRS 15 Revenue from contracts with customers*, service condition to provide infrastructure. The estimated development expenditure matched to unsold property is recognised as inventory, which is measured at the lower of cost or its net realisable value. Net realisable value is impacted by the potential for a decline in the KwaZulu-Natal retail and commercial property market demand and prices in future years, due to weak South African economic growth forecasts allied to the unpredictable but almost certainly negative, ongoing impact of COVID-19. Contractual and constructive infrastructure development commitments to third parties remain consistent irrespective of the economic outlook, although the timing of the spend may change.	Our procedures included the following: • Understanding the land conversion process in respect of the development expenditure to assess compliance with *IAS 37: Provisions, contingent liabilities and contingent assets* and *IAS 2: Inventories*, both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of the relevant standards, which involved the use of an internal IFRS specialist; • For all active projects we independently assessed that the bulk infrastructure required in terms of the related "Environmental Impact Assessment" and "Record of Decision" had been considered in calculating the provision at year end. The amount provided includes all committed bulk and basic infrastructure liabilities as well as an estimate of Tongaat Hulett's expected contribution to future bulk infrastructure expenditure. • Engaged our internal legal specialists to assess the legal opinion obtained by management regarding the existence of the liability for uncommitted bulk infrastructure; • Assessed the discount rate, inflation rates and cashflow projections used by management to determine the present value of the provision; • Assessed the contracts with suppliers, external estimates provided by internal and external consultants and internal estimates generated by management, which were used to determine the total contract costs; • Assessed the work performed by management's expert to derive an estimate of future development expenditure on key projects; • For development projects/phases in progress, we considered expenditure input estimates against those made previously, as well as actual costs incurred, substantiating any material amendments; • Assessed the key inputs used in the revenue estimates which are used to determine the allocation of the cost of sales for the various projects and associated revenue recognised; and • Assessed management's disclosures in note 19 against the requirements of IAS 37 and noted no material exceptions.

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Provision for Development Expenditure (consolidated financial statements)	
Key judgements include the estimated future selling prices of land holdings, taking into account the impact of COVID-19 on the sector and the availability of internal funding to meet infrastructure commitments. This is important because the estimated selling prices used in management's carrying value assessments, were for "serviced land". Due to the significance of the provision and related inventory balance to the financial statements as a whole, combined with the significant assumptions associated with recognition and measurement, as set out in the critical estimates and judgements section of the accounting policies, we considered the audit of the provision for development expenditure to be a Key Audit Matter.	• We engaged with land valuation experts to gain insight into the potential impact of COVID-19 on land sale prospects and related factors used in performing current land valuations. • We reviewed management's estimates of the net realisable value of unsold land. • Comparisons were made between management's revenue estimates, management's valuation report and our independently obtained valuation report. • We assessed management's projection of the timing of future cash outflows required to meet infrastructure obligations (current and non-current). We assessed management's disclosure of the nature of the inputs into estimates and sensitivity factors applied and found them to be appropriate and in-line with the principles of IFRS.

Key Audit Matter	How the matter was addressed in the audit
Refinery Sugar loss (consolidated and separate financial statements)	
Production inefficiencies in the group's South African sugar operations resulted in a loss of approximately 27 000 tons of raw sugar intended to be refined and sold in the local market. As disclosed in notes 19 and 8 to the financial statements, the outcome of an internal investigation into the loss was communicated to the South African Sugar Association (SASA) post the finalisation and calculation of the industry sales redistribution amount for the 2020/21 season. Saleable raw sugar production tons are a key input into the industry's sugar proceeds redistribution formula detailed in the revenue accounting policy. As the sugar loss was communicated post the finalisation of SASA's redistribution calculation, the group inadvertently over declared saleable production tons, overstating Tongaat's share of the industry and the actual tons sold in the local market for the current season. A sugar loss of this nature and quantum, is unprecedented and there is uncertainty around the rate at which the group's obligation to contribute to the industry redistribution will be calculated. This refining loss also had an impact on the impairment calculation performed on the assets of the Durban refinery cash generating unit, as forecast refined sugar production yields are a key element of the calculation, as is the manner in which the industry redistribution will be funded by Tongaat, in the season ahead.	Our procedures included the following: • We reviewed the regulations pertaining to the South African sugar industry to understand the redistribution mechanism and to establish whether there were any provisions that dealt with a sugar loss of this nature. • We involved our internal IFRS specialist to assess the conclusions reached by management in respect of the classification of the contra entry to the industry obligation. • Inspected correspondence with SASA regarding the proposed rate at which the lost sugar would be included in the redistribution calculation. • We tested the mathematical accuracy and internal logic of the calculated obligation expected to be repaid through the 2021/2022 season's redistribution mechanism. • We assessed inventory costing at year-end for compliance with *IAS 2: Inventories* which requires the allocation of fixed production overheads to the costs of conversion to be based on the normal capacity of the production facility. • We assessed the competence, capabilities and objectivity of Management's independent experts engaged to perform impairment testing on the group's cash generating units (CGUs); • Utilising our internal valuation specialists, we performed an independent assessment of the recoverable value of the refinery CGU where impairment indicators existed. Our independent assessment was evaluated against that of management's expert, by performing the following procedures:

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Key Audit Matter	How the matter was addressed in the audit
Refinery Sugar loss (consolidated and separate financial statements)	
Similarly, the forecast cash inflows generated by the refinery and the SASA redistribution outflow, are important inputs into the Group's going concern model which was also used for modelling Tongaat's future operating cash flows in negotiations with the Group's South African lenders. Due to the significance of the event to the financial statements as a whole, combined with the significant judgement and estimations associated with determining the amount repayable, as set out in the critical estimates and judgements section of the accounting policies, we considered the audit of the refinery sugar loss to be a Key Audit Matter.	• Assessing whether the valuation techniques used are consistent with industry norms; • Critically evaluating whether the discounted cash flow models used in managements' valuation complied with the requirements of IAS 36; • Assessing the key assumptions used in calculating the discount rates and recalculating these rates; • Checking the compilation of the projected cash flows used in the valuation models; • Analysing the projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the refinery; and • Subjecting the key judgements in the valuation model to sensitivity analyses. • We assessed the impact of the forecast cash flows related to the refinery and the SASA redistribution payment on the group's liquidity for going concern purposes. We assessed management's disclosure of the nature of the estimates used and sensitivity factors applied and found them to be appropriate and in-line with the requirements of IFRS.

Other Information

The directors are responsible for the other information. The other information comprises, information in the document titled "Tongaat Hulett Consolidated and Separate Financial Statements for the year ended 31 March 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Tongaat Hulett Limited for 83 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: MH Holme CA (SA); RA
Partner
13 July 2021

13 Magwa Crescent
Waterfall City
Waterfall
Midrand

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2021

R million	Note	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
ASSETS					
Non-current assets					
Property, plant and equipment	2	**4 883**	6 013	**1 463**	1 551
Right-of-use assets	3	**307**	340	**11**	22
Goodwill	4	**48**	53	**–**	–
Intangible assets	4	**266**	337	**195**	210
Investments in subsidiaries and joint operations	5	**–**	–	**1 136**	1 296
Investments in associates and joint ventures	6	**51**	35	**–**	–
Deferred tax assets	15	**165**	593	**–**	474
Other non-current assets	7	**163**	348	**156**	334
Total non-current assets		**5 883**	7 719	**2 961**	3 887
Current assets					
Inventories	8	**3 255**	3 281	**574**	567
Biological assets	9	**1 645**	2 572	**144**	135
Trade and other receivables	10	**1 833**	1 071	**996**	451
Derivative financial instruments	11	**7**	–	**7**	–
Current tax assets		**24**	124	**–**	–
Cash and cash equivalents	12	**629**	1 242	**177**	762
Amounts owing by Group companies	5	**–**	–	**141**	104
		7 393	8 290	**2 039**	2 019
Assets classified as held for sale	13	**–**	2 139	**–**	1 988
Total current assets		**7 393**	10 429	**2 039**	4 007
TOTAL ASSETS		**13 276**	18 148	**5 000**	7 894
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	14	**1 679**	1 679	**1 679**	1 679
Accumulated losses		**(1 340)**	(3 563)	**(5 267)**	(8 253)
Other reserves		**(1 440)**	(863)	**417**	304
Total equity attributable to owners of Tongaat Hulett Limited		**(1 101)**	(2 747)	**(3 171)**	(6 270)
Non-controlling interests		**1 047**	1 152	**–**	–
Total equity		**(54)**	(1 595)	**(3 171)**	(6 270)
Non-current liabilities					
Deferred tax liabilities	15	**620**	1 123	**–**	–
Borrowings	16	**78**	157	**–**	–
Lease liabilities	3	**348**	227	**6**	12
Post-retirement benefit obligations	17	**495**	504	**352**	366
Deferred income	18	**167**	115	**48**	68
Provisions	19	**1 124**	690	**8**	8
Total non-current liabilities		**2 832**	2 816	**414**	454
Current liabilities					
Borrowings	16	**7 121**	12 439	**6 006**	10 937
Lease liabilities	3	**44**	78	**7**	10
Trade and other payables	20	**2 557**	2 493	**1 225**	1 155
Post-retirement benefit obligations	17	**44**	51	**41**	47
Deferred income	18	**122**	167	**20**	20
Provisions	19	**483**	688	**143**	–
Current tax liabilities		**127**	76	**5**	–
Amounts owing to Group companies	5	**–**	–	**310**	691
		10 498	15 992	**7 757**	12 860
Liabilities directly associated with assets classified as held for sale	13	**–**	935	**–**	850
Total current liabilities		**10 498**	16 927	**7 757**	13 710
TOTAL LIABILITIES		**13 330**	19 743	**8 171**	14 164
TOTAL EQUITY AND LIABILITIES		**13 276**	18 148	**5 000**	7 894

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

		Group		Company	
R million	Note	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Continuing Operations					
Revenue	21	**14 918**	15 382	**6 212**	6 023
Cost of sales		**(10 649)**	(8 591)	**(5 987)**	(5 533)
Gross profit		**4 269**	6 791	**225**	490
Marketing and selling expenses		**(958)**	(1 023)	**(191)**	(176)
Administrative and other expenses		**(2 021)**	(2 773)	**(725)**	(999)
Net impairment loss on non-financial assets		**(139)**	(4)	**(139)**	–
Net impairment loss/(reversal) on financial assets		**(65)**	(63)	**(45)**	(119)
Non-trading items – gain/(loss)		**380**	(8)	**250**	325
Other operating income		**352**	337	**300**	149
Operating profit/(loss)	22	**1 818**	3 257	**(325)**	(330)
Net finance costs	23	**(1 583)**	(1 620)	**(947)**	(1 118)
Finance costs		**(1 420)**	(1 547)	**(976)**	(1 178)
Finance income		**82**	96	**29**	60
Net foreign exchange loss revaluation of borrowings and lease liabilities		**(245)**	(169)	**–**	–
Dividend income		**–**	–	**841**	223
Net monetary loss arising from hyperinflation in Zimbabwe	32	**(626)**	(1 296)	**–**	–
Share of net profit of associates		**22**	24	**–**	–
(Loss)/profit before taxation		**(369)**	365	**(431)**	(1 225)
Taxation	25	**(259)**	(228)	**140**	467
(Loss)/profit from continuing operations		**(628)**	137	**(291)**	(758)
Profit from discontinued operation	13	**3 348**	393	**3 370**	390
Profit/(loss) for the year		**2 720**	530	**3 079**	(368)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Foreign exchange differences on translation of foreign operations		**(906)**	1 064	**–**	–
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of post-retirement benefit obligations		**(151)**	(285)	**(18)**	46
Tax effect of remeasurement of post-retirement benefit obligations		**38**	71	**5**	(13)
Remeasurement of a retirement fund surplus		**36**	42	**36**	42
Tax effect of remeasurement of retirement fund employer surplus		**(10)**	(12)	**(10)**	(12)
Other comprehensive (loss)/income for the year, net of tax		**(993)**	880	**13**	63
Total comprehensive income/(loss) for the year		**1 727**	1 410	**3 092**	(305)
Profit/(loss) for the year is attributable to:					
Owners of Tongaat Hulett Limited		**2 419**	120	**3 079**	(368)
Non-controlling interests		**301**	410	**–**	–
		2 720	530	**3 079**	(368)
Total comprehensive income/(loss) for the year is attributable to:					
Owners of Tongaat Hulett Limited		**1 648**	810	**3 092**	(305)
Non-controlling interests		**79**	600	**–**	–
		1 727	1 410	**3 092**	(305)
Earnings per share arising from loss from continuing operations attributable to the owners of Tongaat Hulett Limited (cents)	27				
Basic		**(689)**	(212)		
Diluted		**(689)**	(212)		
Earnings per share arising from profit attributable to the owners of Tongaat Hulett Limited (cents)	27				
Basic		**1 794**	89		
Diluted		**1 794**	89		

'Net impairment loss/(reversal) on financial assets' has been separately presented in this statement in the current year which required the comparative information to be re-presented, the impact of which affects both 'Administrative and other expenses' and 'Non-trading items'.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Group							
R million	**Share capital**	**Share premium**	**Accumulated losses**	**Share-based payment and other reserves**	**Foreign currency translation reserve**	**Total equity attributable to owners of Tongaat Hulett Limited**	**Non-controlling interests**	**Total equity**
Balance at 1 April 2019	135	1 544	(3 548)	277	(1 981)	(3 573)	601	(2 972)
Total comprehensive income for the year ended 31 March 2020	–	–	(15)	–	825	810	600	1 410
Profit for the year	–	–	120	–	–	120	410	530
Other comprehensive income for the year	–	–	(135)	–	825	690	190	880
Share-based payment charge	–	–	–	16	–	16	–	16
Dividends - non-controlling shareholders	–	–	–	–	–	–	(49)	(49)
Balance at 31 March 2020	**135**	**1 544**	**(3 563)**	**293**	**(1 156)**	**(2 747)**	**1 152**	**(1 595)**
Total comprehensive income for the year ended 31 March 2021	**–**	**–**	**2 357**	**–**	**(709)**	**1 648**	**79**	**1 727**
Profit for the year	**–**	**–**	**2 419**	**–**	**–**	**2 419**	**301**	**2 720**
Other comprehensive loss for the year	**–**	**–**	**(62)**	**–**	**(709)**	**(771)**	**(222)**	**(993)**
Share-based payment charge	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**(2)**	**(3)**
Net transfer from non-distributable reserves to distributable reserves [1]	**–**	**–**	**(134)**	**134**	**–**	**–**	**–**	**–**
Purchase of shares for delivery to employees	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Dividends – non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(182)**	**(182)**
Balance at 31 March 2021	**135**	**1 544**	**(1 340)**	**425**	**(1 865)**	**(1 101)**	**1 047**	**(54)**

[1] *The net loss arising from previously vested share awards, representing the surplus of the fair value of the shares delivered to employees over the related cumulative share-based payment charge, has been transferred from the share-based payment reserve to accumulated losses. At 31 March 2021, the share-based payment reserve represents the cumulative share-based payment charge recognised on all unvested share awards.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

R million	Share Capital	Share Premium	Accumulated Losses	Share-based Payment Reserve	Total equity attributable to owners of Tongaat Hulett Limited
	Company				
Balance at 1 April 2019	135	1 544	(7 949)	291	(5 979)
Total comprehensive loss for the year ended 31 March 2019	–	–	(304)	–	(304)
Loss for the year	–	–	(367)	–	(367)
Other comprehensive income for the year	–	–	63	–	63
Share-based payment charge	–	–	–	12	12
Purchase of shares for delivery to employees	–	–	–	1	1
Balance at 31 March 2020	**135**	**1 544**	**(8 253)**	**304**	**(6 270)**
Total comprehensive income for the year ended 31 March 2020	**–**	**–**	**3 092**	**–**	**3 092**
Profit for the year	**–**	**–**	**3 079**	**–**	**3 079**
Other comprehensive income for the year	**–**	**–**	**13**	**–**	**13**
Share-based payment charge	**–**	**–**	**–**	**8**	**8**
Net transfer from non-distributable reserves to distributable reserves [1]			**(106)**	**106**	**–**
Purchase of shares for delivery to employees	**–**	**–**	**–**	**(1)**	**(1)**
Balance at 31 March 2021	**135**	**1 544**	**(5 267)**	**417**	**(3 171)**

[1] *The net loss arising from previously vested share awards, representing the surplus of the fair value of the shares delivered to employees over the related cumulative share-based payment charge, has been transferred from the share-based payment reserve to accumulated losses. At 31 March 2021, the share-based payment reserve represents the cumulative share-based payment charge recognised on all unvested share awards.*

STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

R million	Note	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020 Restated
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised by) operations	A	**1 820**	2 337	**(267)**	354
Taxation paid	D	**(368)**	(239)	**(59)**	(23)
Net cash inflow generated from operating activities		**1 452**	2 098	**(326)**	331
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income received	B	**46**	23	**10**	3
Dividends received		**–**	–	**463**	23
Additions to property, plant and equipment	3	**(490)**	(538)	**(268)**	(99)
Expansion capital		**–**	(322)	**–**	–
Replacement and ongoing capital		**(348)**	(116)	**(252)**	(98)
Establishing new area under cane		**–**	(31)	**–**	–
Replanting of existing area under cane		**(142)**	(69)	**(16)**	(1)
Additions to intangible assets	5	**(15)**	(10)	**(14)**	(10)
Sharecropper and cane supply arrangements		**(7)**	(6)	**(7)**	(6)
Software and other		**(8)**	(4)	**(7)**	(4)
Proceeds on disposal of property, plant and equipment and intangibles		**29**	45	**87**	365
Proceeds on disposal of investments (including subsidiaries)	13	**–**	8	**343**	–
Proceeds on disposal of business	13	**495**	–	**–**	–
Proceeds on disposal of discontinued operations	13	**4 744**	–	**4 744**	–
Proceeds on liquidation of legacy pension fund		**151**	538	**151**	538
Loans repaid by/(advanced to) growers and key/strategic business partners		**11**	3	**9**	(4)
Net cash inflow from investing activities		**4 971**	69	**5 525**	816
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid:		**(182)**	(52)	**–**	–
To shareholders of Tongaat Hulett Limited	26	**–**	–	**–**	–
To non-controlling shareholders		**(182)**	(52)	**–**	–
Finance costs paid	B	**(1 229)**	(1 310)	**(923)**	(1 091)
Borrowings:	C	**(4 865)**	1 312	**(4 724)**	1 270
Raised		**5 955**	13 217	**5 330**	12 529
Repaid		**(10 820)**	(11 905)	**(10 054)**	(11 259)
Lease liabilities		**(39)**	(88)	**(15)**	(22)
Purchase of shares for delivery to employees		**(1)**	–	**(1)**	–
Proceeds from amounts owing to group companies		**–**	–	**187**	518
Repayment of amounts owing to group companies		**–**	–	**(308)**	(1 080)
Net cash outflow from financing activities		**(6 316)**	(138)	**(5 784)**	(405)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**107**	2 029	**(585)**	742
Cash and cash equivalents at the beginning of the year		**1 242**	962	**762**	20
Foreign currency translation effect on cash and cash equivalents		**(1)**	164	**–**	–
Hyperinflation effect on cash and cash equivalents	E	**(719)**	(1 919)	**–**	–
Transfer from/(to) assets held for sale		**–**	6	**–**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**629**	1 242	**177**	762

NOTES TO THE STATEMENT OF CASH FLOW

for the year ended 31 March 2021

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020 Restated
A. CASH GENERATED FROM OPERATIONS				
Profit/(loss) for the year (including discontinued operation)	**2 720**	530	**3 079**	(368)
Adjusted for:				
Finance costs	**1 438**	1 613	**995**	1 214
Finance income	**(84)**	(105)	**(30)**	(69)
Dividend income	**–**	–	**(841)**	(223)
Net foreign exchange loss on revaluation of borrowings and lease liabilities	**245**	169	**–**	–
Share of profit of associate	**(22)**	(24)	**–**	–
Income tax	**259**	228	**(140)**	(467)
Income tax – discontinued operations	**509**	166	**509**	154
Net monetary loss	**626**	1 296	**–**	–
Operating profit	**5 691**	3 873	**3 572**	241
Adjusted for:				
Depreciation on property, plant and equipment	**388**	583	**117**	227
Depreciation on right-of-use assets	**64**	103	**14**	18
Amortisation of intangible assets and lease incentives	**79**	57	**49**	40
Impairment losses on property, plant, equipment and intangibles	**139**	4	**139**	–
Impairment on investments and intercompany loans	**–**	–	**41**	156
Allowance for expected credit losses	**(65)**	(56)	**(45)**	(3)
Loss/(profit) on disposal of property, plant and equipment	**2**	(11)	**(56)**	(343)
Loss on modification of lease contracts	**7**	–	**–**	–
Loss on disposal of intangible assets	**2**	5	**2**	4
Profit on disposal of investments (including subsidiaries)	**–**	–	**(181)**	–
Profit on disposal of business	**(375)**	–	**–**	–
Profit on disposal of discontinued operations	**(3 498)**	–	**(3 498)**	–
Movement in fair value of biological assets	**405**	(889)	**(9)**	13
SA Sugar stock loss and provision for industry obligation, payable to SASA	**348**	–	**348**	–
Foreign exchange (gains)/losses	**(7)**	76	**(7)**	12
Share-based payments	**(3)**	16	**(6)**	10
Movement in provision for retirement benefit obligations	**(80)**	(62)	**(102)**	(56)
Deferred income (government grants) released to statement of profit or loss	**(20)**	(20)	**(20)**	(20)
Other non-cash items:				
Financial instruments and non-cash income	**(7)**	(35)	**(7)**	(18)
Valuation adjustment on investment	**175**	48	**116**	48
Operating cash flows before movements in working capital	**3 245**	3 692	**467**	329
Working capital				
Movement in inventories	**(1 090)**	(380)	**(522)**	50
Movement in trade and other receivables and contract assets	**(854)**	(361)	**(278)**	(144)
Movement in trade and other payables and contract liabilities	**601**	(532)	**66**	119
Investment in development of land portfolio	**(82)**	(82)	**–**	–
Net movement in working capital	**(1 425)**	(1 355)	**(734)**	25
Cash generated from operations	**1 820**	2 337	**(267)**	354

NOTES TO THE STATEMENT OF CASH FLOW CONTINUED

for the year ended 31 March 2021

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
B. NET FINANCE COSTS				
Finance Income				
Per statement of profit or loss and other comprehensive income	**82**	96	**29**	60
Finance income relating to discontinued operations	**1**	–	**1**	–
Pension fund employer surplus account	**(13)**	(57)	**(13)**	(57)
Financial instrument income	**(18)**	(16)	**–**	–
Gain on modification of borrowing facilities	**(6)**	–	**(7)**	–
Per statement of cash flows	**46**	23	**10**	3
Finance Costs				
Per statement of profit or loss and other comprehensive income	**1 420**	1 547	**976**	1 178
Finance costs relating to discontinued operations	**17**	36	**19**	36
Unwind of discount on provisions:				
Retirement gratuity	**(16)**	(6)	**(2)**	(4)
Post-retirement medical aid	**(45)**	(44)	**(39)**	(39)
Development expenditure	**(124)**	(130)	**–**	–
Financial instrument expense	**–**	(5)	**–**	(5)
Interest paid on right-of-use lease liability	**(10)**	(7)	**(2)**	(6)
Amortisation of debt raising costs	**(79)**	–	**(79)**	–
Interest with subsidiaries	**–**	–	**(16)**	–
Interest accrued	**66**	(81)	**66**	(69)
Per statement of cash flows	**1 229**	1 310	**923**	1 091
C. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES				
Balance at the beginning of the year	**12 596**	11 438	**10 937**	9 888
Transfer from/(to) held for sale	**262**	(262)	**227**	(227)
Cash movements for the year	**(4 865)**	1 312	**(4 724)**	1 270
Term loans and bonds:				
– raised	**71**	168	**46**	–
– repaid	**(5 481)**	(5 887)	**(5 308)**	(4 993)
General short-term banking facilities:				
– raised	**5 884**	13 049	**5 284**	12 529
– repaid	**(5 339)**	(6 018)	**(4 746)**	(6 266)
Non-cash movements for the year	**(794)**	108	**(434)**	6
Currency adjustments on borrowings				
– currency adjustment (including effect of IAS 29)	**(322)**	284	**–**	–
– net monetary loss	**(148)**	(597)	**–**	–
– gains on revaluation of borrowings	**110**	402	**–**	–
Disposal of business	**(507)**	–	**(507)**	–
Amortisation of debt raising costs	**73**	19	**73**	6
Balance at the end of the year	**7 199**	12 596	**6 006**	10 937
D. TAXATION PAID				
Tax asset at the beginning of the year	**(48)**	(26)	**–**	–
Taxation charged for the year in the income statement	**660**	425	**64**	23
Interest accrued to the revenue authority	**(2)**	2	**–**	–
Foreign currency translation, including the effect of hyperinflation	**(130)**	(203)	**–**	–
Businesses disposed of during the year	**(9)**	–	**–**	–
Transfer of assets held for sale	**–**	(7)	**–**	–
Tax (liability)/asset at the end of the year	**(103)**	48	**(5)**	–
Taxation paid	**368**	239	**59**	23

E. HYPERINFLATION EFFECT ON CASH AND CASH EQUIVALENTS

As a result of applying hyperinflation accounting in Zimbabwe, all items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. The resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period and as such is not reflecting actual cash flows during the year.

While the statement of cash flows is adjusted to reflect current purchasing power, the cash and cash equivalents balance can only ever represent the actual cash flow (i.e. not indexed) at the point in time when the transactions occurred. As a result, an adjustment of R719 million (2020: R1 919 million) was required to account for the loss of value between the hyperinflation-adjusted cash flows and the actual cash flows, as well as to account for the loss of value in the opening cash and cash equivalent balances, In effect, the R719 million (2020: R1 919 million) represents the value eroded by hyperinflation within the Zimbabwe economy.

F. RESTATEMENT TO THE STATEMENT OF CASH FLOWS

In the Company accounts in the 2020 financial year, dividend income totalling R223 million was erroneously not adjusted for against the 'Profit/(loss) for the year' which resulted in an overstatement of 'Net cash inflow from operating activities'.

Included in the total, was R23 million of dividends received in cash which have now been correctly disclosed as such and results in an increase of 'Net cash inflow from investing activities'. The remaining R200 million relates to an in-specie dividend declared by the Eswatini operation to the Company which should have been adjusted as a non-cash item in 'Repayment of amounts owing to group companies'. The correction results in a decrease to 'Net cash inflow from financing activities'.

There is no impact to the 'Net increase in cash and cash equivalents', the Company's Statement of Financial Position nor the Statement of profit or loss and other comprehensive income. There is also no impact to the Group results.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

REPORTING ENTITY

Tongaat Hulett Limited (Tongaat Hulett or the Company) is incorporated and registered in South Africa. In South Africa the registered office is Amanzimnyama Hill Road, Tongaat, 4400, KwaZulu-Natal. The principal activities of the company and its subsidiaries (the Group) and the nature of the Group's operations are set out in Note 1 *Segmental Reporting*.

The consolidated financial statements of Tongaat Hulett, as at and for the year ended 31 March 2021, comprise the Group and the Group's interests in associates and joint arrangements (the consolidated financial statements). The separate financial statements of Tongaat Hulett, as at and for the year ended 31 March 2021 only comprise the Company (the separate financial statements). The consolidated and separate financial statements together are referred to as the "financial statements".

BASIS OF PREPARATION

Statement of compliance

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 South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act of South Africa 2008, as amended.

The financial statements have been prepared under the supervision of Mr. R Aitken CA(SA), Chief Financial Officer, and were approved for issue by the Board of Directors on 13 July 2021. They will be presented to shareholders at the Annual General Meeting on 10 September 2020.

Historical cost convention

The financial statements are prepared on a historical cost basis, except as disclosed in the significant accounting policies.

Presentation

The financial statements are presented in South African Rand, which is Tongaat Hulett's functional and presentation currency, rounded to the nearest million.

The Group continues to enhance and improve its disclosures taking into consideration developments and transactions each year as well as recommendations from regulatory bodies. Accordingly, the disclosure of certain comparative information has been revised to align with the current year disclosures.

Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Company and Group (the entities). Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The Board of Directors (the Board) believes that, as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on a going concern basis.

Ability of the Company and Group to continue as a going concern

IAS 1 *Preparation of Financial Statements* requires management to perform an assessment of the entities' ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities' ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

In conducting this assessment, the Board have taken into consideration the following factors:

Financial position

Whilst respectively the Group and Company's total liabilities of R13 330 million and R8 171 million exceed the total assets of R13 276 million and R5 000 million at 31 March 2021, the fair values of the total assets of the entities exceed their total liabilities. The fair value of the total assets has been determined by suitably qualified independent third parties and is supported by the market value of the Group's landholdings that approximates R8 326 million as at 31 March 2021, which takes into consideration a reduction in property valuations as a consequence of the COVID-19 pandemic, as compared to a carrying amount of R1 591 million. The significant headroom in market value relative to the carrying amounts of properties, is sufficient to absorb any further economic impact of COVID-19 and a weak economic environment related to land sales.

The Group's current liabilities of R10 498 million exceed its current assets of R7 393 million and the Company's current liabilities of R7 757 million exceed its current assets of R2 039 million at 31 March 2021. This is mainly due to the classification of the South African debt (with current maturity dates of 30 September 2021 and 31 March 2022) and Mozambique debt (with current maturity dates of 30 June 2021) as current liabilities.

Liquidity and profitability

Management continues to monitor cash flows and liquidity on a daily basis across the Group, with oversight from the Board. This daily monitoring incorporates projections for the ensuing twelve months and is used to initiate actions to optimise liquidity and minimise risks on a timely basis. Management also reports the Group's liquidity position to lenders in South Africa and Mozambique on a weekly and monthly basis respectively.

Budgets were prepared by management and presented to the Board during March 2021. Considering some operational challenges experienced by the South Africa Sugar operation and delays in registering property transfers, the forecasts for all the South African entities were updated on 20 June 2021. These budgets and forecasts form the basis of the Board's going concern assessment and the debt refinance negotiated with the South African lenders.

To specifically support liquidity in South Africa as a result of the operational challenges, the Company as part of the refinance, agreed an additional super senior standby facility that is annually renewable. The amount of the facility will equal up to 42.5% of the remaining proceeds from the disposal of the Starch Business that are expected to be released from the escrow account in November 2021. To date the purchaser has not submitted any claims and therefore the facility is estimated to be up to R191 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

BASIS OF PREPARATION CONTINUED

Liquidity and profitability continued

The budgets and forecast are prepared using on a number of estimates and assumptions, and also takes into account the impact of COVID-19 that has endured over the past 15 months. The key assumptions have been highlighted in the table below:

Sugar	*General* • All sugar operations are expected to continue with the operational turnaround plan to right-size operations, leverage the value chain, identify cost savings and improve working capital. • World sugar pricing, exchange rates and other macro-economic inputs supporting forecasts are based on forecasts prepared by financial institutions and sugar market researchers. *South Africa* • Raw sugar production for the 2021/22 season was initially expected to be 608 000 tons in light of additional maintenance and replacement capital expenditure, but has been reduced to 560 000 tons (2020/21: 535 000 tons; 2019/20: 603 000 tons) due to a challenging season start-up (this has been mitigated in part by extending the season). • Refined sugar production of 450 000 tons has been assumed (2020/21: 450 000 tons). The forecast yield incorporates some recovery from the sugar loss but not to the same extent as previous years. Maintenance and processing costs have been increased for some of the remedial work. • While the Sugar Master Plan was implemented in November 2020 and will support demand for locally produced sugar, the 2022 forecast assumes local market demand remains in line with the 2021 financial year, to allow for some normalisation in sales following an initial spike in demand during the first COVID-19 lockdown. Growth of 0.5% and 5.1% in local demand has been included for the 2023 and 2024 financial years respectively, with no further growth assumed in 2025 and beyond. Price increases are limited to inflation as required by the Sugar Master Plan. • The Group has factored in the estimated benefits of an improved brand proposition and marketing strategy together with its related spend. • An appropriately sized capital expenditure programme has been incorporated into the forecast to allow for sufficient reinvestment to bring the asset replacement cycles back into line. *Mozambique* • Raw sugar production for the 2021/22 season was anticipated to increase from 195 000 tons achieved in the 2020/2021 season to 202 000 tons, returning back to 2019/20 levels. Good factory performance is anticipated to continue with yields declining marginally due to cyclone-related flood damage. • Refined sugar production is expected to continue its ramp-up through improvement to processing and efficiencies. • Local sales volumes are expected to be in line with the 2021 financial year with inflation-related price increases. • Sufficient capital expenditure has been included in the budget for replant programme reinvestment in order to improve cane yields. *Zimbabwe* • Raw sugar production for the 2021/22 season was forecast to increase to 431 000 tons (2020/21: 408 000 tons; 2019/20: 441 000 tons) but remain below historical levels as cane yields begin to recover post-drought (low dam levels). • Demand for sugar is anticipated to remain firm, underpinned by a continuation of the economic recovery. An equal split between invoicing in US Dollar and Zimbabwe Dollar invoicing is assumed which is a more conservative outlook when compared to 2021. • Export volumes are expected to normalise after higher than average exports during 2021. • Capital expenditure is focussed on cane root replant programmes to improve cane yields in the future years.
Properties	• The Group's land conversion and development business has been significantly affected by the economic downturn caused by the COVID-19 pandemic. While property sales volumes across the sector were down and achieved lower prices and with recovery only expected in a year or two's time, various inquiries are received from potential customers seeking to invest against the economic cycle to position themselves for the recovery. • Forecast revenues are projected on a site-by-site basis and in the following 12 months are based on concluded sales agreements for which properties have not yet transferred totalling R436 million, and a pipeline of inquiries totalling R408 million. • The Group has incorporated additional costs for marketing and selling capability to support the delivery of the sales pipelines. A Property Advisory Board, which includes two independent property experts, has also been established to oversee the various sales processes. • A significant investment has been made into planning and prioritising infrastructure and development expenditure to meet the Group's commitments in a cost-effective manner and ensure alignment with the expected revenue projections. Particular effort has been applied to realising synergies from combining infrastructure requirements to larger procurement arrangements and agreeing revised design specifications. • Revenue projections are focussed on land within existing development precincts with the necessary approvals in place which can be sold as fully developed or "shovel ready" and which can be transferred quickly to unlock cash proceeds. Sites that are closest to the current infrastructure activities are prioritised so as not to increase or bring forward any obligation to incur development expenditure. • Municipal contributions to infrastructure are only factored into the provision to the extent that a cost share agreement is in place and the Group intends to engage in negotiations to concluded further contributions to infrastructure. • A key assumption supporting the liquidity is that the cash outflows relating to the infrastructure obligations can be slowed down or deferred to the extent that forecasted sales are delayed.
General	• The level of restructuring costs at the Corporate Office level is expected to decline. Any further advisory fees are primarily success based and will be paid from transaction proceeds. • The Zimbabwe operations will have the ability to remit dividends and operational support fees to South Africa that, in aggregate, are at a similar level to the dividends received during the 2021 financial year. • Operational support fees and dividends from the Mozambique operation have not been included in the forecast given the restrictions imposed by the Mozambique lenders. • The investigations by the Financial Services Conduct Authority and the JSE Limited have been concluded and the cash flow forecasts include the penalties and fines imposed. • It remains unlikely that any material claims will be payable within the next 12 to 18 months, and therefore management has not forecast outflows related to material claims that could arise in the future.

BASIS OF PREPARATION CONTINUED

Achievement of South African debt reduction milestones

The original terms of the existing debt facilities concluded with the Company's South African lenders (the SA Facilities), which became effective on 10 March 2020, required the Company to meet specified debt reduction milestones whereby the Company was required to reduce debt through the disposal of assets. Due to COVID-19, the ability of management to affect these transactions by the required milestone dates was impacted, and in order to prevent defaults, the Company and South African lenders amended the terms of the SA Facilities on 4 November 2020. Subsequently, the Company and the lenders concluded further amendments to the Signed Debt Transaction Milestones to avoid default. Accordingly, the default milestones are as follows:

Milestone Date	Signed Debt Transaction Agreements (cumulative)		Debt Reduction Proceeds (cumulative)	
30 November 2019	R500 million	Status: Achieved	R nil	
31 March 2020	R4 000 million	Status: Achieved	R nil	
30 June 2020	R6 000 million	Status: Achieved	R500 million	Status: Achieved
31 December 2020	R6 000 million	Status: Achieved	R5 500 million	Status: Achieved
30 April 2021 (previously 31 March 2021)	R6 400 million (previously R8 100 million)	Status: Achieved	R6 000 million	Status: Achieved
13 July 2021 (previously 31 March 2021)	R6 400 million (previously R8 100 million)	Status: Achieved	R6 000 million	Status: Achieved
30 September 2021	R8 100 million		R8 100 million	

At 31 March 2021, the Company had paid cumulative debt reduction proceeds of R6 006 million to the South African lenders and had therefore achieved the R6 000 million debt reduction proceeds milestone. Debt reduction transaction agreements totalling R6 566 million had been signed at 31 March 2021. At 30 June 2021, the following debt reduction transactions were concluded:

Transaction details	Signed Debt Transaction Agreements	Debt Reduction Proceeds Received	Debt Reduction Proceeds Outstanding
Disposal of Starch Business	R5 159 million	R4 709 million	R450 million
Liquidation of 2 legacy pension fund surpluses	R663 million	R663 million	None
Disposal of Eswatini operation	R413 million	R413 million	None
Disposal of Namibian packing operation	R111 million	R111 million	None
Disposal of 3 agricultural farms	R53 million	R49 million	R4 million
Disposal of 6 land portfolio properties	R174 million	R119 million	R55 million
Total	**R6 573 million**	**R6 064 million**	**R509 million**

The good progress made by the Board with respect to honouring its commitments to lenders under challenging circumstances, has allowed the Company to progress negotiations with the South African lenders to implement a refinance of its SA Facilities as detailed below.

Refinance of SA Facilities

The existing debt facilities at 31 March 2021 to be refinanced were:

Facility	Facility	Utilisation	Headroom
Senior Facility A – Senior Term Loan	R3 330 million	R3 330 million	R nil
Senior Facility B – Senior Revolving Credit Facility	R2 200 million	R1 550 million	R650 million
Senior Facility C – Seasonal Senior Revolving Credit Facility	R553 million	R nil	R553 million
Senior Facility D – Seasonal Term Loan Facility	R47 million	R nil	R47 million
Overdraft Facilities	R300 million	R236 million	R74 million
Total	**R6 430 million**	**R5 116 million**	**R1 324 million**

On 12 July 2021, the South African lenders and the Company agreed to and signed a credit approved term sheet which forms the basis of the refinancing. Legal agreements to give effect thereto are currently being drafted and it is expected that the refinancing will be concluded by 31 August 2021.

The principle underpinning the debt refinance was to negotiate a sustainable debt solution with longer dated facilities to create stability for the Company, and allocate the remaining debt to two separate payment-in-kind (PIK) instruments. The sustainable debt solution comprises a term loan (Senior Facility A) amounting to R1 500 million, a revolving credit facility (Senior Facility B) amounting to R1 400 million, two overdraft facilities (Senior Overdraft Facilities) totalling R300 million, and a standby liquidity facility (Super Senior Standby Facility) amounting to R191 million. Senior Facility A includes a portion to be repaid from the proceeds held in the starch escrow account. All these facilities, with the exception of the Super Senior Standby Facility, have a 3-year term.

To date, the Company has not received any claims notice in respect of the warranties or other applicable clauses in the sales agreement, and therefore it is expected that the full R450 million proceeds held in escrow will be received by the Company early in November 2021. Interest on the above mentioned facilities will be paid from internally generated cash flows derived from the South African sugar operation, the property business, and dividends, management and operational support recoveries received from operations in the rest of Africa, net of any South Africa corporate office costs.

The PIK instruments comprise Senior Facility C amounting to R2 000 million which is expected to be repaid from equity capital raise proceeds and/or proceeds received on disposals of assets, and Senior Facility D amounting to R1 172 million which will be primarily repaid from land disposal proceeds. PIK interest accrues and is capitalised on each of these facilities and is only settled from proceeds received from strategic initiatives.

Further terms of the refinancing are included in Note 33 *Events occurring after the balance sheet date.*

BASIS OF PREPARATION CONTINUED

Key initiatives to repay the PIK facilities

The Board remains firmly committed to reducing debt to a sustainable level and is assessing various options available, including further asset disposals, an equity capital raise, or a combination thereof.

The Board is considering the following strategic initiatives to facilitate the repayment of the PIK facilities (Senior Facility C and Senor Facility D):

- **Equity capital raise**

  To allow the Company to retain its sugar operations, an equity capital raise is being considered. The terms of the debt refinance provide a reasonable window for the Board to pursue and secure an equity investment to repay Senior Facility C by 31 March 2022, the amount of which will be equal to the higher of R2 000 million or the aggregate amounts owing on Senior Facility C (including accrued interest) at the time.

  The market capitalisation of the Group, which at 31 March 2021 was R1 379 million, remains a key consideration in sizing an equity capital raise, as does the prospects of securing a strategic equity partner to underwrite the equity capital raise.

- **Disposal of non-land assets**

  Whilst the Board is currently considering various disposal options , the Company will need to progress the disposal (or part disposal) of one or more of its African sugar operations to repay any amount outstanding under Senior Facility C to the extent that equity capital raise proceeds are insufficient or an equity capital raise is not pursued for whatever reason. The debt refinance terms allow for a period of 18 months to conclude the above. Any impact of such disposal on, *inter alia*, Senior Facility A and Senior Facility B would need to be considered.

  Given that the MillCo and PropCo initiatives remain paused, a part disposal of the South African Sugar operation remains an option. Once Senior Facility D has been repaid in full from the proceeds received on land disposals, the debt refinance terms allow for any excess proceeds to be used to repay Senior Facility C.

- **Disposal of land assets**

  The Group continues to pursue the disposal of a significant portion of land. While the PropCo initiative to secure an equity investment into the property portfolio was not successful, a number of land sales are currently being progressed. The debt refinance terms include a loan-to-value ratio covenant (market value of the land portfolio to amounts outstanding under Senior Facility D) of 25%. Once Senior Facility D (estimated amount of R1 172 million which is dependent on the date of refinance) has been repaid in full from proceeds received on land disposals, the debt refinance terms allow for any excess proceeds to be used to repay Senior Facility C. Furthermore, once Senior Facility C has been repaid in full from equity capital raise proceeds, any excess proceeds may be used to repay Senior Facility D.

Refinance of Mozambique debt facilities

The improved operational and financial performance of the Mozambique operation has increased earnings and reduced the leverage multiple to an acceptable level. During 2021, proceeds from the sale and leaseback of the Mozambique's vehicle fleet and Cyclone Idai insurance claim were used to reduce the existing facilities by R48 million. The disposal of other non-core assets continues to be explored.

The refinancing of the Mozambique debt facilities has been agreed with the Mozambique group lenders and a credit approved term sheet was signed on 26 June 2021. Furthermore, the maturity date of the debt standstill agreement that was concluded with the Mozambique group lenders on 18 December 2019, was on 7 July 2021, extended from 30 June 2021 to 31 July 2021. Long form agreements are well progressed, and the refinancing of the Mozambique debt facilities is expected to be concluded by 15 July 2021. The Mozambique debt facilities are stand-alone with no recourse back to the South African assets. The new debt facilities have a tenor of 24 months and other salient terms of the debt facilities are included in Note 33 *Events occurring after the balance sheet date*.

Conclusion in respect of material uncertainty relating to going concern

- A material uncertainty is an event or condition that may cast significant doubt on the Group and Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.
- The ability of the Group to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the successful raising of equity, the ability to realise cash through disposals of assets, and turnaround initiatives. The liquidity dependencies indicate that a material uncertainty exists that may cast doubt on the Company and/or the Group's ability to continue as a going concern.
- The Board is of the view that the actions that have been implemented under challenging circumstances to achieve significant de-gearing to date, and those actions that are currently underway, if successfully implemented, are sufficient to mitigate the material uncertainties related to liquidity to an acceptable level.
- The relevant lenders have over the last two plus years demonstrated commitment and ongoing support of the Group that is evidenced by the recent signing of the credit approved term sheets to support the proposed refinancing of the SA Facilities and Mozambique debt facilities. The proposed extension of contractual maturities of the South African debt facilities together with optionality to implement debt reduction initiatives will contribute to an orderly process to raise sufficient equity and/or conclude disposal processes necessary to reduce debt to a sustainable level.
- The Board has no intention to cease trading, curtail operations nor liquidate the businesses, other than concluding orderly disposals that may be necessary to reduce debt.
- The Board remains focused on and committed to the turnaround strategy, the debt reduction plan and further refinancing of the South Africa and Mozambique debt facilities once relevant key initiatives have been implemented. However, the requirement to reduce borrowings by a set quantum within a set timeframe as applicable, and the ability of the Group and Company to achieve its debt reduction plan in the current economic conditions taking into consideration debt refinancing and restructurings concluded to date, continues to create a material uncertainty.

The Board, after carefully considering the negotiated debt refinance terms and mitigating action described above, has concluded that the Group and Company are able to discharge their liabilities in the normal course of business, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, although a material uncertainty exists in relation to the success of the debt restructure initiatives described above.

SIGNIFICANT ACCOUNTING POLICIES

The Group and Company have consistently applied the following significant accounting policies to all periods presented in the financial statements, except if mentioned otherwise.

Principles of consolidation and equity accounting

Subsidiaries and non-controlling interests (NCI)

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial performance and financial position of the Group's subsidiaries are fully consolidated into its financial statements from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases. On an acquisition-by-acquisition basis, the Group recognises non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Joint arrangements

Under IFRS *11 Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. When the Group's share of losses or reversal of unrealised gains equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

Associates are entities over which the Group has significant influence, but not control or joint control. Investments in associates are accounted for using the equity method of accounting.

Investments in subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates, and joint ventures are measured at cost less any accumulated impairment.

Foreign currencies

Transactions and balances

Foreign exchange gains and losses that relate to borrowings and lease liabilities not denominated in the functional currency of the transacting entity are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within administration and other expenses.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency and that are not in a hyper-inflationary economy, are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of other comprehensive income are translated at average exchange rates unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- equity items are translated at the exchange rate ruling when they arose; and
- all resulting exchange differences are classified as a foreign currency translation reserve and recognised in other comprehensive income.

The functional currencies of the Group's main foreign operations are the Zimbabwean Dollar (ZWL) and the Mozambican Metical (MZN).

With effect from 1 October 2018, the functional currency of the Group's Zimbabwean operations changed from the United States Dollar (USD) to ZWL. In respect of these foreign operations because of the application of hyperinflationary accounting, transactions and balances are all translated at the closing rate. For further details, please refer to the section *Application of IAS 29 Financial Reporting in Hyperinflationary Economies and to Critical estimates and judgements* below.

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary or a partial disposal of an interest in a joint venture or an associate), the cumulative foreign current translation reserve previously recognised in other comprehensive income relating to that foreign operation is recognised in profit and loss. In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of the foreign currency translation reserve is re-attributed to non-controlling interests and is not recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment is measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses, except for land and capital work-in-progress which is shown at cost less accumulated impairment. Costs include any other directly attributable expenditure incurred to bring the assets to the location and condition necessary for them to be capable of operating in a manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property, plant and equipment continued

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured and allocated reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The Group's cane roots are bearer plants under the definition in IAS 41 *Agriculture* and are therefore accounted for as property, plant and equipment. Costs capitalised to cane roots include all direct costs incurred during land preparation and planting up until the cane root is covered by soil, provided that such costs are directly attributable to the planting of cane roots and will result in probable future economic benefits. Therefore, irrigation and general farming costs are excluded.

Fallow land costs falling outside of the normal operating cycle are considered to be maintenance rather than improvements to the soil. Such costs would not result in future economic benefits and are expensed.

Agricultural land is recorded at historical cost. The transfer price for agricultural land sold between Group entities for development is determined with reference to the prevailing market price determined with reference to comparable sales in the vicinity by an independent third-party. The intergroup transaction is recognised on the date that legal transfer is registered in the deed's office. Any resultant unrealised profit is eliminated in the Group on consolidation.

Depreciation is recognised over the useful lives of assets using the straight-line method on the following basis:

Item	Average useful life
Agricultural land improvements	50 to 70 years
Buildings	30 to 50 years
Cane roots	6 to 12 years
Plant and equipment	4 to 40 years
Vehicles, rail trucks and locomotives	4 to 40 years
Irrigation infrastructure (e.g. dams and canals)	50 years
Furniture and equipment	3 to 10 years
Leased assets	Useful life of leased asset, limited to the lease term
Land	Not depreciated
Capital work-in-progress	Not depreciated until such time as the asset is available for use

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite useful lives are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets continued

Intangible assets with finite lives are amortised over the useful lives using the straight-line method on the following basis:

Item	Useful life
Computer software	4 to 10 years
Patents and licences	4 to 20 years
Cane supply agreements	3 to 10 years, limited to the supply term
Sharecropper Agreements	10 years, limited to the supply term

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are capitalised only if the expenditure can be measured reliably, the computer software is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the computer software development and to use or sell the asset. Otherwise, computer software development costs are recognised in profit or loss as incurred. Subsequent to initial recognition, computer software is measured at cost less accumulated amortisation and any accumulated impairment losses.

Cane supply agreements

Cane supply arrangements acquired as part of a business combination are measured initially at fair value as these are a separately identifiable intangible assets and represent security over cane supply of an operation.

Sharecropper Agreements (SCA)

The Group enters into SCAs with third party farmers (sharecroppers) to facilitate the managing and cultivating of planted cane roots to standing cane. The costs incurred by the Group relating to the establishment of the land and the planting of seed cane as part of the arrangement, are recognised as an intangible asset. In substance, this represents the right to receive harvested cane in future from the sharecropper, therefore securing the supply of cane, which meets the definition of an intangible asset.

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 (i.e. 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.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment as well as intangible assets that are subject to amortisation to determine whether there is any indication that those assets have suffered an impairment loss.

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually as at 31 March, and whenever there is an indication that the carrying amount may be impaired.

If any such indication exists, or when annual impairment testing is required, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped into cash generating units (CGUs), being the lowest levels at which a group of assets generates cash inflows that are separately identifiable. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. The impairment is allocated firstly to goodwill and then to the remaining assets in terms of their relative carrying value. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories

Sugar related raw materials, work in progress, finished goods and consumables

Inventories are stated at the lower of cost and net realisable value determined, either on the first-in-first-out and weighted average methods. Cost comprises direct materials, direct labour and an appropriate proportion of overhead expenditure based on normal operating capacity.

Land in the development cycle

Land in the development cycle comprise land at cost and development expenditure attributable to unsold properties. Development expenditure consists of township planning costs, common costs and the cost of engineering services.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

***Land in the development cycle** continued*

Township planning costs include the costs associated with the application to convert land from agricultural use to an urban use, environmental impact assessment costs, zoning costs and the internal department costs associated with these activities. Common costs are not imposed by the municipality but have been committed to customers in the respective sales agreements (e.g. landscaping, security). These costs are not attributable to any particular site but are for the benefit of the precinct as a whole.

Engineering services are defined by the Spatial Planning and Land Use Management Act (SPLUMA) means the construction and installation of systems for the provision of water, sewerage, electricity, municipal roads, stormwater drainage and solid waste collection that are required for the purpose of land development.

External engineering services (commonly referred to as bulk infrastructure) represent engineering services that are required to be installed outside the boundary of the land to be developed (typically at a regional level) and which are necessary to support the development of the land. Internal engineering services (commonly referred to as basic services) represent the supply of localised public infrastructure typically within the boundary of the land being developed and which is to be owned and operated by the municipality (or designated service provider).

The costs associated with the installation of these engineering services by the Group are necessary to convert agricultural land to developable land for sale and have been determined with reference to the approvals obtained to allow for the planned urbanisation. A provision for development expenditure is recognised to the extent the Group has not yet commenced construction and installation of the required infrastructure.

Land in the development cycle is stated at the lower of cost and net realisable value.

Biological assets

The Group's biological assets comprise growing crops in the form of sugarcane and citrus fruit, as well as livestock arising from its incidental business operations. Biological assets are measured at fair value less costs to sell. Costs to sell include the incremental costs of harvesting, transport, packing and point-of-sale costs.

Growing crops (i.e. sugarcane and citrus fruit) are accounted for as biological assets until the point of harvest. Sugarcane and citrus fruit are transferred to inventory at fair value less costs to sell.

Gains and losses arising on the initial recognition of biological assets at fair value less estimated point-of-sale costs, and from a change in fair value less estimated point-of-sale costs, are recognised in profit or loss in the period in which they arise.

Standing sugarcane

Standing sugarcane represents the unharvested sugarcane that is growing in the field. The standing sugarcane grows from the sugarcane root which is a bearer plant which is recognised and presented as property, plant and equipment.

The fair value of standing sugarcane is determined by estimating the yield (adjusted for the average maturity of the sugarcane at the reporting date), the sucrose content and market prices. Costs to sell include harvesting costs and the cost of transporting the sugarcane to the point of sale, being the weighbridge at the sugar mill.

Other biological assets

The fair value of citrus fruit is determined using the estimated yield, quality standard, age and market price.

The fair value of livestock is determined with reference to prevailing market prices.

Financial instruments

Financial instruments comprise non-current loans, certain trade and other receivables, cash and cash equivalents, borrowings, bank overdrafts, derivatives and certain trade and other payables. In the separate financial statements financial instruments also include amounts owing by Group companies and amounts owing to Group companies.

Classification

The Group classifies financial assets and liabilities into the following categories:

- amortised cost; or
- fair value through profit or loss.

For investments in debt instruments, classification is based on the contractual cash flow characteristics and the Group's business model for managing financial instruments. Debt instruments held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition, or issue of the financial asset or liability.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Subsequent measurement

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

Category	Subsequent measurement
Financial assets	
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. The effective interest rate method is based on the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss.
Derivative assets	Derivative assets are subsequently measured at fair value with changes therein recognised in profit or loss, unless the derivative is formally designated in a hedging relationship.
Financial liabilities	
Financial liabilities at amortised cost	Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.
Derivative liabilities	Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss, unless the derivative is formally designated in a hedging relationship.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset and if it transfers substantially all the risks and rewards of ownership of the asset to another entity and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

In determining whether the restructuring or modification of an original financial liability should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability the Group considers whether the terms of the original financial liability is substantially different from the terms of the new financial liability.

The Group considers qualitative factors in determining whether the terms of the original financial liability are substantially different to those of the new financial liability. Changes to the terms of the liability might be significant, on a qualitative basis, if they significantly affect the economic risks of the liability. The following qualitative factors, amongst others, are considered:

- Whether a new agreement is entered into for new facilities.
- Changes in the interest basis and margins.
- Changes in covenants.
- Changes in the term of the financing.

Where the qualitative factors do not conclude that the terms are substantially different the Group performs a quantitative analysis to determine whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original financial liability, using the original effective interest rate in determining whether the original financial liability should be derecognised.

Impairment of financial assets

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The amount of expected credit losses (ECLs) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group has the following financial assets it assesses for impairment:

- Loans at amortised cost;
- Trade receivables;
- Other receivables; and
- Cash and cash equivalents.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 *Financial Instruments* (IFRS 9). The simplified approach allows entities to recognise lifetime expected losses on all trade receivables without the need to identify significant increases in credit risk. The expected credit losses on these financial assets are estimated using a roll-rate methodology for the sugar operations, and a provision matrix for other operations, both based on the Group's historical credit loss experience. The roll-rate methodology has been used to project ECLs by using historical trends in credit quality indicators, including days past due and write-off history.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

***Impairment of financial assets** continued*

Trade receivables continue to be assessed for impairment individually, and a specific provision recognised where appropriate. An assessment of both the current as well as the forecast direction of conditions at the reporting date are considered and the ECL calculated based on historical credit loss experience is adjusted to take into account these conditions, where appropriate.

Further detail on the calculation of ECLs is provided in Note 10 *Trade and other receivables*.

Based on the nature of the other receivables the Group considers the following:

a) Significant increase in credit risk

In making an assessment, the Group considers:

- both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

b) Definition of default

The Group considers information developed internally or obtained from external sources that indicate that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group). This information includes the debtor experiencing significant financial difficulty, delays in making payments when due, or it becomes probable that the debtor will enter bankruptcy, business rescue or any other financial reorganisation.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

c) Definition of performing

The financial asset has a low risk of default and does not have any past due amounts.

d) Definition of non-performing

The financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging non-performing criterion is more appropriate.

e) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

f) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Trade and other payables

Trade payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include 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. These are measured at amortised cost. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Amounts owing to/by Group companies

Amounts owing by/to Group companies are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

***Trade and other receivables** continued*

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates and collateral is not normally obtained.

The carrying amount of the trade and other receivables is reduced for any expected credit losses using an allowance account and the amount of the loss is recognised in profit or loss.

Borrowings

Borrowings are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Assets classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of time value of money is material.

Provision for development expenditure

When the Group sells a township property it is responsible, both contractually and in terms of legislation, to provide the engineering services to support the development of the land, and to deliver on various commitments made to customers in respect of the precinct as a whole (i.e. common costs). Engineering services and common costs are collectively referred to as development expenditure.

The Group's obligation to provide the development expenditure is recognised as a provision when the first property in the precinct is sold to a customer (i.e. on registration of the transfer of ownership). Once the first property is sold, the Group is ultimately obligated to complete the entire development and fulfil all the requirements of the development approvals obtained. To the extent that properties within the precinct have not yet been sold, the provision is allocated to the cost of inventory.

The Group recognises a provision for the unavoidable costs to fulfil the common cost commitments detailed in the sale agreements concluded with customers, as well as the internal engineering services (i.e. basic services) detailed in various environment assessments, traffic assessments, zoning approvals and precinct plans.

While SPLUMA requires municipalities to install the external engineering services (i.e. bulk infrastructure), the Group has often entered into a cost-sharing arrangement and assumed a large portion of these bulk infrastructure obligations in to stimulate development. In these circumstances, the Group recognises a provision for its estimated contribution to these external engineering services.

The basis of estimating the provision for development expenditure is disclosed under *Critical estimates and judgements*.

Leases

Lessee

The group leases various properties, including land for farming, cane haulage vehicles and equipment, plant and equipment and motor vehicles. Lease terms are typically for fixed periods of 1 to 10 years, with the exception of land, which is significantly longer, and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Leases continued

***Lessee** continued*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In calculating the present value of the lease liability and corresponding right-of-use asset the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group recognises the following leases on a straight-line basis in profit or loss:

- short-term leases – leases with a term of 12 months or less.
- low-value leases – assets with a cost of R75,000 or less, which mainly comprise of office equipment.

The Group has applied the following practical expedient:

- to account for each lease component and any non-lease component as a single lease component. However, for leases of cane haulage vehicles and equipment for which the Group is a lessee, it has elected to separate lease and non-lease components. In this case, the Group allocates the consideration in the contact to the lease and non-lease components based on their relative stand-alone prices.
- to use a single discount rate for a portfolio of leases with similar characteristics.

Leases related to farmland contain variable payment terms that are linked to a percentage of proceeds of harvested cane, and haulage agreements are based on the amount of cane delivered. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lessor

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. Lease incentives are recognized for payments or contributions made to the lessee by the Group. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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 and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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.

Revenue

Revenue is recognised by the Group when it transfers control of a product or service to a customer. Revenue is measured based on the consideration which the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue from the following major sources:

Revenue from the sale of sugar, animal feeds and other related products

The Group sells sugar and animal feeds, and previously sold, starch, glucose and other related products to its customers in both the local and export market. For the sale of such products, the revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer. At this point, a receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time and when the right to consideration becomes unconditional as only the passage of time is required before payment is due.

Mozambique

The Group holds a 50% interest in a joint arrangement, Distribuidora Nacional de Açúcar Limitada (DNA) that acquires, distributes, markets and sells sugar on behalf of all the sugar millers in the Mozambique sugar industry. In terms of the DNA shareholders agreement, all sugar is deemed to be sold to the DNA once the sugar has been placed on the warehouse floor. In respect of sugar designated for the local market, the DNA carries inventory risk and has pricing latitude to negotiate the price at which the sugar is sold to the end customer. As such local market revenue is recognised at the point the sugar is received into the Mozambique sugar operations' warehouses. In respect of sugar designated for the export market, the Group retains an obligation to repurchase this sugar from the DNA and the revenue is only recognised when the sugar is shipped to the end customer.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue from the sale of sugar, animal feeds and other related products *continued*

South Africa

At the end of the sugar season, the South African Sugar Association (SASA) purchases all the South African sugar operations stock (carry-over stock) designated for the local market at a notional price (representing the price of sugar to be sold on the local market by millers, ex-factory in bulk or packed in one ton bags or 25kg pockets). There is no physical delivery of the sugar and in the new season, the South African sugar operations continue to sell the carry-over stock to its existing customers at its own negotiated prices. The arrangement with SASA is reflected as a financing arrangement and revenue is recognised when the sugar is sold to the end customer. As and when the carry-over stock is sold to the end customer, the SASA is refunded the notional price.

The sugar millers within the South African sugar industry are allocated a pro-rata share of the local sugar market based on their saleable raw sugar production. Where a sugar miller sells sugar in excess of its local market entitlement, it is required to pay SASA an amount for this excess sugar (determined using the local market notional price) for redistribution to the sugar miller who has underperformed with respect to their entitlement. Any receipts or payments in terms of the redistribution mechanism are recognised as an adjustment to revenue as these represent variable consideration.

Zimbabwe

The sale of sugar and ethanol products is recognised at the point at which the product is delivered, in the required format and quality, to the customer. Any sales arrangement where there is no physical delivery of the product, the pricing of the sugar is not reflective of the type of sugar (e.g. white vs brown), the quality of the sugar (e.g. consumption vs reprocessing) or the packaging format (i.e. bulk vs bagged/packaged sugar), or where the Zimbabwe sugar operation is appointed to act as agent on behalf of the purchaser, is reflected as a financing transaction.

Revenue from the sale of township properties and large land sales

Township property sales represent the sale of a site within a precinct where the land is in the process of being converted from agricultural use and developed for a range of urban uses. To obtain the full development rights and planning approvals required to affect the sale and subsequent transfer of the land to a third party, the Group has a legal obligation to install the internal engineering services (or basic services) and may have to provide or contribute to the external engineering services (or bulk infrastructure). Township property sales are priced using the current market price of the bulk development rights or housing units allocated to the site sold.

Large land sales represent the sale of existing farmlands (i.e. undeveloped land) where there are no or partial development rights in place. Large land sales do not attract any obligation for the Group to put in place the bulk infrastructure or basic services. Such land is priced based on the number of hectares sold, taking into account recent land sales in the area, the value of any partial development rights in place and a portion for the development potential of the land.

While there are two types of land sale transactions, the underlying asset is effectively the same (i.e. the land) and therefore the same revenue recognition considerations are applied to both transaction types. To be specific, the revenue recognition for the sale of land is at a point in time for both types of transactions being when transfer of ownership of the property is registered in the deed office.

In certain infrequent instances where the contractual terms of a sale result in the Group retaining the legal title to the land solely to protect the collectability of the amount due (i.e. there is an insignificant risk of ownership), revenue may be recognised prior to the date of legal transfer provided that the customer has paid of a substantial non-refundable deposit, the customer is paying occupational rent and has been granted permission to commence construction.

In other exceptional instances, to accelerate the transfer of land ahead of obtaining approval for the sub-division, the legal title to the larger parent property was transferred to the purchasers with an agreement to transfer it back to the Group for no consideration when the planning approvals were obtained. Such sales will only be recognised once the sub-division has been approved.

For a township property sale where the internal engineering services have not yet commenced and/or have not been completed, this represents a separate performance obligation and a portion of the contracted sales price a portion is deferred and recognised over time as the services are implemented.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recognised as income received in advance.

Government grants

In South Africa, the Group received a grant from the Jobs Fund (managed by the Department of National Treasury of South Africa) to use to expand its area under cane. As a condition of the arrangement, the granting funding was to be spent in terms of a detailed project plan. The government grant has been recognised as deferred income and released to the income statement over the same time period that the related cane roots established are expensed.

Employee benefits

Retirement funds

The Group operates defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The assets of the plans are held separately from those of the Group and are administered and controlled by trustees. Contributions to the defined contribution plans are charged to profit or loss in the period in which the related services are rendered by the employee.

Short-term employee benefits

The cost of short-term employee benefits such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are expensed in the period in which the employee renders the related service.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Employee benefits continued

Post-retirement benefits

Provision is made for post-retirement medical aid benefits and gratuities payable on retirement and is based on the present value of those liabilities for services rendered to date as determined by independent actuaries. Service costs and the net interest expense or income is recognised in profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income and will not be reclassified to profit or loss.

Share-based payments

The Group enters into share-based payment transactions in terms of the employee share incentive schemes. The charge to profit or loss required by IFRS 2 Share-based Payment is accounted for in terms of the scheme on the basis that the instruments are equity-settled. The total amount to be expensed on a straight-line basis over the vesting period is determined with reference to the fair value of the awards determined at the grant date.

Non-market vesting conditions are included in assumptions about the number of awards that are expected to become due, including taking into account the forfeiture of instruments due to resignation and these assumptions are reviewed on an annual basis. The fair value of the share-based payment is measured using a binomial tree model and/or a Monte Carlo Simulation model, as is appropriate for the various schemes.

Reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the foreign operations.

Application of IAS 29 *Financial Reporting in Hyperinflationary Economies*

On 11 October 2019, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflation accounting has therefore been applied by the Group for the 12 months ended 31 March 2021 in respect of its Zimbabwean operations.

The Group concurs with this classification, supported by the following factors:

- During the financial year to March 2021, the annual inflation rate decelerated to 241% (March 2020: 676%) having peaked at 838% in July 2020. However, the economy remains hyperinflationary in accordance with IAS 29.
- There was significant deterioration in the interbank Zimbabwe Dollar exchange rate during the period. Trading commenced at a closing interbank rate of ZWL 25 to USD 1 as at 31 March 2020 and weakened to a rate of ZWL 84.4 to USD 1 at 31 March 2021.
- Access to foreign currency to settle foreign currency denominated liabilities is limited to the foreign exchange auction and remains constrained.

Hyperinflation has been applied with effect from 1 October 2018, being the date that the functional currency of the Group's Zimbabwean operations changed from the US Dollar (as a stable currency) to the Zimbabwe Dollar.

Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has used the Zimbabwe Consumer Price Index as the general price index to restate amounts as it provides an official observable indication of the change in the price of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. An impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary asset exceeds the recoverable amount. All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the change in the average monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss before tax in the statement of profit or loss and other comprehensive income. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The comparative amounts in the Group financial statements have not been restated for changes in the price level as the presentation currency of the Group, being the South African Rand, is that of a non-hyperinflationary economy. Any difference between the adjusted opening balances after applying IAS 29 and the balance previously recorded by the Group are recognised in other comprehensive income as part of the foreign currency translation reserve.

The results and financial position of the Zimbabwean operations have been translated at the official inter-bank closing exchange rate of ZWL 5.89:ZAR 1 in line with the requirements of the provisions of IAS 21 *The Effects of Foreign Exchange Rates* (IAS 21) for the translation of hyperinflationary economies. The following general price indices and conversion factors were applied:

Date	General price index	Conversion factor
31 March 2021	2759.8	1.000
31 March 2020	810.4	3.406
31 March 2019	104.4	26.440

The average conversion factor for the 12 months to 31 March 2021 was 1.486.

On 21 June 2019, the Government of Zimbabwe issued Statutory Instrument, (SI) 142 and introduced a single currency for local transactions called the Zimbabwe Dollar. References to the Zimbabwe Dollar are coterminous with references to the RTGS Dollar (RTGS$), bond notes and coins, all of which are at par in value.

New Standards, Amendments to Standards and Interpretations adopted 1 April 2020

The Group has applied the following standards and amendments for the first time, effective 1 April 2020:

- IFRS 3 *Definition of a Business* – amendments
- IAS 1 and IAS 8 *Definition of Material* – amendments
- IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform – amendments

The amendments did not have any material impact on the prior year and the current year and are not expected to significantly impact the future periods.

New Standards, Amendments to Standards and Interpretations in issue but not yet effective

The Group has elected not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's financial years beginning on or after 1 April 2021 or later periods:

Effective for financial year beginning after 1 April 2021

- IFRS 16 – COVID-19 related rent concessions – amendments
- IFRS 7, IFRS 9, IFRS 4 and IFRS16 – Interest rate benchmark reform – amendments
- IAS 1, Practice Statement 2 and IAS 8 – *Accounting policy disclosures* – amendments
- IAS 1, IAS 16, IAS 37 and IFRS 3 – various narrow scope amendments
- IFRS 1, IFRS 9, IAS 41 and IFRS 16 – various annual improvements – amendments
- IFRS 17 *Insurance Contracts* – new standard replaces IFRS 4 and standardises insurance contract accounting

Management is of the view that the adoption of the above-mentioned standards in future periods is not expected to have a significant financial impact on the Group's financial statements. These statements, interpretations and standards will be adopted at the respective effective dates.

CRITICAL ESTIMATES AND JUDGEMENTS

The Group prepares its financial statements in accordance with IFRS, the application of which often requires management to make judgements when formulating the Group's financial position and results. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

Management considers these judgements and estimates, as described below, to have a material effect on the consolidated financial statements.

Nature of judgement/estimate	Description
Impairment of assets	Judgement was applied in determining the cash-generating units (CGUs) making up the sugar operations due to the integrated nature of the sugar operations and the ability of the assets making up such operations to generate cash flows independently of each other in each geographical location taking into consideration competitors in respective markets. Management makes a number of estimates in determining the recoverable amount of CGUs being tested for impairment: *General* Corporate costs and assets/liabilities are allocated to CGUs based on the previous year's contribution to Group revenue. Working capital and capital expenditure are based on forecasts. Discount rates are applied with specific references to the inclusion of specific risk premiums. *South African Sugar Operations* The estimated amount of sugar production is forecast taking into consideration area to be harvested, cane yields, sucrose content and the expected milling performance. The forecast sucrose prices (applicable to sugarcane purchases) and notional prices (applicable to sugar sales) are estimated taking into consideration forecast international sugar prices, exchange rates, local market demand and industry production/supply. Sales volumes, local market sales prices and efficiency improvement initiatives together with the timing of implementation of these initiatives are based on forecasts. *Zimbabwe Sugar Operations* The estimated amount of sugar production is forecast taking into consideration area to be harvested, cane yields, sucrose content and the expected milling performance. The estimated growth in sales in the local and export market is forecast by management considering local market demand which influences the mix of local and export sales. *Mozambique Sugar Operations* The estimated amount of cane is forecast taking into consideration area to be harvested, cane yields, sucrose content and the expected milling performance. The estimated net recoverable value (i.e. weighted average selling price for sugar) is a factor of local market prices, export prices, total industry volumes, local market demand and Tongaat Hulett's share of the industry. The potential financial impact of COVID-19 was considered by management and incorporated into the cash flow forecasts utilised in the impairment testing.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

CRITICAL ESTIMATES AND JUDGEMENTS CONTINUED

Nature of judgement/estimate	Description
Treatment of Sharecropper Agreements (SCA)	The Group enters into SCAs with certain farmers where the Group leases land to the farmers which they manage and cultivate for their own benefit. As part of the SCAs the Group incurs costs relating to the establishment of the land and the planting of seedcane. Management applied judgment in determining that the substance of payments in terms of SCAs are intangible assets as a right to receive harvested cane in the future. As an alternative these payments could have been recognised as bearer plants since they relate to the establishment of cane roots provided to the farmers in terms of the SCAs or as a donation to the sharecroppers.
Cane root cost capitalisation	Management applied judgment in determining when the cane root is available for use in the manner intended by management, being when the cane root is in the furrow and covered by soil. As an alternative, the cane root could be considered to have reached maturity once the sugarcane growing from the root has grown sufficiently to form a canopy (i.e. a continuous layer of foliage) which takes some 12 weeks from the time the cane root is covered by soil. While this has been judgement was applied prior to the restatement of the annual financial statements, management did not consider this alternative to be appropriate for the following reasons: (i) when the sugarcane is harvested it is cut to the soil level from which point it continues to grow (i.e. ratoons); (ii) the point at which the fair value of the standing cane is determined would be different for replanted cane roots compared to ratooning cane roots; and (iii) the farming activities and associated costs necessary for a canopy to form are similar for both replanted cane roots and ratooning cane roots, and therefore are not considered incremental.
Valuation of biological assets (including seed cane nursery produce)	Growing crops are required to be measured at fair value less harvesting, transport and over-the-weighbridge costs. In determining fair value management estimates the cane yield and sucrose content of standing cane taking into consideration hectares available for harvest adjusted by a factor to reflect the growth of the cane at 31 March (i.e. the average maturity percentage). The cane yield and sucrose content are estimated using historical performance data adjusted for any unusual weather patterns (e.g. drought that impact on the ability to irrigate appropriately). The average maturity percentage reflects the long-term average climate industry information and agricultural conditions at each operation. The selling price of the cane (i.e. the sucrose price or recoverable value price) used in the valuation is based on the amounts paid to third party growers in respect of cane delivered to a mill and is based on a formula that takes into consideration both local market volumes/prices and export market volumes/prices. In South Africa and Mozambique, the selling price of the cane is based on the latest prices forecast by the respective industry bodies. Due to the impact of hyperinflation in Zimbabwe on the ability to forecast, the prevailing cane prices at the reporting date have been used to determine fair value.
Provision for development expenditure	Management estimates the costs of completing the internal engineering services (or basic services) and the Group's contribution to external engineering services (or bulk infrastructure) in respect of township properties that have been sold or, if earlier, where development has commenced. The provision is determined with reference to third party cost estimates, taking into consideration all the conditions of establishing the township imposed by the municipality. These conditions may cover multiple township developments at various stages and spanning a number of years. While the municipality is ultimately responsible for the provision of external engineering services (or bulk infrastructure), it is entitled to recover a contribution to these services from the property developer in the form of a development charge. While the legislation pertaining to these development charges has not yet been promulgated, management applies its judgement to estimate the Group's contribution to specific bulk infrastructure requirements based on past experience and its established history of making similar contributions. In the absence of a specific contractual agreement with the municipality, management estimates its contribution to the external engineering services based on the impact its proposed development will have on the surrounding area as detailed in the environmental and traffic impact assessments required for the various planning approvals. The status of any negotiations with the municipality at the reporting date, together with any additional benefits the municipality may realise as a direct result of the new development (e.g. rates, tariffs), is also included in the estimate. The estimated contribution can range from 0% to 100% depending on the priority of the development to the municipality's plans. Any liability recognised in respect of such expenditure is subject to uncertainty due to the long-time frames involved relating to land development as well as other factors including unforeseen events during construction and the impact of other macro-economic factors.

Nature of judgement/estimate	Description
Allocation of development infrastructure costs	Management applies judgment in allocating common costs, including bulk infrastructure expenditure to various precincts being developed taking into consideration the infrastructural requirements of each precinct. Management uses the Environmental Impact Assessment "EIA" carried out in respect of land to be developed to identify which precincts to allocate bulk infrastructure to. EIAs are conducted by independent consultants and include details of the bulk infrastructure requirements of a precinct in order for the land to be rezoned and developed. EIAs are required as part of the planning approval process. The method of allocating bulk infrastructure costs to precincts is done on a rational, reasonable, uniform and consistent basis, based on precincts serviced by the infrastructure and the likelihood of development of a precinct. Once the allocation of bulk infrastructure to a precinct has taken place it has to then be allocated to individual sites in the precinct. The allocation of such bulk infrastructure costs and the allocation of basic services to individual sites within a precinct also requires judgement and is based on estimated revenue each individual site is expected to generate within a precinct. This allocation is performed consistently across precincts and revenue estimates are reviewed at each reporting period. Where there is a change in the estimated cost of bulk infrastructure and/or basic services, the allocation of costs across the sites is updated in the year that such change occurs. For sites already sold within the precinct, the revised cost allocations are expensed.
Net realisable value of landholdings reflected as inventory	The net realisable value of the Group's landholdings has been determined with reference to a valuation prepared by an independent third party as at 31 March 2021. The valuation of the landholdings was carried out in accordance with International Valuation Standards by a Chartered Surveyor and professional valuator in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards Manual (the Red Book), 2020 Edition incorporating the International Valuation Standards 2020. Market value is defined in the Red Book as: "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.". The independent third party valuation was performed in line with the market approach, which is based on comparing the subject assets with identical or similar assets for which price information is available, such as a comparison with market sales transactions in the same, or closely similar, type of asset within an appropriate time horizon. This effectively provides a "shovel-ready" value (i.e. the value of the land assuming all necessary permissions have been granted and the land is fully serviced. An appropriate adjusted is made to the "shovel-ready" valuation for the infrastructure and servicing costs required to reach "shovel-ready" status. A further adjustment of between 25% and 75% has been made for risk and the time value of money associated with the length of time between the valuation date and the date the property is expected to be developed. Special assumptions include that there is no reduction in property value owing to the financial position of the Group. The properties are intended to be marketed in an orderly fashion so as not to flood the market and cause a decrease in value. The landholdings valued represents the equivalent 19.9 million square meters of developable floor area, which in its current state of development is valued at between R82 per square meter and R3 556 per square meter.
Measurement of borrowings	Management has applied judgment in determining that changes in the interest rate as a result of the ratchet mechanism are linked to the credit risk of the Group and therefore changes in cash flows arising from increases or decreases in the interest rates due to the ratchet mechanism reflect movements in the market rate of interest. Management has applied judgement in the calculation of the adjustment to the effective interest rate arising from transaction costs related to a variable rate loan. The transaction costs are amortised by calculating a spread on the principal amount outstanding. Management has also estimated the timing and quantum of payments of the debt reduction milestones taking into consideration transactions and initiatives in place.
Revenue from the sale of large land sales and township properties	IFRS 15 *Revenue from contracts with customers* requires identification of performance obligations in respect of revenue contracts. Management applied judgement in determining that two performance obligations exist in respect of the sale of township properties, where basic services have not yet commenced or are incomplete, in determining whether the obligation is to the customer or municipality. Accordingly, management estimates the portion of revenue attributable to each of the performance obligations. Estimates are used to determine the stand-alone selling prices relating to the sale of land and provision of services as the Group does not sell such goods and services on a stand-alone basis. The amount of revenue relating to the provision of services is determined with reference to the cost to complete the basic services plus a margin representing an appropriate return for the risk assumed and the cost of capital. The land component is arrived at using the residual approach, namely the difference between the total transaction price per the sale agreement and the stand-alone selling price of the services. For contracts accounted over time, the stage of completion is used to determine the revenue to be recognised in the financial statements. This is calculated based on the proportion of actual costs to the total contract costs over the life of the contract. In determining the stage of completion, the Group estimates the cost of construction services and activities to be performed at the statement of financial position date.

CRITICAL ESTIMATES AND JUDGEMENTS CONTINUED

Nature of judgement/estimate	Description
Sugar redistributions	Management applied judgment in determining the accounting treatment for sugar redistributions resulting from the structure of the South African Sugar Association (SASA) as being similar to variable consideration in respect of revenue from contracts with customers, despite payment not being made to or received from a customer. The redistribution mechanism ensures that all sugar millers have an equitable exposure to both local and export markets and ultimately receive a weighted average selling price for the sugar produced. The Group monitor's its share of the market (based on sales volumes) relative to its share of the industry (based on production) which determines its pro-rata share of the local sugar market. When the Group sells more than its pro-rata share, it knows that a portion of the proceeds received from the customer will have to be paid to other millers (through SASA). When the Group sells less than its pro-rata share, the opposite is true.
Lease terms	Management applied judgement in considering the treatment of certain lease terms, including: a) Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). b) For leases of certain plant and equipment there are early termination options where it is reasonably certain the Group will not terminate the lease early, taking into consideration historical lease duration. c) For certain building leases that are running on a month-to-month basis it is not reasonably certain for what period the lease will remain in place given the current restructure initiatives, in this case the lease term is less than 12 months. The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.
Incremental borrowing rate used in respect of leases	The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The calculation of the appropriate borrowing rate begins with the reference to a risk-free rate and the selection of an additional spread that accounts for the entities credit risk in each geographical location, the collateral underpinning the lease, liquidity constraints and the lenders funding costs and margins, which management estimates with reference to current funding arrangements.
Taxation	Due to the complexity of legislation and varying tax jurisdictions in which the Group operates, management estimates the provision for income taxes. The tax impact of a transaction or item can be uncertain until a conclusion is reached with the relevant tax authority. Management takes into consideration all available information. Deferred tax 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 are utilised in the assessment of the recoverability of deferred tax assets. Management also exercises judgement in assessing the likelihood that the business plans will be achieved and that the deferred tax assets are recoverable.
Provision for expected credit loss on loans and trade and other receivables	When measuring ECLs, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from collateral and integral credit enhancements. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the key assumptions and inputs used are disclosed in note 7 and 10. The impact of COVID-19 on the Group's ECLs has been assessed as limited using forward-looking information, as the Group is involved in the production, distribution and supply of food and thus continues to operate during the lockdown, with little impact on the collectability of debtors given the industries in which the Group's customers operate. A doubling of the loss rates on performing exposures does not lead to a material change in the required ECL.

Nature of judgement/estimate	Description
Recognition of investment in Distribuidora Nacional de Açúcar Limitada (DNA)	DNA is separate legal entity jointly controlled by the various sugar mills in Mozambique. DNA sells sugar obtained from the mills in Mozambique in the local market. Management applied judgement in determining whether DNA is a joint venture or joint operation as a result of the relationship between DNA and its shareholders in respect of the sale of sugar in Mozambique. DNA has been classified as a joint venture given that it is separable from the joint venture parties. Management also applied judgment in determining that the control of sugar passes to DNA before it is sold to third parties since DNA takes ownership of the sugar and sets the price at which sugar is sold to the third parties. Unrealised gains arising from sales of sugar from the Group to DNA are therefore eliminated. In determining the amount of unrealised gains arising from the sales of sugar management estimated what portion of inventory the DNA holds may be exported based on the industry's estimate as some of the sugar may not be sold by DNA locally, but returned to the Group for sale to the export market.
Accounting treatment of Uzinzo Sugar Farming (Proprietary) Limited (Uzinzo)	During the 2020 financial year Tongaat Hulett facilitated the creation of Uzinzo in which it has retained a 20% interest. Uzinzo has leased certain agricultural estates from the Group. Uzinzo conducts sugar cane farming and all sugar is delivered to a Group mill. Management applied judgment in determining that the Group did not control Uzinzo taking into consideration the relevant activities and the ability of the directors of Uzinzo to control the such relevant activities (the Group is not able to appoint the majority of the directors) and the 20% interest it holds. Uzinzo has been accounted for as an associate, refer Note 6 *Investment in associates and joint ventures.*
Determination of the functional currency of foreign subsidiaries and associates in Zimbabwe	As a result of limited liquidity in the observable market of ZWL to foreign currencies for the period to 31 March 2021 and 31 March 2020, management have applied judgment in determining which exchange rate to use as the best estimate of a market rate given the difference between the official interbank rate and exchange rates quoted in informal parallel markets. Management have applied the official interbank exchange rate but have disclosed a sensitivity analysis should the results of Zimbabwean operations have been translated using the alternate rate.
Measurement of post-retirement obligations	Post-retirement benefit obligations are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare costs, inflation rates and salary increments.
Determination of the financial impact of the sugar stock loss in South Africa	The sugar stock loss comprises three components: (i) the carrying amount of the inventory written-off; (ii) the cost of various processing inefficiencies; and (iii) a provision for the estimated financial impact resulting from the lower share of the industry. A revision to the Group's share of the industry changes its pro-rata allocation of the total sugar proceeds for the season which impacts *inter alia* the redistribution mechanism and the sucrose price payable to growers. While SASA will adjust the lost industry share prospectively (i.e. as a prior season adjustment in the 2021/22 season), it is not possible to reliably determine the respective production, sales demand and each miller's relative share at this stage. Consequently, the provision has been estimated by management using the actual industry share and industry sales proceeds for the 2020/21 season and verified against the first estimate for the 2021/22 season prepared by SASA. While management has made representations to SASA concerning alternate options to adjust the industry proceeds for the sugar loss, these representations are still under consideration and the outcome has not been included in the estimate of the provision. Please refer to Note 8 *Inventory* and Note 19 *Provisions* for further information.
Recognition of cane roots and standing cane on expropriated land in Zimbabwe	The Group continues to recognise cane roots and standing cane in Zimbabwe as assets on its statement of financial position, even though the underling land was expropriated in 2005. Management has applied this judgement on the basis of an established history of the Zimbabwe operation being able to farm the vast majority of its land unimpeded and derive the associated economic benefit resulting from these farming activities. To secure tenure over its farmland, the Group has applied for a 99 year lease and the application process is well advanced. During 2021, the Government of Zimbabwe has issued 'Institutional Offer Letters' which formalise the current arrangement whereby the Group continues to farm the land for its own benefit. In the event that a portion of the land could no longer be farmed, or the associated economic benefits could no longer be realised by the Group, then the cane assets on that portion would be impaired and/or derecognised.
Going concern	Refer to Basis of Preparation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

1. SEGMENTAL REPORTING

Overview

The Group's operating segments are identified on the basis of the internal reporting structure used by the chief operating decision maker (CODM) to make key decisions, allocate resources and to assess performance. The CODM is the Group's Executive Committee. The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes, the products that they market or manufacture and, in the case of the sugar operations, the geographic location of business.

The following reportable segments have been identified:

SUGAR OPERATIONS	**Growing and processing of sugarcane to produce raw and refined sugar for sale to local and export markets. Downstream activities include the manufacture of animal feeds and ethanol.**
PROPERTY	**Conversion and development of agricultural land for sale to third-party customers for onward development for a range of urban uses across multiple market sectors.**
CORPORATE	**Comprises the Group's headquarters that provides management oversight, governance, technical support and treasury services.**

The Group evaluates the performance of its reportable segments and allocates resources to segments based on revenue, operating performance, cash flows and capital employed.

For the analysis of the Group's segmental performance below, the profits and cash flows reported represent the results of the business segment before the allocation of central administration costs, finance costs/income and taxation. Finance costs/income and taxation are not allocated to segments as these are specialised functions that are managed centrally. Sales between segments are recorded at prices that approximate market prices. Inter-segment transactions are eliminated on consolidation.

With the application of hyperinflation accounting for its Zimbabwe operations, the CODM reviews the financial performance and position of the Group both with and without the results of this operation. Consequently, additional totals have been included in the segment report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

1. SEGMENTAL REPORTING CONTINUED

Business segments

	Continuing Operations										
12 months ended 31 March 2021	**Sugar Operations**										
R million	**South Africa**	**Mozambique**	**Other SADC[1]**	**Total Sugar Operations – excluding Zimbabwe**	**Zimbabwe**	**Inter-segment[2]**	**Total Sugar Operations**	**Property**	**Corporate**	**Total Continuing Operations**	**Total Continuing Operations – excluding Zimbabwe**
Segment revenue	6 212	1 845	933	8 990	6 162	(482)	14 670	248	–	14 918	8 887
External customers	5 896	1 810	933	8 639	6 031	–	14 670	248	–	14 918	8 887
Inter-segment	316	35	–	351	131	(482)	–	–	–	–	–
Operating profit	(388)	230	482	324	1 578	–	1 902	58	(142)	1 818	240
Depreciation and amortisation	163	181	12	356	157	–	513	1	1	515	358
EBITDA[3]	(225)	411	494	680	1 735	–	2 415	59	(141)	2 333	598
Non-trading items – loss/(profit)[4]	134	–	(375)	(241)	–	–	(241)	–	–	(241)	(241)
Fair value adjustments to biological assets	(9)	(19)	52	24	381	–	405	–	–	405	24
Adjusted EBITDA[5]	(100)	392	171	463	2 116	–	2 579	59	(141)	2 497	381
Segment assets[6]	2 920	2 793	139	5 852	4 454	–	10 306	1 517	66	11 889	7 435
Segment cash flows[7]	(31)	286	202	457	1 267	–	1 724	(78)	(133)	1 513	246
Capital expenditure[8]	(217)	(89)	(16)	(322)	(115)	–	(437)	(4)	(6)	(447)	(332)
Expansion – Property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–
Expansion – Cane roots	–	–	–	–	–	–	–	–	–	–	–
Ongoing – Property, plant and equipment	(191)	(36)	(8)	(235)	(48)	–	(283)	(4)	(2)	(289)	(241)
Ongoing – Cane roots	(16)	(51)	(8)	(75)	(67)	–	(142)	–	–	(142)	(75)
Intangibles	(10)	(2)	–	(12)	–	–	(12)	–	(4)	(16)	(16)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

1. SEGMENTAL REPORTING CONTINUED

12 months ended 31 March 2020	Continuing Operations										
	Sugar Operations										
R million	South Africa	Mozambique	Other SADC[1]	Total Sugar Operations – excluding Zimbabwe	Zimbabwe	Inter-segment[2]	Total Sugar Operations	Property	Corporate	Total Continuing Operations	Total Continuing Operations – excluding Zimbabwe
Segment revenue	6 023	1 682	1 451	9 156	6 126	(845)	14 437	945	–	15 382	9 347
External customers	5 294	1 657	1 451	8 402	6 035	–	14 437	945	–	15 382	9 347
Inter-segment	729	25	–	754	91	(845)	–	–	–	–	–
Operating profit	(130)	124	134	128	2 882	–	3 010	658	(411)	3 257	375
Depreciation and amortisation	171	241	10	422	205	–	627	2	1	630	425
EBITDA[3]	41	365	144	550	3 087	–	3 637	660	(410)	3 887	800
Non-trading items–loss/(profit)[4]	9	4	(1)	12	–	–	12	–	–	12	12
Fair value adjustments to biological assets	14	(84)	(13)	(83)	(806)	–	(889)	–	–	(889)	(83)
Adjusted EBITDA[5]	64	285	130	479	2 281	–	2 760	660	(410)	3 010	729
Segment assets[6]	2 930	3 404	509	6 843	5 386	–	12 229	1 615	65	13 909	8 523
Segment cash flows[7]	1	155	146	302	1 826	–	2 128	(180)	(329)	1 619	(207)
Capital expenditure[8]	(55)	(54)	(10)	(119)	(376)	–	(495)	(1)	(9)	(505)	(129)
Expansion	–	(44)	–	(44)	(278)	–	(353)	–	–	(353)	(44)
Replacement and ongoing	(45)	(10)	(10)	(65)	(67)	–	(132)	(1)	(9)	(142)	(75)
Intangibles	(10)	–	–	(10)	–	–	(10)	–	–	(10)	(10)

Notes:

1 *Other SADC operations include a sugarcane estate in Eswatini and distribution operations in Botswana and Namibia. Eswatini and Namibia were disposed of during the 2021 financial year.*

2 *The inter-segment column eliminates the results of any trading between two business segments. When determining the revenue for total continuing operations excluding the Zimbabwe segment, the elimination of the sales between Zimbabwe and the Other SADC segment of R91 million (2020: R107 million) is disregarded from the sub-total.*

3 *EBITDA (a non-IFRS measure) is defined as profit from operations adjusted to exclude depreciation of property, plant and equipment and amortisation of intangible assets.*

4 *In the context of the Group, non-trading items is defined as any impairment of assets in terms of IAS 36 Impairment of Assets, any profit/loss on disposal of immovable property (not forming part of the land portfolio), the loss on derecognition of any item of property, plant and equipment or intangible asset that arises from events outside of the Group's normal business activities (e.g. expropriation).*

5 *Adjusted EBITDA (a non-IFRS measure) is defined as EBITDA adjusted to exclude any non-trading items as well as any fair value adjustments related to biological assets.*

6 *Segment assets represent total assets, adjusted to exclude deferred tax assets, current tax assets, cash and cash equivalents and derivative financial instruments. In the prior year, segment assets specifically included assets classified as held for sale, with the same definition and exclusions.*

7 *Segmental cash flows (a non-IFRS measure) is defined as the total of cash flows from operating and investing activities excluding taxation paid, expansion capital expenditure, finance income and proceeds received pursuant to the Group's debt reduction plan.*

8 *Capital expenditure comprises additions to property, plant and equipment (including cane roots) as well as intangible assets.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

1. SEGMENTAL REPORTING CONTINUED

Reconciliation of segmental assets

R million	31 March 2021	31 March 2020
Segment assets	**11 889**	13 909
Add: Excluded items	**1 387**	4 239
Deferred tax assets	**165**	593
Pension Fund Employer Surplus Account	**105**	277
Current tax assets	**24**	124
Derivative instruments	**7**	–
Discontinued operations	**–**	2 003
Cash and cash equivalents	**1 086**	1 242
Total assets	**13 276**	18 148

Reconciliation of segmental cash flows

R million	31 March 2021	31 March 2020
Segment cash flows – continuing operations	**1 513**	1 619
Add: Excluded items	**(1 406)**	410
Taxation paid	**(368)**	(238)
Finance income	**46**	22
New capital – expansion	**–**	(322)
Establishing new cane roots	**–**	(31)
Proceeds on liquidation of pension fund	**151**	538
Proceeds on disposal of discontinued operations	**4 744**	–
Proceeds on disposal of businesses	**495**	–
Cash (outflow)/inflow in respect of discontinued operations	**(158)**	579
Net cash outflow from financing activities including net finance costs and dividends	**(6 316)**	(138)
Net increase in cash and cash equivalents	**107**	2 029

Geographical segments

The information below is based on the location of the customers.

R million	South Africa	Mozambique	Zimbabwe	Rest of Africa	North and South America	Europe and Middle East	Asia – Pacific	Total
Revenue								
2021	**5 298**	**1 304**	**5 192**	**1 952**	**441**	**222**	**509**	**14 918**
2020	4 819	1 123	5 236	2 900	362	354	588	15 382

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

2. PROPERTY, PLANT AND EQUIPMENT

R million	Land and Buildings	Cane Roots	Plant and Machinery	Transport and Vehicles	Irrigation Infrastructure and Equipment	Capital Work-in-Progress	Other Fixed Assets	Total
GROUP								
Balance at 1 April 2020	1 067	523	3 104	200	675	380	64	6 013
Additions	8	142	175	11	10	71	11	428
New expansion capital	2	–	34	–	–	20	1	57
Replacement and core capital	6	142	141	11	10	51	10	371
Businesses disposed of during the year	(12)	(35)	(3)	(7)	(30)	(1)	(10)	(98)
Disposals and scrapping	(1)	(2)	(13)	(2)	(16)	–	–	(34)
Current year depreciation charge	(24)	(79)	(214)	(29)	(21)	1	(22)	(388)
Transfers by asset category in/(out)	–	–	6	1	1	(8)	–	–
Reversal of impairments/(impairments)	(7)	–	(140)	–	(2)	–	–	(149)
Foreign currency translation, including the effect of hyperinflation	(187)	(90)	(383)	(33)	(121)	(76)	1	(889)
Net carrying amount as at 31 March 2021	844	459	2 532	141	496	367	44	4 883
Made up as follows:								
Cost	1 810	1 483	5 004	682	1 351	367	195	10 892
Accumulated depreciation and impairment	(966)	(1 024)	(2 472)	(541)	(855)	–	(151)	(6 009)
Net carrying amount:	844	459	2 532	141	496	367	44	4 883
Balance at 1 April 2019	834	385	3 162	162	477	607	82	5 709
Cost	1 815	2 123	6 595	713	1 400	625	339	13 610
Accumulated depreciation and impairment	(981)	(1 738)	(3 433)	(551)	(923)	(18)	(257)	(7 901)
Additions	14	100	36	5	13	366	4	538
New expansion capital	–	31	–	–	7	315	–	353
Replacement and core capital	14	69	36	5	6	51	4	185
Disposals and scrapping	(14)	(5)	(6)	(6)	(4)	(3)	–	(38)
Transfer of assets held for sale	(145)	–	(662)	(2)	–	(24)	(35)	(868)
Net reclassification (to)/from other assets	–	(1)	–	–	–	(4)	–	(5)
Current year depreciation charge	(30)	(130)	(339)	(29)	(35)	–	(20)	(583)
Transfers by asset category in/(out)	141	(1)	479	(11)	2	(638)	28	–
Reversal of impairments/(impairments)	(3)	(7)	(6)	1	(1)	12	–	(4)
Foreign currency translation, including the effect of hyperinflation	270	182	440	80	223	64	5	1 264
Net carrying amount as at 31 March 2020	1 067	523	3 104	200	675	380	64	6 013
Made up as follows:								
Cost	2 180	2 623	5 601	862	1 775	380	213	13 634
Accumulated depreciation and impairment	(1 113)	(2 100)	(2 497)	(662)	(1 100)	–	(149)	(7 621)
Net carrying amount:	1 067	523	3 104	200	675	380	64	6 013

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

R million	Land and Buildings	Cane Roots	Plant and Machinery	Transport and Vehicles	Irrigation Infrastructure and Equipment	Capital Work-in-Progress	Other Fixed Assets	Total
COMPANY								
Balance at 1 April 2020	317	33	1 118	21	23	32	7	1 551
Additions	3	16	171	2	1	10	7	210
New expansion capital	1	–	32	–	–	9	–	42
Replacement and core capital	2	16	139	2	1	1	7	168
Disposals and scrapping	(1)	(1)	(12)	(1)	(16)	–	–	(31)
Current year depreciation charge	(4)	(1)	(106)	(1)	–	–	(6)	(118)
Reversal of impairments/(impairments)	(6)	–	(140)	(1)	(2)	–	–	(149)
Net carrying amount as at 31 March 2021	309	47	1 031	20	6	42	8	1 463
Made up as follows:								
Cost	505	451	2 218	56	24	42	79	3 375
Accumulated depreciation and impairment	(196)	(404)	(1 187)	(36)	(18)	–	(71)	(1 912)
Net carrying amount:	309	47	1 031	20	6	42	8	1 463
Balance at 1 April 2019	466	42	1 931	25	27	32	53	2 576
Cost	746	640	4 378	156	114	33	238	6 305
Accumulated depreciation and impairment	(280)	(598)	(2 447)	(131)	(87)	(1)	(185)	(3 729)
Additions	9	1	24	3	1	60	1	99
New expansion capital	–	–	–	–	–	–	–	–
Replacement and core capital	9	1	24	3	1	60	1	99
Disposals and scrapping	(5)	(5)	(8)	(2)	(3)	(1)	–	(24)
Current year depreciation charge	(9)	(4)	(200)	(2)	(1)	–	(11)	(227)
Transfers by asset category in/(out)	1	–	33	(1)	(1)	(31)	(1)	–
Net carrying amount as at 31 March 2020	317	33	1 118	21	23	32	7	1 551
Made up as follows:								
Cost	500	475	2 107	63	64	32	72	3 313
Accumulated depreciation and impairment	(183)	(442)	(989)	(42)	(41)	–	(65)	(1 762)
Net carrying amount:	317	33	1 118	21	23	32	7	1 551

* *Fully-depreciated cane roots were erroneously not removed from the asset register in prior periods. The impact on net carrying amount is nil however both the cost and accumulated depreciation balances were reduced by R622 million.*

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Further information

Land

South Africa

The Company owns 14 616 gross hectares of land and the Group's South African subsidiaries own 1 902 gross hectares of land bringing the Group's total South African landholdings to 16 518 hectares. Some 11 164 gross hectares of the South African landholdings is used for a dual purpose, namely, for farming to supply sugarcane to the mills while at the same time progressing the land through the conversion cycle for future development and sale to third parties (including land that has been earmarked for social housing projects).

Zimbabwe

In 2005, the Government of Zimbabwe (GoZ) expropriated land owned by Tongaat Hulett Zimbabwe, with no compensation. Upon expropriation, the land automatically became state-owned land but continued to be farmed by the Group. All expropriated land has been derecognised from the Group's statement of financial position. In July 2020, in order to secure its assets and provide certainty of tenure, the Group applied for 99-year leases on the designated agricultural land under its use, excluding areas that had been allocated to third party beneficiaries under the GoZ's land reform programme. The GoZ has since assured the Group that it will be granted security of tenure by way of 99-year leases. The GoZ has issued "institutional offer letters" to the Group to formalise the current arrangement whereby the Group continues to farm the land. The requisite physical planning and administrative processes are nearing completion, paving way for the imminent issuance of the 99-year lease. The leases have not been accounted for as the agreements have not yet been concluded.

The Group's Sugar Milling Licenses were renewed for another twenty-year period ending December 2040. These positive actions by the GoZ provide further confidence and stability to the operations.

Register of land and buildings

Details of the land and buildings are recorded in a register that is available for inspection at the registered office of the Company.

Cane roots

The majority of the Company-owned farmland is leased out to Uzinzo Sugar Farming Proprietary Limited (an associate entity) and other third-party growers after the Group took a strategic decision as part of the turnaround initiative to downscale its own farming activities. The leased-in farmland comprises freehold and communal land on which the Company has outsourced the farming activities to a third-party contractor for a performance-related management fee. Contractually all the sugarcane harvested on this land is required to be supplied to one of the Company's sugar mills.

The gross hectares of the Company-owned and leased-in land farmland will exceed the area under cane roots. Not all of the farmland can be planted with cane and a certain portion of the gross hectares will comprise farm roads, bush, sheds, and similar. The area under cane roots is per the table below:

Hectares	**31 March 2021**	31 March 2020
South Africa	**20 613**	21 351
Company-owned	**7 535**	7 640
Leased-in	**13 078**	13 711
Zimbabwe	**25 543**	25 355
Mozambique	**19 187**	19 078
Eswatini*	**–**	3 810
Total	**65 343**	69 594

* *The Eswatini operation was disposed of with effect from 1 December 2020.*

Encumbrance

South Africa

As part of the debt restructure concluded with the lenders to the Company and its South African subsidiaries, property, plant and equipment with a carrying amount of R1 415 million (2020: R2 413 million, including the carrying amount of the starch operation's property, plant and equipment) have been pledged as security for the Company's borrowings. Mortgage bonds have been registered over the Company's land and buildings, and a general notarial bond has been registered over the Company's movable assets, including its sugar mills.

Mozambique

Houses and certain items of milling equipment of Tongaat Hulett Açucareira de Moçambique S.A. (Mafambisse) with a carrying amount of R11 million (2020: R13 million) are encumbered as security for a working capital loan of R74 million (2020: R92 million). Certain immoveable assets of Tongaat Hulett Açucareira de Xinavane S.A. (Xinavane), comprising of a mill, a refinery and related building assets, with a carrying amount of R1 472 million (2020: R1 912 million) have been pledged as security for a term-loan of R466 million (2020: R602 million). In June 2020, the Group entered into a sale and leaseback transactions whereby its vehicle fleet was disposed of to a supplier, Unitrans Mozambique Limitada. Consequently, vehicles of Mafambisse, Xinavane and Tongaat Hulett Açúcar Limitada (THA) with a carrying amount of R22 million (2020: n/a) are encumbered as security for borrowings of R73 million.

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairment and reversal of impairment

In testing for impairment, the Group tests assets on an individual basis, unless they cannot generate cash inflows independently of other assets. Therefore, the Group has identified a number of cash-generating units (CGUs) to which it has allocated its assets for impairment testing. The Botswana Sugar CGU is the only CGU to which goodwill is allocated. There has been no change in the CGU's since the prior year.

The Group recognised/(reversed) impairments in respect of the following CGUs, which were determined based on business operation and geographical area:

		31 March 2021			31 March 2020		
Cash-generating unit (CGU)	**Segment**	**Property, plant and equipment**	**Goodwill and other intangibles**	**Total**	Property, plant and equipment	Goodwill and other intangibles	Total
South African Sugar – Milling Operations	Sugar – South Africa	**99**	**–**	**99**	–	–	–
South African Sugar – Refining Operations	Sugar – South Africa	**50**	**–**	**50**	–	–	–
Impairment of individual assets*		**–**	**(10)**	**(10)**	4	–	4
Total net impairment loss/(reversal)		**149**	**(10)**	**139**	4	-	4

* *During 2021, a previously recognised impairment of the Group's agricultural contractual management computer software was reversed after the project was successfully completed. In 2020, specific agricultural assets in Mozambique were impaired, largely as a result of cyclone-related damage.*

COVID-19 considerations

The Group's sugar operations were defined as essential services in each of their respective countries of operation and were therefore able to operate with fewer unavoidable disruptions caused by COVID-19 and the associated lockdown restrictions. The Group has used the experience gained over the past 15 months of the pandemic to analyse the impact on its operations. A potential risk identified is that it may take longer than anticipated to optimise production capacity and processes in light of increased absenteeism and/or delays in implementing necessary improvement projects. Consequently, the growth in production volumes in the financial forecasts has been tempered. There has been limited negative impact on the commercial aspects of the sugar businesses.

South African Sugar

Towards the end of 2021, the outlook for the South African Sugar operations was buoyed by the domestic economy showing signs of a recovery. The South African Government's Masterplan for the South African Sugar Value Chain came into effect in November 2020 with the intention to provide relief to the sugar industry. Demand for locally produced sugar recovered from 1.25 million tons to 1.48 million tons, although it remains below the 1.60 million tons achieved prior to the introduction of the Health Promotion Levy (HPL). Despite these positive developments, impairment indicators arose after the sugar mills were unable to crush the full season's cane supply and process inefficiencies at the refinery resulted in a 27 436 ton sugar stock loss. These combination of these two factors resulted in the business reporting an operating loss for the year. In 2020, the continued impact of the HPL on local market demand, substantial operating losses and the fragile domestic economic situation resulting from COVID-19 pandemic were impairment indicators.

The combination of a lower recoverable amount and a higher carrying value resulted in a R50 million impairment being recognised for the Refinery CGU. The recoverable amount reduced as production volumes and costs were revised for the learnings out of the sugar stock loss with the forecasts incorporating a higher allowance for yield losses, additional maintenance costs and increased capital expenditure.

In the previous year, in response to low capacity utilisation and high production costs, the Group mothballed the Darnall sugar mill ahead of the 2020/21 season. As this decision was an impairment indicator, management considered alternative uses for the mill, including a non-binding offer to purchase the assets, and did not impair the mill. The Darnall sugar mill has remained mothballed for the 2021/22 season and, with the exception of cane handling activities (necessary to divert cane to other mills) and some incidental utility operations, has not operated for the past 18 months. While the alternative uses for the mill remain feasible, they require a capital injection. The non-binding offer has now lapsed, there remains community unrest surrounding the decision not to reopen the mil and the costs estimates necessary to bring the mill back into operation have increased, particularly in light of some vandalism at the site. Consequently, the mill's plant and machinery with a carrying amount of R99 million has been impaired in full to nil value. Land, buildings and other assets with a carrying amount of R10 million remain at 31 March 2021 and have been included in the impairment testing of the Milling CGU.

The Agriculture CGU bore significant impairment losses in previous years, resulting in the various assets classes within the CGU being written down to fair value based on an expected financial outcome in the event that the CGU was liquidated. In the current year, the carrying amount of the CGU continues to exceed the estimated recoverable amount albeit by an immaterial amount. However, as the carrying amount of the CGU was already reduced to its residual value, no further impairment has been recognised.

While the outcome of the impairment testing did not result in any impairment of the Milling and Animal Feeds CGUs, headroom in the Animal Feeds CGU declined after the transfer price of molasses between the Milling and Animal Feeds CGU was revised to more closely resemble market related prices, and the allocation of central overheads was reviewed.

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Zimbabwe Sugar

In previous years, a number of impairment indicators were identified for the Zimbabwe sugar operations, including the country experiencing a two year economic recession, declining GDP estimates, shortages of foreign currency and persistent drought conditions. In the current year, the economy has shown signs of a recovery with a significant improvement in GDP anticipated, supported by growth from the agricultural sector following an easing of drought conditions. Although annual inflation is stabilising, having reduced from 676% at 31 March 2020 to 229% at 31 March 2021, Zimbabwe remains a hyperinflationary environment which, together with the impact of the COVID-19 pandemic, places pressure on disposable incomes. As a result of fluid economic policies and limited access to foreign currency, an element of uncertainty and volatility remains in the economy which was considered an impairment indicator.

As a result of hyperinflation, the impairment test for the Zimbabwe operations was conducted using cash flow forecasts prepared in US Dollars. As the US Dollar was previously the functional currency of the Zimbabwe operations and remains an important measure of value within the economy, there is sufficient reliable historical financial information to provide a more stable basis on which to prepare long-term cash forecasts.

Mozambique Sugar

At a macroeconomic level, the COVID-19 pandemic hit the Mozambique economy as it was attempting to recover from the effects of Cyclone Idai and resulted in the country experiencing a contraction of GDP in real terms. Further pressure on the economy is expected as international investors suspended natural gas projects as a result of an insurgence in Northern Mozambique. In particular, this has resulted in a shortage of foreign currency liquidity in the country and a volatile exchange rate. The country remains one of the poorest in the world with very low sugar consumption of approximately 8 kilograms per capita. While the turnaround of the business continues to yield positive results (particularly in Mafambisse), operating losses in the agricultural activities continue albeit at reduced levels. A further impairment indicator arose in January 2021 when Cyclone Eloise caused some flood damage to fields at the Xinavane estate which has reduced estimate cane yields for the 2021/22 season.

Botswana Sugar

While there were no impairment indicators for the operation, the Botswana operation is required to be tested annually as it has an allocation of goodwill of R53 million (2020: R48 million).

Key assumptions utilised in the impairment testing

In respect of 31 March 2021 and 31 March 2020, the recoverable amount of the CGUs (with the exception of Botswana Sugar) was determined based on the fair value less costs of disposal (FVLCD) taking into consideration the debt reduction plan. The recoverable amount of Botswana Sugar was determined based on its value in use (VIU). The calculations use cash flow projections for a five year period, based on financial budgets approved by management and taking into account the COVID-19 considerations described above. The cash flow beyond year five (i.e. the terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins at year five levels, with the growth beyond year five resulting solely from price inflation.

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

At 31 March 2021, there was no indication that any previously recognised impairment losses on the Group's CGUs should be reversed.

	Sugar – South Africa				Sugar – Zimbabwe[2]		Sugar –- Mozambique		Other SADC
31 March 2021	**Agriculture[1]**	**Milling**	**Refinery**	**Animal Feeds**	**Triangle**	**Hippo Valley**	**Xinavane**	**Mafambisse**	**Botswana**
Basis of determining recoverable value	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**VIU**
Recoverable value (R million)	**387**	**847**	**655**	**236**	**1 890**	**1 968**	**2 317**	**437**	**889**
Carrying amount (R million)	**386**	**825**	**643**	**76**	**1 589**	**1 325**	**1 766**	**211**	**116**
Fair value hierarchy	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**
Key assumptions:									
Discount rate – FVLCD (post-tax nominal)	**12.6% – 13.1%**	**12.6% – 13.1%**	**12.6% – 13.1%**	**12.6% – 13.1%**	**19.4% – 19.9%**	**19.4% – 19.9%**	**15.6% – 16.1%**	**17.9% – 18.4%**	**–**
Discount rate – VIU (pre-tax nominal)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10.7% – 11.2%**
Perpetuity growth rate	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**2.2%**	**2.2%**	**5.5%**	**5.5%**	**3.6%**
Period (years)	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Key assumption sensitivities (R million)									
Impact on calculation of recoverable amount:									
Decrease in discount rate of 1% (increase in value)	**54**	**78**	**153**	**33**	**144**	**125**	**239**	**51**	**135**
Increase in discount rate of 1% (decrease in value)	**(42)**	**(62)**	**(119)**	**(25)**	**(148)**	**(111)**	**(236)**	**(50)**	**(103)**
Decrease in terminal growth rate of 0.5% (decrease in value)	**(35)**	**(14)**	**(44)**	**(12)**	**(41)**	**(28)**	**(85)**	**(16)**	**(52)**
Increase in terminal growth rate of 0.5% (increase in value)	**39**	**15**	**50**	**15**	**22**	**30**	**50**	**10**	**60**

[1] *The carrying amount of the assets making up the South Africa Sugar–Agriculture CGU remains lower than their individual fair value and therefore no further impairment loss has been recognised.*

	Sugar – South Africa				Sugar – Zimbabwe		Sugar – Mozambique		Other SADC
31 March 2020	**Agriculture**	**Mills**	**Refinery**	**Animal Feeds**	**Triangle**	**Hippo Valley**	**Xinavane**	**Mafambisse**	**Botswana**
Basis of determining recoverable value	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	VIU
Recoverable value (R million)	276	996	1 034	1 046	2 367	2 521	2 076	98	974
Carrying amount (R million)	360	779	389	67	1 418	1 268	2 066	46	185
Fair value hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3
Key assumptions:									
Discount rate–FVLCD (post-tax nominal)/ VIU (pre-tax nominal)	16.0% – 16.5%	16.0% – 16.5%	16.0% – 16.5%	14.5% – 15.0%	18.8% – 19.3%	18.8% – 19.3%	21.8% – 22.4%	21.8% – 22.4%	10.6% – 11.4%
Perpetuity growth rate	4.8%	4.8%	4.8%	4.8%	0.0%	0.0%	6.3%	6.3%	2.9%
Period (years)	5	5	5	5	5	5	5	5	5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES RIGHT-OF-USE ASSETS

Right-of-use Assets

GROUP

R million	Land	Buildings	Plant and machinery	Cane haulage vehicles and equipment	Total
Net carrying amount as at 1 April 2020	**14**	**4**	**3**	**319**	**340**
Additions	**–**	**2**	**–**	**51**	**53**
New expansion capital	**–**	**–**	**–**	**–**	**–**
Ongoing	**–**	**2**	**–**	**51**	**53**
Modification of leases during the year	**1**	**–**	**–**	**38**	**39**
Depreciation charge for the year	**(3)**	**(2)**	**–**	**(55)**	**(60)**
Net reclassification to other assets	**–**	**–**	**(1)**	**–**	**(1)**
Foreign currency translation, including the effect of hyperinflation	**(1)**	**(1)**	**–**	**(62)**	**(64)**
Net carrying amount as at 31 March 2021	**11**	**3**	**2**	**291**	**307**
Made up as follows:					
Cost	**17**	**5**	**4**	**391**	**417**
Accumulated depreciation and impairment	**(6)**	**(2)**	**(2)**	**(100)**	**(110)**
Net carrying amount	**11**	**3**	**2**	**291**	**307**
First time adoption of IFRS 16 – 1 April 2019	16	27	10	55	108
Additions	–	4	–	303	307
New expansion capital	–	–	–	–	–
Ongoing	–	4	–	303	307
Assets classified as held for sale	–	(21)	(3)	–	(24)
Depreciation charge for the year	(3)	(6)	(4)	(90)	(103)
Foreign currency translation, including the effect of hyperinflation	1	–	–	51	52
Net carrying amount as at 31 March 2020	14	4	3	319	340
Made up as follows:					
Cost	17	5	6	421	449
Accumulated depreciation and impairment	(3)	(1)	(3)	(102)	(109)
Net carrying amount	14	4	3	319	340

3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES RIGHT-OF-USE ASSETS CONTINUED

COMPANY

R million	Land	Buildings	Plant and machinery	Cane haulage vehicles and equipment	Total
Net carrying amount as at 1 April 2020	**10**	**–**	**4**	**8**	**22**
Additions	–	–	–	–	–
New expansion capital	–	–	–	–	–
Ongoing	–	–	–	–	–
Modification of leases during the year	1	–	–	–	1
Depreciation charge for the year	(3)	–	–	(7)	(10)
Net reclassification to other assets	–	–	(2)	–	(2)
Net carrying amount as at 31 March 2021	**8**	**–**	**2**	**1**	**11**
Made up as follows:					
Cost	14	–	4	12	30
Accumulated depreciation and impairment	(6)	–	(2)	(11)	(19)
Net carrying amount	**8**	**–**	**2**	**1**	**11**
First time adoption of IFRS 16 – 1 April 2019	13	27	10	14	64
Additions	–	–	–	–	–
New expansion capital	–	–	–	–	–
Ongoing	–	–	–	–	–
Assets classified as held for sale	–	(21)	(3)	–	(24)
Depreciation charge for the year	(3)	(6)	(3)	(6)	(18)
Net carrying amount as at 31 March 2020	**10**	**–**	**4**	**8**	**22**
Made up as follows:					
Cost	13	1	6	14	34
Accumulated depreciation and impairment	(3)	(1)	(2)	(6)	(12)
Net carrying amount	**10**	**–**	**4**	**8**	**22**

Lease liabilities

The movements of the lease liabilities for the current year are as below:

	Group		Company	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Total lease liabilities at the beginning of the year	**(305)**	(108)	**(22)**	(64)
New leases recognised during the year	**(52)**	(307)	**–**	–
Modification of leases during the year	**(44)**	–	**–**	–
(Loss)/gain on foreign currency denominated leases	**(79)**	49	**–**	–
Lease payments during the year	**124**	131	**12**	22
Interest charge during the year	**(98)**	(48)	**(3)**	(7)
Liabilities attributable to assets held for sale	**–**	27	**–**	27
Foreign currency translation, including the effect of hyperinflation	**62**	(49)	**–**	–
Total lease liabilities at the end of the year	**(392)**	(305)	**(13)**	(22)
Categorised as follows:				
Current	**(44)**	(78)	**(7)**	(10)
Non-current	**(348)**	(227)	**(6)**	(12)
	(392)	(305)	**(13)**	(22)
In respect of:				
Land	**(12)**	(14)	**(9)**	(10)
Buildings	**(2)**	(3)	**–**	–
Plant and machinery	**(2)**	(5)	**(1)**	(5)
Cane haulage vehicles and equipment	**(376)**	(283)	**(3)**	(8)
	(392)	(305)	**(13)**	(23)

[1] *The modifications occur due to changes in scope, payments or terms of existing leases. During the year ended 31 March 2021, right-of-use assets and related lease liabilities of R61 million and R54 million respectively were derecognised due to lease changes, leading to a loss of R7 million (2020: nil). The remaining modifications increased the cost of right-of-use assets and lease liabilities by R100 million (2020: nil).*

Further information

Further disclosures relating to short-term, variable and low value lease expense is included in Note 22 *Operating profit* and a maturity analysis of the lease liabilities is disclosed in Note 28 *Risk management*.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

4. GOODWILL AND OTHER INTANGIBLE ASSETS

	GROUP									
	31 March 2021					31 March 2020				
R million	**Goodwill**	**Computer software**	**Patents, trademarks, licences and capital work-in-progress**	**Sharecropper and cane supply agreements**	**Total**	Goodwill	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total
Net carrying amount at the beginning of the year	**53**	**228**	**4**	**105**	**390**	48	265	–	123	436
Additions	**–**	**5**	**3**	**7**	**15**	–	–	4	6	10
Businesses disposed during the year	**-**	**(6)**	**–**	**–**	**(6)**					
Disposals and scrapping	**–**	**–**	**–**	**(2)**	**(2)**	–	–	–	(4)	(4)
Net reclassification from other assets	**–**	**14**	**(14)**	**–**	**–**	–	4	–	1	5
Amortisation charge for the year	**–**	**(46)**	**–**	**(22)**	**(68)**	–	(36)	–	(21)	(57)
Impairment reversal	**–**	**–**	**10**	**–**	**10**	–	–	–	–	–
Transfer of assets held for sale	**–**	**–**	**–**	**–**	**–**	–	(41)	–	–	(41)
Foreign currency translation, including the effect of hyperinflation	**(5)**	**(20)**	**–**	**–**	**(25)**	5	36	–	–	41
Net carrying amount at end of year	**48**	**175**	**3**	**88**	**314**	53	228	4	105	390
Made up as follows:										
Cost	**48**	**351**	**4**	**175**	**578**	89	371	15	180	655
Accumulated amortisation and impairment	**–**	**(176)**	**(1)**	**(87)**	**(264)**	(36)	(143)	(11)	(75)	(265)
	48	**175**	**3**	**88**	**314**	53	228	4	105	390

4. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

	COMPANY							
	31 March 2021				31 March 2020			
R million	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total
Net carrying amount at the beginning of the year	**101**	**4**	**105**	**210**	157	–	123	280
Additions	**4**	**3**	**7**	**14**	–	4	6	10
Disposals and scrapping	**–**	**–**	**(2)**	**(2)**	–	–	(4)	(4)
Net reclassification from other assets	**14**	**(14)**	**–**	**–**	4	–	1	5
Amortisation charge for the year	**(15)**	**–**	**(22)**	**(37)**	(19)	–	(21)	(40)
Impairment reversal	**–**	**10**	**–**	**10**	–	–	–	–
Transfer of assets held for sale	**–**	**–**	**–**	**–**	(41)	–	–	(41)
Net carrying amount at end of year	**104**	**3**	**88**	**195**	101	4	105	210
Made up as follows:								
Cost	**220**	**4**	**175**	**399**	202	15	180	397
Accumulated amortisation and impairment	**(116)**	**(1)**	**(87)**	**(204)**	(101)	(11)	(75)	(187)
	104	**3**	**88**	**195**	101	4	105	210

Computer software

Computer software mainly comprises the SAP Enterprise Resource Planning system, the implementation of which was complete between 2016 and 2018. The expected useful life is 10 years and thus the remaining amortisation period is between 5 and 7 years. The useful life of SAP is assessed annually with reference to the Group's future plans to upgrade to SAP S/4 HANA in light of the existing SAP systems' end-of-support date which is currently 2027 with an option to extend to 2030.

Research and development costs

The Group incurred research and development costs of R nil (2020: R18,3 million) which are included in administration costs in the statement of profit or loss.

Goodwill

The carrying amount of goodwill relates to the sugar distribution operation in Botswana. The annual impairment test for goodwill did not result in an impairment being recognised. Refer to Note 2 *Property, plant and equipment* for key assumptions.

Encumbrance

The intangible assets of the South African businesses with a carrying amount as at 31 March 2021 of R199 million (2020: R215 million), including internally generated brands (e.g. "Huletts) that are not recognised in the Group's statement of financial position, have been pledged as security for the Company's borrowings.

Impairments

Refer to Note 2 *Property, plant and equipment* for key assumptions relating to impairment testing of cash generating units, which includes the carrying amount of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

5. INVESTMENTS IN SUBSIDIARIES AND JOINT OPERATIONS

The Group's effective interest in the major subsidiaries are listed below:

Name of entity	Country of incorporation and operation	Effective ownership interest held by the Group %[1]	Principal activity	Investment cost[7]		Amounts owing by Group companies[9]		Amounts owing to Group companies	
				31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
The Tongaat Group Limited	South Africa	100	Dormant company	**54**	54	**–**	–	**(59)**	(59)
Tongaat Hulett Starch Proprietary Limited[3]	South Africa	100	Agency for the Group's wet maize milling starch and glucose manufacturing division	**–**	–	**–**	34	**–**	–
Tongaat Hulett Estates Proprietary Limited[2,4]	South Africa	100	Holding company for land conversion and development investments	**–**	–	**–**	–	**(108)**	(266)
Tongaat Hulett Developments Proprietary Limited[2,4]	South Africa	100	Land conversion and development activities	**1**	–	**11**	20	**–**	–
Natal Estates Limited[4,5]	South Africa	100	Property holding company	**6**	6	**–**	–	**(6)**	(6)
Ohlanga Development Company Proprietary Limited[4,5]	South Africa	100	Property holding company	**–**	–	**–**	–	**–**	–
Voermol Feeds Proprietary Limited[2,4]	South Africa	100	Agency for the Group's animal feeds division	**1**	1	**–**	–	**(1)**	–
Hulett Refineries Limited[5]	South Africa	100	Dormant company	**1**	1		–	**(1)**	–
Tongaat Hulett Mills and Estates Limited[5]	South Africa	100	Dormant company	**1**	1		–	**(1)**	–
Tongaat Hulett Sugar South Africa Limited[2,4]	South Africa	100	Agency for the Group's agriculture, raw and refined sugar production, and speciality sugar division	**–**	–		–	**(1)**	(3)
Tongaat Hulett Açucareira de Moçambique, S.A.	Mozambique	85.0	Raw and refined sugar production	**418**	416	**155**	145	**–**	–
Sociedade de Assistência à Agricultura e Indústria, S.A.	Portugal	100	Holding company for Mozambique investment	**731**	731	**152**	148	**–**	–
Tongaat Hulett Açucareira de Xinavane, S.A.	Mozambique	88.0	Raw and refined sugar production	**5**	–	**411**	405	**–**	–
Tongaat Hulett Açúcar, Limitada	Mozambique	100	Agricultural estate	**3 010**	3 010	**–**	–	**(133)**	(131)
Triangle Sugar Corporation Limited	Zimbabwe	100	Holding company for Zimbabwe investments	**271**	263	**76**	40	**–**	–
Triangle Limited	Zimbabwe	100	Agriculture, raw and refined sugar production, and ethanol production	**–**	–	**–**	–	**–**	–
Hippo Valley Estates Limited[8]	Zimbabwe	50.3	Agriculture and raw sugar production	**5**	–	**44**	26		–
Food and Industrial Zimbabwe (Proprietary) Limited	Zimbabwe	51.0	Starch and glucose packaging and distribution	**–**	-	**29**	–	**–**	–
Tongaat Hulett (Botswana) Proprietary Limited[8]	Botswana	50.1	Sugar packaging and distribution	**55**	54	**14**	5	**–**	–
Tongaat Hulett (Namibia) Proprietary Limited[3]	Namibia	51.0	Sugar packaging and distribution	**3**	3	**–**	2	**–**	–
Format Development Company Limited	Eswatini	100	Holding company for Eswatini investments	**–**	–	**–**	–	**–**	(5)
Tambankulu Estates Proprietary Limited[3]	Eswatini	100	Agricultural estate	**–**	182	**–**	–	**–**	(221)
Sub-total				**4 562**	4 722	**892**	825	**(310)**	(691)
Provision for impairment[6]				**(3 426)**	(3 426)	**(751)**	(721)	**–**	–
Total				**1 136**	1 296	**141**	104	**(310)**	(691)

A full list of all subsidiaries and joint operations is available from the company secretary on request.

Note

1. *With the exception of the disposal of Tongaat Hulett Starch Proprietary Limited and Tambankulu Estates Limited which were disposed of during the year, there has been no change in the ownership interest held by the Group.*
2. *The subsidiary is a guarantor for the Company's South African borrowing facilities.*
3. *Refer to Note 13 Disposal of operations*
4. *The subsidiary has provided security to the Company's South African borrowing facilities.*
5. *The Company's shares in the subsidiary, and any inter-group claims, have been pledged as security for its South African borrowing facilities.*
6. *Impairment testing and an assessment of expected credit losses has been performed in respect of the Company's investment in its subsidiaries including any amounts owing to the Company.*
7. *The investment in the subsidiaries has been increased to the extent of the current year's share-based payment charge, relating to the Company's equity settled incentive scheme, in respect of the subsidiaries' employees.*
8. *The Group controls the majority of the voting rights and therefore has the power to appoint the directors to the board. An operational support agreement has been concluded with the subsidiary that further strengthens the Group's ability to control the operational activities.*
9. *Amounts owing by Group companies are considered to be current in nature as management expects to recover the asset in the short-term.*

5. INVESTMENTS IN SUBSIDIARIES AND JOINT OPERATIONS CONTINUED

Further information

The financial year end for all of the subsidiaries and joint operations is 31 March.

The dividends paid to the non-controlling shareholders can be found in Note 26 Dividends.

With the exception of the loan from Tongaat Hulett Estates Proprietary Limited, loans between the Company and its subsidiaries are unsecured, have no fixed repayment terms and do not bear interest.

The Company has recognised an allowance of R751 million (2020: R687 million) for specific credit losses on amounts owing by the Company's subsidiaries in Mozambique and Zimbabwe. As part of the debt standstill arrangement in Mozambique, the amounts owing to the Company are unlikely to be repaid until the subsidiaries have reduced their external borrowings sufficiently. Despite the Zimbabwe subsidiaries holding cash balances at 31 March 2021 of R311 million (2020: R317 million), the ability to repay amounts owing to the Company is constrained by the need to obtain regulatory approval within Zimbabwe on long-outstanding intergroup invoices prior to remittance.

The Lowveld Sugarcane Development Trust was established to expand the sugarcane growing area surrounding the Zimbabwe operations by some 4,000 hectares, an initiative named "Project Kilimanjaro". The initiative followed engagements with the Ministry of Lands, Agriculture, Water and Rural Resettlement whereby it was agreed that the Group develops, on a full cost recovery basis, new sugarcane farmland to which private farmers occupying the Group's developed sugarcane farm would be relocated. The beneficiaries, being these private farmers and other community members, have not been formally identified or engaged. While the beneficiaries remain undefined and the Group, through its Zimbabwe subsidiaries, controls the Board of Trustees and directs all the expansion activities, the trust has been consolidated into the Group's results. While the Group does not benefit directly from the profit from the additional cane supply, it does benefit from the additional sugar produced.

Material partly owned subsidiaries

The information below discloses interests in subsidiaries material to the financial position of the Group. The information is based on amounts before inter-company eliminations.

	Hippo Valley Estates Limited		Tongaat Hulett Açucareira de Xinavane, S.A.	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Summarised statement of financial position				
Non-current assets	**850**	1 109	**1 661**	2 475
Current assets	**1 345**	1 480	**625**	240
Non-current liabilities	**(357)**	(519)	**(541)**	(552)
Current liabilities	**(362)**	(309)	**(923)**	(1 206)
Equity	**1 477**	1 761	**822**	957
– attributable to Tongaat Hulett Limited	**717**	886	**723**	842
– attributable to non-controlling shareholders	**759**	875	**99**	115
Summarised statement of profit or loss and other comprehensive income				
Revenue	**2 843**	2 632	**1 578**	1 368
Operating profit	**646**	1 119	**260**	219
Net finance income/(costs)	**15**	(22)	**(209)**	(75)
Profit for the year	**173**	544	**55**	109
– attributable to Tongaat Hulett Limited	**87**	274	**48**	96
– attributable to non-controlling interests	**86**	270	**7**	13
Other comprehensive income/(loss) for the year	**(389)**	374	**(190)**	149
– attributable to Tongaat Hulett Limited	**(196)**	188	**(167)**	131
– attributable to non-controlling interests	**(193)**	186	**(23)**	18
Total comprehensive income/(loss) for the year	**(215)**	918	**(135)**	258
– attributable to Tongaat Hulett Limited	**(108)**	462	**(119)**	227
– attributable to non-controlling interests	**(107)**	456	**(16)**	31
Summarised cash flow information				
Net cash inflow from operating activities	**157**	239	**133**	39
Net cash outflow from investing activities	**(62)**	(32)	**(12)**	(49)
Net cash outflow from financing activities	**(11)**	(229)	**(95)**	(27)
Net cash inflow/(outflow) for the year	**84**	(22)	**26**	(37)

Joint operations

The Group has a 33,26% interest in Effingham Development Joint Venture which was formed with the objective of developing and marketing serviced sites of the Riverhorse Valley Business Estate and Bridge City in KwaZulu-Natal, South Africa. This investment is accounted for as a joint operation. The Group's proportionate share of the assets, liabilities and post-acquisition reserves of this joint operation is included in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

6. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Set out below is the financial information relating to the Group's associates and joint ventures. There is no quoted market value for the investments in the joint ventures and associates.

Name of entity	Type	Country of incorporation and operation	Ownership interest held by the Group %	Principal activity	Measurement method	Financial year end	Carrying amount (R million) 31 March 2021	Carrying amount (R million) 31 March 2020
National Chemical Products Distillers Zimbabwe (Private) Limited (NCP)	Associate	Zimbabwe	49.0	Conversion of molasses into alcohol	Equity method	31 December	**19**	17
Fuel Ethanol Company of Zimbabwe (Private) Limited (FECZ)	Joint Venture	Zimbabwe	50.0	Blending of ethanol and petrol	Equity method	31 December	**12**	–
Distribuidora Nacional de Açúcar, Limitada (DNA)	Joint Venture	Mozambique	50.0	Sales and distribution of sugar	Equity method	31 March	**–**	–
Uzinzo Sugar Farming Proprietary Limited (Uzinzo)	Associate	South Africa	20.0	Sugar cane farming	Equity method	31 March	**7**	3
Sociedade Terminal de Açúcar de Maputo, Limitada (STAM)	Associate	Mozambique	21.0	Warehousing of bulk sugar for export	Equity method	31 March	**13**	15
							51	35

Further information

Uzinzo

During 2020, the Company took a strategic decision to discontinue farming its own freehold farmland in South Africa. To secure cane supply to its mills, the Company leases its farmland to Uzinzo (and other third-party growers) in return for a rental income (variable with sugarcane proceeds) and a contractual requirement to deliver all the sugarcane harvested on this land to one of the Company's sugar mills. To facilitate transformation in the sugar industry and support previously disadvantaged individuals, the Company facilitated the establishment of Uzinzo by entering into 10-year leases (expiring on 31 March 2029) for 6 183 hectares at competitive rentals and provided lease incentives both in cash and in kind (refer to Note 7 *Other non-current assets)*. The Company retains a 20% shareholding in Uzinzo which has fast established itself as the first broad-based agricultural company to feature amongst the largest ten sugarcane farmers in KwaZulu-Natal.

STAM

While the Group has a 25% voting interest in STAM, a not-for-profit entity, the ratio in which retained profits are distributed is to be agreed between the parties at the time of distribution. The Group estimated that, in applying the equity method of accounting, it would share in 21% of STAM's profits. The estimate is based on both the Group's usage of the sugar terminal and its contribution of the total costs.

Functional currency

The functional currency of Uzinzo is the South African Rand. The functional currency of STAM and DNA is the Mozambique Metical (MZN). FECZ and NCP both have the Zimbabwe Dollar (ZWL) as their functional currency. Due to the application of hyperinflationary accounting in Zimbabwe, all transactions and balances of FECZ and NCP are translated at the closing exchange rate. The table below summarises the exchange rates at which the financial results and position of the associate and joints ventures have been translated into South African Rand.

Financial period	Functional currency	Average rate	Closing rate
1 April 2020 to 31 March 2021	ZWL	**0.2454**	**0.1697**
1 April 2019 to 31 March 2020	ZWL	**1.5373**	**0.7168**
1 April 2020 to 31 March 2021	MZN	**4.3860**	**4.5778**
1 April 2019 to 31 March 2020	MZN	**4.2166**	**3.6830**

6. INVESTMENT IN ASSOCIATES AND JOINT VENTURES CONTINUED

Reconciliation of investment in associates and joint ventures

R million	NCP	DNA	Uzinzo	STAM	FECZ	Total
Balance at 1 April 2019	6	–	–	–	–	6
Share of net profit of associates and joint ventures	9	–	3	–	–	12
Additional investment	–	–	–	13	–	13
Foreign currency translation, including the effect of hyperinflation	2	–	–	2	–	4
Balance at 31 March 2020	**17**	**–**	**3**	**15**	**–**	**35**
Share of net profit of associates and joint ventures	**5**	**–**	**4**	**1**	**12**	**22**
Additional investment	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation, including the effect of hyperinflation	**(3)**	**–**	**–**	**(3)**	**–**	**(6)**
Balance at 31 March 2021	**19**	**–**	**7**	**13**	**12**	**51**

The summarised financial information in respect of the associate companies and joint ventures are set out below:

	NCP		DNA		Uzinzo		STAM		FECZ[3]
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020	**31 March 2021**
Summarised statement of financial position									
Non-current assets	**3**	6	**5**	8	**10**	7	**62**	68	**–**
Current assets	**113**	60	**495**	458	**72**	13	**44**	50	**105**
Non-current liabilities	**1**	(1)	**–**	–	**(14)**	–	**(19)**	(23)	**–**
Current liabilities[1]	**(77)**	(29)	**(495)**	(459)	**(2)**	(6)			
Net assets	**40**	36	**5**	7	**66**	14	**61**	71	**25**
Group's share of net assets of associates and joint ventures	**19**	17	**–**	–	**13**	3	**13**	15	**12**
Revenue	**152**	125	**2 935**	3 335	**95**	83	**79**	93	**350**
Operating profit	**20**	17	**79**	83	**20**	22	**8**	5	**29**
Profit for the year[2]	**11**	18	**1**	–	**18**	15	**4**	2	**21**
Group's share of net profit of associates and joint ventures	**5**	9	**–**	–	**4**	3	**1**	–	**12**
Dividends received from associates and joint ventures	**–**	–	**–**	–	**–**	–	**–**	–	**–**

Note

[1] *Current liabilities for DNA includes a short-term trade finance facility that is secured with the sugar stocks reflected as current assets in the disclosure above.*

[2] *DNA and STAM operate on a cost recovery basis.*

[3] *FECZ was erroneously not accounted for in the prior period, consequently the cumulative Group's share of net profit of associates and joint ventures has been accounted for in the current financial year.*

7. OTHER NON-CURRENT ASSETS

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Pension fund employer surplus account				
Various investments	**9**	169	**9**	**169**
Cash and deposits	**8**	131	**8**	**131**
Bonds and debentures	**1**	38	**1**	**38**
Loan receivable: Tongaat Hulett Limited	**96**	108	**96**	**108**
	105	277	**105**	**277**
Less: current portion included in trade and other receivables	**(39)**	(53)	**(39)**	**(53)**
Sub-total	**66**	224	**66**	**224**
Other loans at amortised cost				
Deferred purchase consideration	**84**	124	**–**	**–**
Star Africa Corporation Limited	**–**	4	**–**	**–**
Grower and other loans	**13**	27	**10**	**19**
Other	**4**	3	**–**	**–**
	101	158	**10**	**19**
Less: allowance for expected credit losses on other loans at amortised cost	**(86)**	(126)	**(2)**	**(1)**
Sub-total	**15**	32	**8**	**18**
Lease incentives				
Lease incentive – Uzinzo	**48**	55	**48**	**55**
Lease incentive – Other growers	**34**	37	**34**	**37**
Sub-total	**82**	92	**82**	**92**
Total non-current assets	**163**	348	**156**	**334**

Pension fund employer surplus account

The Tongaat Hulett Pension Fund 2010 (THPF2010) employer surplus account relates to the allocations made in terms of the previous defined benefit arrangements. The Group directs the use of these funds within the parameters of the permitted uses as prescribed by the Pension Fund Act. With the exception of the loan to the Company, the surplus is largely invested in government bonds and short-dated money market assets. The employer surplus account is measured at fair value at the reporting date. Fair value is determined by reference to published price quotations in an active market. The current portion of the employer surplus account of R39 million (2020: R53 million) represents the amount that will be utilised by the Company as a pension fund contribution holiday over the next 12 months.

In 2011, a portion of the employer surplus account was transferred in terms of Section 15E of the Pension Funds Act from the Tongaat Hulett Defined Benefit Pension Fund (voluntarily dissolved) to THPF2010 as part of the conversion to defined contribution and transfer of in-service members to the fund. It was agreed that this portion of the employer surplus account in the fund would continue to be invested (as it had been in the Tongaat Hulett Defined Benefit Pension Fund) by way of an interest-bearing loan to the participating employer, such loan being repayable to the fund on demand. The interest-bearing loan is included under short-term borrowings in note 16. The financial asset and the loan have not been offset as, other than in the event of the liquidation of the previous defined benefit pension fund, there is no legally enforceable right that would allow the offset of the employer surplus account and the loan from the previous defined benefit pension fund.

In January 2021, the Group received approval from the Financial Sector Conduct Authority for the voluntary dissolution of the Tongaat-Hulett Pension Fund, a legacy defined benefit scheme, and the fund was liquidated. On liquidation of the fund, the balance remaining in the employer surplus account of R151 million was distributed to the Group.

Grower loans

Grower loans bear interest at varying rates and have various terms of repayments. Loans are repaid through the delivery of cane under cane supply agreements, with a portion of the proceeds deducted to repay the grower loans. See Note 28 *Risk management* for further details.

Deferred purchase consideration

The deferred purchase consideration arose from the sale of shares in Tongaat Hulett Zimbali Resorts Proprietary Limited (THZR) to its joint venture partner which was concluded in January 2017. Originally the deferred portion of the purchase consideration bore interest at the South African prime lending rate and was payable by way of instalments determined by reference to the sale of the land held by THZR (9.6% of the price realised from each site sold) by 31 March 2022. The balance outstanding was previously under dispute however in the current year the parties have mutually agreed a settlement amount of R70 million to be paid by 31 March 2022 of which R5 million was received during March 2021. The shares of THZR (now known as Zimbali Land Developments Proprietary Limited) have been pledged as security for the payment of the purchase consideration. Due to the associated credit risk an appropriate allowance remains for the lifetime expected credit loss and, as a result of the settlement agreement, an amount of R43 million was been written off as uncollectible, which included R8 million of interest raised in the current year.

7. OTHER NON-CURRENT ASSETS CONTINUED

Lease Incentives

The Group leased the majority of its freehold farmland to Uzinzo and other third-party growers to farm the land for their own benefit and supply the harvested sugarcane to one of Group's South African sugar mills. As a lease incentive the Group contributed the value of sugarcane growing on the land, together with any cash profits received from the farm between 1 April 2019 (i.e. the start of the crushing season) and the effective date of the lease. The lease incentive is amortised on a straight-line basis over the term of the lease. The lease incentive is thus recovered via the performance of the growers and the delivery of cane under the supply agreements.

The following table details the risk profile of 'other loans at amortised cost':

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Gross other loans at amortised cost	**101**	158	**10**	20
Performing	**15**	26	**8**	20
Non-performing	**86**	132	**2**	–
In default	**–**	–	**–**	–
Less: allowance for expected credit losses	**(86)**	(126)	**(2)**	(1)
Performing – 12 month expected credit losses	**–**	(1)	**–**	(1)
Non-performing – lifetime expected credit losses	**(86)**	(125)	**(2)**	–
In default – lifetime expected credit losses	**–**	–	**–**	–
Net other loans at amortised cost	**15**	32	**8**	19

The following table shows the movement in lifetime ECLs that have been recognised in accordance with the general approach set out in IFRS 9 *Financial Instruments* in 'other loans at amortised cost':

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Balance at beginning of the year	**126**	108	**1**	3
Transfer to credit impaired	**4**	20	**1**	–
Transfer from credit impaired	**(1)**	(1)	**–**	(1)
Amounts written off as uncollectible	**(43)**	(1)	**–**	(1)
Balance at end of the year	**86**	126	**2**	1

The movements in the gross exposure and the expected credit loss are primarily due to the write-off of the uncollectible portion of the deferred purchase consideration in the year ended 31 March 2021.

8. INVENTORIES

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Raw materials	**64**	49	**13**	25
Finished goods	**882**	989	**458**	446
Consumables	**745**	584	**103**	96
Land in the development cycle	**1 591**	1 691	**–**	–
Planning expenditure	**146**	154	**–**	–
Development expenditure	**1 271**	1 357	**–**	–
Land	**174**	180	**–**	–
Inventory before allowance	**3 282**	3 313	**574**	567
Less: allowance for inventory write-downs	**(27)**	(32)	**–**	–
Net inventories	**3 255**	3 281	**574**	567
Carrying amount of inventory that has been written down to net realisable value	**12**	105	**12**	–

Further information

South African Sugar

Demand for locally produced sugar grew by 18% at the industry level. To support the increased demand and commitments under the Sugar Industry Masterplan, refined sugar production increased by c.40% to more than 450 000 tons. However, the considerable production ramp-up led to some process inefficiencies which resulted in a loss of c.27 436 tons of raw sugar.

The Group's total financial loss as a result of this incident was R369 million and is comprised as follows:

R 'million		Amount	Impact on profit from operations
Write-off of the inventory value		**205**	Increased cost of sales
Additional refinery processing costs		**21**	Increased cost of sales
Provision for financial impact of a lower share of the South African sugar industry*	– 2020/21 season	**155**	Decreased revenue
		(25)	Decreased cost of sales
	– 2021/22 season	**15**	Decreased revenue
		(2)	Decreased cost of sales
Total		**369**	

* *For further details, refer to Note 20 Provisions*

In the context of the poor performance of the South African sugar operations in the current year, the Group's Remuneration Committee exercised discretion, available to it in terms of the incentive scheme rules, and reversed all short-term incentive awards. The employees affected by this decision are all those currently employed by the Group in South Africa. The estimated value of incentives that would have been payable exceeds R100 million.

Land in the development cycle

Certain of the Group's land in South Africa serves a dual purpose, namely, to support the cane supply to the mills while the land awaits future development and sale to property developers. The Group's land portfolio comprises some 16 518 hectares, of which 1 902 hectares has been classified as inventory and is able to be transacted as township property sales (i.e. land with full development rights) within a 3 year time horizon. This land is located in the following precincts: Umhlanga CBD and Ridgeside; Sibaya Coastal Precinct; Durban Aerotropolis and Cornubia. The balance of the land portfolio has longer-term development potential but is available for sale as agricultural land (i.e. land with no or partial development rights).

Land in the development cycle includes a property, with an extent of 20.6 hectares and a market value of R116 million (based on existing planning rights), which had not yet been sub-divided from another property that was sold and transferred to a customer. Consequently, the legal title to this property is held in the name of the customer without any purchase consideration being received by the Group. The property is subject to a 'take back arrangement' and the Group has protected its interest and retains control over in this property through a non-user servitude that prevents the customer from using the land. Once the outstanding sub-division has been received, the process to transfer the property back to the Group will commence.

COVID-19 considerations

The Group's land conversion and development business has been significantly affected by the economic downturn caused by the pandemic. While property sales volumes across the sector were down and achieved lower prices and the recovery is only expected in a year or two's time, various inquiries are received from potential customers seeking to invest against the cycle to position themselves for the economic recovery.

8. INVENTORIES CONTINUED

The Group engaged the services of an independent valuer, Broll Valuation and Advisory Services, to update the market value of its land portfolio. The valuation of the portfolio has declined by 25% from R11 106 million at 1 June 2019 to R8 326 million at 31 March 2021. While the property sales between the valuation date accounts for approximately 4% of the reduction, the balance can be linked to the impact of COVID-19 with lower expected sales prices and a decrease in the density of future property development. The valuation methodology has been disclosed under *Critical Estimates and Judgements in the Basis of Preparation*.

Extensive testing was performed to address the resultant risk that the carrying amount of the Group's landholding inventory may exceed its net realisable value. The assumptions were stress tested by reducing the property prices to the point that the future revenues to be realised from the precinct equated to the carrying amount of the inventory allocated to that same precinct. On average, selling prices could decline by 49% (relative to the updated valuation) before a further write-down of inventory would be required, though exceptions include two precincts of 16% and 23% which unfavourably impact the average. No net realisable value adjustments were required for the land inventory balances.

Encumbrances

The Company's inventory and the Group's holding of 'Land in the development cycle' with a total carrying amount of R2 165 million (2020: R2 258 million) have been provided as security for the South African borrowing facilities and the trade finance facilities provided by the South African Sugar Association.

In South Africa, sugar stocks with a carrying amount of R458 million (2020: R447 million) have been provided as security for the season-end trade finance provided by the South African Sugar Association.

Mortgage bonds have been registered over the Group's South African land holdings as security for the Company's South African borrowing facilities.

The balance of the Company's inventory has been provided as security for its borrowings in terms of the general notarial bond that has been registered over the Company's movable assets. These general notarial bonds were registered during the 2020 financial year.

Reconciliation of the allowance for inventory write-downs

	Group		Company	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
At the beginning of the year	**32**	16	**–**	7
Additional write-down	**1**	20	**–**	–
Reversals	**–**	(2)	**–**	–
Transfer of assets held for sale	**–**	(7)	**–**	(7)
Foreign currency translation, including the effect of hyperinflation	**(6)**	5	**–**	–
At the end of the year	**27**	32	**–**	–

9. BIOLOGICAL ASSETS

	GROUP					
	31 March 2021			31 March 2020		
R million	**Livestock and Orchards**	**Standing Cane**	**Total**	**Livestock and Orchards**	**Standing Cane**	**Total**
Reconciliation of the carrying amount of biological assets						
Carrying amount at the beginning of the year	**52**	**2 520**	**2 572**	33	1 519	1 552
Changes in fair value:	**8**	**(413)**	**(405)**	14	875	889
(Loss)/gain arising from physical growth	**10**	**(286)**	**(276)**	–	146	146
(Loss)/gain arising from price changes	**(35)**	**(86)**	**(121)**	–	661	661
(Loss)/gain arising from changes in area farmed	**–**	**(41)**	**(41)**	–	68	68
Gain arising from natural growth in the herd	**33**	**–**	**33**	14	–	14
Businesses disposed during the year	**(2)**	**(69)**	**(71)**	–	–	–
Transfer to other assets	**–**	**–**	**–**	–	(86)	(86)
Foreign currency translation, including the effect of hyperinflation	**(10)**	**(441)**	**(451)**	5	212	217
Carrying amount at the end of the year	**48**	**1 597**	**1 645**	52	2 520	2 572

	COMPANY	
R million	**31 March 2021**	**31 March 2020**
Reconciliation of the carrying amount of biological assets		
Carrying amount at the beginning of the year	**135**	234
Changes in fair value:	**9**	(13)
(Loss)/gain arising from physical growth	**(9)**	12
Gain arising from price changes	**26**	11
Loss arising from changes in area farmed	**(8)**	(36)
Transfer to other assets	**–**	(86)
Carrying amount at the end of the year	**144**	135

Further information

The Group's growing crops mainly comprise standing cane (i.e. sugarcane that is growing in the field) and the cane roots (i.e. bearer plant) from which the standing cane grows. Cane roots have been disclosed in Note 2. *Property, Plant and Equipment*. Incidental to its core operations, the Zimbabwe operation has a cattle ranching business with a livestock population of approximately 5 186 heads (2020: 6 000 heads). In addition, the Zimbabwe operation has a small citrus fruit business. The fair value of the livestock is determined with deference to prevailing market prices and on 31 March 2021 had a carrying amount of R40 million (2020: R 49 million). At 31 March 2021, the fruit orchards had a carrying amount of R8 million (2020: R 3 million).

The Group's capital commitment in terms of the Kilimanjaro project, in partnership with the Government of Zimbabwe, to expand the area under sugarcane by some 4,000 hectares has been disclosed in Note 29. *Commitment and Contingencies*.

Encumbrances

Biological assets in South Africa with a carrying value of R 144 million (2020: R135 million) have been provided as security for its South African debt facilities in terms of the general notarial bonds and mortgage bonds registered over the Company's South African assets.

Standing cane

Standing cane is measured at fair value and is categorised as Level 3 under the fair value hierarchy. Fair value is determined using assumptions for both the estimated physical quantity of cane in the field and the estimated price the standing cane will realise. The unobservable inputs for the quantity of the standing cane include the cane yield at the date of harvest, the estimated sucrose content at the date of harvest, and the average maturity of the cane at the valuation date (i.e. percentage growth). The unobservable inputs for the price of the standing cane include the sucrose price for the season, harvesting costs, transport costs, and over the weighbridge costs. Changes in the fair value are included in profit or loss, with a loss of R413 million (2020: R 875 million gain) being recognised in profit or loss in the current year. The key unobservable inputs used in determining fair value and a reconciliation of the change in fair value for the year are shown below.

9. BIOLOGICAL ASSETS CONTINUED

The assumptions for the key unobservable inputs used in determining fair value of growing crops, are as follows:

	South Africa		Mozambique		Zimbabwe		Swaziland*
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2020**
Hectares for harvest	**12 706**	13 509	**17 287**	19 078	**23 158**	23 776	**3 810**
Standing cane value (Rand per hectare)	**11 340**	9 990	**19 447**	20 710	**48 235**	78 551	**32 034**
Yield (tons cane per hectare)	**56.5**	58.0	**71.2**	74.8	**103.8**	107	**112**
Average maturity of cane as at 31 March (%)	**52.6**	55.2	**68.6**	66.1	**62.1**	65.4	**66.6**
Sugarcane tons (equivalent)	**377 583**	432 712	**843 996**	942 732	**1 493 261**	1 664 558	**284 461**
Sugarcane price per ton (Rand)	**382**	312	**398**	419	**748**	1 122	**429**
Sucrose price per ton (Rand)	**5 119**	4 391	**5 075**	4 611	**6 225**	8 929	**3 892**
Carrying amount as at 31 March (R' millions)	**144**	135	**336**	395	**1 117**	1 868	**122**
Changes in fair value (R millions)	**9**	(13)	**19**	85	**(388)**	791	**13**

* *The Tambankulu Estates Limited operation in Eswatini was disposed of during the financial year, please refer to Note 13 Disposal of operations.*

Sensitivity analysis

The valuation of standing cane is most sensitive to the sucrose price per ton (i.e. price) and the yield (i.e. volume) assumptions. The sensitivity analyses below has been determined on the basis that the sucrose price per ton and yield assumptions for the 2021/22 season, which are inputs into the valuation model for standing cane at 31 March 2021, are replaced with the actual sucrose price per ton and actual yield achieved for the 2020/21 season.

	South Africa		Mozambique		Zimbabwe	
	%	**Impact (R' million)**	**%**	**Impact (R' million)**	**%**	**Impact (R' million)**
Sensitivity to yield assumption[1]	0.6%	0.9	(6.2%)	(20.9)	(4.5%)	(50.2)
Sensitivity to sucrose price assumption[2]	(2.8%)	(4.0)	(9.1%)	(30.6)	(0.5%)	(6.0)

[1] *A positive number indicates that the actual yield achieved in the 2020/21 season is higher than the assumed yield for the 2021/22 season. In this case, if standing cane was valued using the actual 2020/21 yield, it would reflect a higher carrying amount than what is reflected on the statement of financial position. For a negative number, the opposite is true.*

[2] *A positive number indicates that the actual sucrose price achieved in the 2020/21 season is higher than the assumed sucrose price for the 2021/22 season. In this case, if the standing cane was valued using the actual 2020/21 price, it would reflect a higher carrying amount than what is reflected on the statement of financial position. For a negative number, the opposite is true.*

At 31 March 2021, as the new sugar milling season had not yet commenced, all standing cane has not yet attained the appropriate age for harvesting (determined in months). In South Africa, the harvesting age of sugarcane ranges from 12 months to 24 months depending on the variety of sugarcane grown and the climatic conditions where the farm is located within the KwaZulu-Natal province. In Zimbabwe and Mozambique, the harvesting age is 12 months. If sugarcane is harvested earlier or later than its harvesting age, it can reduce the sucrose content extracted from the sugarcane and ultimately overall sugar production. To manage the risk of a decline in the fair value of its standing cane, the Group has implemented precision farming techniques and practices good agricultural husbandry to ensure that the sugarcane can be harvested in the condition intended.

Valuation process

The valuation of the Group's biological assets is performed by the finance department at each reporting entity with oversight from the finance executive of that entity and ultimately the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the finance team that performed the valuation at least once every six months, in line with the Group's half-yearly reporting requirements. Changes in the fair value of biological assets are analysed at the end of each reporting period by the respective finance department and discussed with the CFO. The CFO approves all instances where the assumptions on the physical quantity of the cane are not aligned with actual long-term agricultural performance, or where pricing assumptions deviate from the estimated prices published by sugar industry bodies at or around the reporting date. On a three year rotational basis, the area under cane at each operation is verified using satellite imagery.
A summary of the valuation assumptions used in the biological asset valuation are presented to the Audit and Compliance Committee before results are released.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Trade receivables				
Trade receivables from contracts with customers relating to:	**631**	493	**368**	243
– sale of sugar and other related products	**615**	476	**368**	243
– sale of land	**16**	17	**–**	–
Less: allowance for expected credit losses	**(32)**	(35)	**(5)**	(5)
Net trade receivables	**599**	458	**363**	238
Other receivables subject to expected credit losses				
Infrastructure cost recovery	**100**	77	**–**	–
Pension fund employer surplus account	**39**	53	**39**	53
Overpayment of cane growers in Mozambique	**61**	49	**–**	–
Other receivables[1]	**205**	172	**27**	52
	448	351	**109**	121
Less: allowance for expected credit losses	**(128)**	(70)	**(5)**	(4)
Net other receivables subject to expected credit losses	**320**	281	**104**	117
Other receivables not subject to expected credit losses				
Deferred purchase consideration – Starch disposal	**457**	–	**457**	–
VAT receivable	**160**	127	**4**	16
Prepayments	**285**	193	**56**	68
Lease incentives	**12**	12	**12**	12
Total	**1 833**	1 071	**996**	451

[1] *'Other receivables' is comprised of numerous lower value items.*

Further information

There is no material difference between the fair value of trade and other receivables and their carrying amount due to the short-term nature of these items.

Deferred purchase consideration – Starch disposal

The sale and purchase agreement for the disposal of the starch operation allowed for R450 million of the disposal proceeds to be retained in an escrow account for 12 months post the transaction closing date. This term caters for the possibility of claims being made by the acquiror, the KLL Group Proprietary Limited (KLL Group), against the Company under the warranties or other provisions of the agreement.

An escrow agreement was entered into between the Company, KLL Group and the banking institution, in terms of which, the Company is the escrow account holder however any withdrawals from the account requires joint approval from both KLL Group and the Company. The amount is held in a variable interest-bearing account. The Company is entitled to the interest at the end of the 12 month period.

On 1 November 2021, subject to there being no outstanding claims made by KLL Group any remaining balance will be released to the Company. If there are outstanding claims at 1 November 2021, then a portion of the monies held in escrow must be retained in escrow until finalisation of those claims, after which any remaining balance will be released to the Company.

There are various limitations of liability provisions in the sale and purchase agreement which restrict KLL Group's ability to bring claims against the Company (and so limit the ability of KLL Group to claim monies held in the escrow account). These include a provision preventing claims being brought against the Company for matters that are covered by a "warranty and indemnity" insurance policy that was concluded, and a provision preventing the purchaser from bringing claims against the Company unless each individual claim exceeds 0.2% of the purchase price (c.R10 million) and, additionally, those claims in total exceed 2% of the purchase price (c.R100 million). At the date of these annual financial statements, KLL Group had not notified the Company of any pending claims.

Impairment

The Group applies the IFRS 9 *Financial Instruments* (IFRS 9) simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance (ECL) for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. See Note 28.2 *Financial Risk Management* for further details.

The expected loss rates are based on the payment profiles of sales over a period of time and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The measurement of the expected credit losses also reflects the credit insurance that the Group has taken out which is specific to each customer and reduces the ECL requirement where relevant. The expected credit loss reflects the risk that the insurer will default on payment of claims for losses incurred from any defaults by customers.

10. TRADE AND OTHER RECEIVABLES CONTINUED

The loss rates applied are as follows:

Percentage	South African sugar operations	Zimbabwe sugar operations
Not past due	**0.0%**	**0.0% – 3.0%**
Less than 1 month past due	**0.8%**	**2.0% – 10.0%**
Between 1 to 2 months past due	**5.4%**	**10.0% – 50.0%**
Between 2 to 3 months past due	**5.3%**	**10.0% – 100.0%**
Greater than 3 months past due	**21.5% – 27.2%**	**10.0% – 100.0%**

For the Mozambique sugar operations, sales are mostly made to the DNA (industry body) which pays the balance owing (less a retention amount) one week after the sugar is produced regardless of when the sugar is delivered to the end-customer. The remaining trade debtors are assessed and allowance for ECL made individually due to the low number of customers.

For other receivables, the Group recognises a lifetime ECL allowance when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL allowance.

The measurement of expected credit losses is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default taking into account any security the Group may have in place) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no prospect of recovery, namely when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, the debtor has failed to engage in a repayment plan with the Group, or has failed to make contractual payments within a specified period.

The following table details the risk profile of trade receivables:

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Past due:	**294**	252	**34**	30
Less than 1 month	**208**	157	**28**	16
Between 1 to 2 months	**12**	11	**1**	3
Between 2 to 3 months	**9**	5	**3**	–
Greater than 3 months	**65**	79	**2**	11
Not past due	**337**	241	**334**	213
Gross trade receivables	**631**	493	**368**	243
Less: Allowance for expected credit losses	**(32)**	(35)	**(5)**	(5)
Net trade receivables	**599**	458	**363**	238

The following table details the risk profile of 'other receivables subject to expected credit losses':

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Gross 'other receivables subject to expected credit losses'	**608**	478	**113**	137
Performing	**274**	394	**102**	123
Non-performing	**281**	41	**11**	14
In default	**53**	43	**–**	–
***Less:* Allowance for expected credit losses**	**(128)**	(70)	**(5)**	(4)
Performing	**(33)**	(9)	**(2)**	–
Non-performing	**(42)**	(19)	**(3)**	(4)
In default	**(53)**	(42)	**–**	–
Net 'other receivables subject to expected credit losses'	**480**	408	**108**	133

In determining the ECL, the history of customers who meet payment terms which are short-term has been taken into consideration, therefore resulting in a limited expected credit loss. See Note 28.2 *Financial Risk Management* for further details on the payment terms for the Group's customers.

10. TRADE AND OTHER RECEIVABLES CONTINUED

The following tables show the movement in the allowance for ECLs that have been recognised for trade and other receivables in accordance with IFRS 9.

R million	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Analysis of movement in loss allowance on trade receivables:				
Balance at the beginning of the year	**35**	55	**5**	7
Increase in loss allowance recognised in profit or loss during the year	**1**	11	**–**	–
Reclassification to other receivables	**–**	(8)	**–**	–
Amounts written off as uncollectible	**(1)**	(3)	**–**	(1)
Amounts recovered during the year	**(8)**	(1)	**–**	(1)
Foreign currency translation, including the effect of hyperinflation	**5**	(19)	**–**	–
Balance at the end of the year	**32**	35	**5**	5

R million	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Analysis of movement in loss allowance on 'other receivables subject to expected credit losses':				
Balance at the beginning of the year	**70**	108	**4**	4
Increase in loss allowance recognised in profit or loss during the year	**61**	32	**1**	–
Reclassification to trade receivables	**–**	8	**–**	–
Amounts written off as uncollectible	**(16)**	(40)	**–**	–
Foreign currency translation, including the effect of hyperinflation	**13**	(38)	**–**	–
Balance at the end of the year	**128**	70	**5**	4

COVID-19 considerations

In the context of the COVID-19 pandemic and the economic disruption resulting from potential lockdown restrictions, the Group has further tightened its already robust credit process to ensure its financial assets are appropriately safeguarded. The Group's credit risk is inherently low as with the short credit terms available to customers, it is able to identify any risks early and limit any further exposure. In South Africa, credit terms are being strictly adhered to and where the customer is not covered by credit insurance, either an upfront cash payment or a guarantee from a financial institution is required to continue trading. Proactive monitoring of debtors is being carried out with the support of a third-party service provider, to flag any perceived change to any of its customers credit profiles that may indicate an increased level of credit risk. The majority of the Group's customers have been able to operate during the various lockdown levels which has provided a further level of assurance.

In determining the ECL allowance for 31 March 2020, the Group used a higher probability of default, particularly in its Zimbabwe operations, where economic conditions are toughest, and adjusted the potential loss to account for a reduction in the insured percentage communicated by the credit insurer as part of its own risk management processes. This approach has been retained for the current year. The Group remains well-positioned to withstand any consequential impact of the ongoing COVID-19 pandemic and management does not anticipate a material increase in the Group's ECL allowance.

Encumbrances

South Africa

Trade and other receivables of the Company and its South African subsidiaries, with a carrying amount as at 31 March 2021 of R618 million (2020: R484 million), have been pledged as security for the Company's borrowings.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
R million	31 March 2021	31 March 2020	31 March 2021	31 March 2020
The fair value of derivative instruments at year-end was:				
Forward exchange contracts – not hedge accounted	7	–	7	–
Total	**7**	–	**7**	–
Categorised as follows:				
Derivative assets	7	–	7	–
Derivative liabilities	–	–	–	–

For further information pertaining to derivative financial instruments refer to Note 28 Financial risk management.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
R million	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Cash at banks and on hand	51	147	2	53
Cash at banks – available for debt reduction	175	707	175	707
Cash at banks – Zimbabwe dollars	188	192	–	–
Short-term deposits	55	56	–	–
Foreign currency cash balances	160	140	–	2
Cash and cash equivalents in the statement of financial position and cash flows	**629**	1 242	**177**	762

Further information

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate.

As part of the South African debt restructuring, the Company lost access to its previous cash management solutions and its ability to transfer positive cash balances against short-term borrowings without notice. Consequently, at year-end the Company had cash balances totalling R175 million (2020: R707 million) that were available to reduce borrowings, but which had not been applied against the revolving credit facility due to a requirement to give five days' notice of such repayments.

Short-term deposits generally comprise deposits placed on money markets for periods of up to three months which earn interest at a short-term deposit rate. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of the instruments.

Foreign currency cash balances are predominantly held by the Zimbabwean subsidiaries. These foreign currency cash balances are held for the maximum permissible time as a mechanism to protect against the devaluation of the local currency, and during this time act as an economic hedge of its foreign currency borrowings. At 31 March 2020, in terms of the Reserve Bank of Zimbabwe's regulations, 20% of all offshore export proceeds received by the Group's Zimbabwe operations had to be compulsorily converted to local currency balance with no restriction how long the 80% could be retained. Over the course of the 2021 financial year, this surrender ratio was increased to 30% (August 2020) and then again to 40% (January 2021), with a restriction on the time period for which foreign currency cash balances can be held introduced, and then ultimately scrapped.

Encumbrances

Bank balances of the Company and its South African subsidiaries, with a carrying amount of R177 million at 31 March 2021 (2020: R762 million), have been pledged as security for the Company's South African borrowing facilities.

Repatriation of cash balances from Zimbabwean subsidiaries

Cash balances held by the Zimbabwean subsidiaries and denominated in Zimbabwe Dollars totalled R188 million (2020: R192 million). As the Zimbabwe operations are exporters and have regular access to foreign currency denominated cash balances, they are not able to participate in the weekly foreign currency auctions. This, combined with a general shortage of foreign currency liquidity in the market, does affect the Group's ability to utilise these cash balances outside of Zimbabwe within the requirements of the Reserve Bank of Zimbabwe is constrained.

13. DISPOSAL OF OPERATIONS

Disposal of the Starch Business (Starch Operations Segment)

The disposal of the Group's starch and glucose operation (Starch Business), including the Group's shares in Tongaat Hulett Starch Proprietary Limited, to KLL Group Proprietary Limited (KLL Group), a wholly-owned subsidiary of Barloworld Limited became effective on 31 October 2020, upon fulfilment or waiver of all suspensive conditions, including the final and binding determination by Rothschild and Co South Africa Proprietary Limited (an "Independent Expert) that a material adverse change had not occurred.

The Independent Expert was appointed to resolve a dispute that arose after KLL Group issued a notice in May 2020 stating that it had formed the view that the COVID-19 global pandemic and the consequences therefore (particularly the impact on sales to the alcoholic beverage industry) was a material adverse change would result in the EBTIDA of the Starch Business for the year ending 31 March 2021 to be 82.5% or less than the previous financial year.

The KLL Group paid R4 986 million (the "Initial Amount), being an estimate of the final purchase consideration based on financial position of the Starch Business at 30 September 2020. Of this amount R450 million has been paid into an escrow account to cater for the possibility of claims being made by KLL Group against the Group under the warranties or other provisions of the share purchase agreement. Once the 31 October 2020 closing accounts were finalised the final purchase consideration was determined and a further payment of R274 million was made by KLL Group, followed by a final payment of R46 million related to various cash balances that for practical reasons had to be transferred with the Starch Business. The proceeds received were used to settle the Group's South African borrowings. The Group recognised a profit on disposal of R3 498 million during the year ended 31 March 2021. The Starch Business was classified as held for sale in the prior year and disclosed as a discontinued operation.

Disposal of the Eswatini Operations (Sugar Operations Segment)

On 17 June 2020, Tongaat Hulett and its wholly-owned subsidiary Format Development Corporation Limited entered into a share purchase agreement with Eswatini's Public Service Pensions Fund (EPSPF), pursuant to which EPSPF would acquire all of the shares and shareholder claims in Tambankulu Estates Proprietary Limited (Tambankulu). All the suspensive conditions in the agreement were fulfilled on 4 November 2020 and the effective date for the transaction was 1 December 2020. The initial purchase consideration of R375 million was paid in cash on the effective date. The final adjustment to the purchase price for normalised working capital, capital expenditure and investment disposal proceeds was agreed on 5 June 2021 and an amount of R25 million has been recognised as a receivable at 31 March 2021. The Group received the R25 million proceeds from EPSPF on 14 June 2021. The proceeds received were used to settle the Group's South African borrowings. The Group recognised a profit on disposal of R193 million during the year ended 31 March 2021. Tambankulu was not classified as held for sale in the prior year as the decision to enter in a sale agreement had not been reached by 31 March 2020. Tambankulu has not been disclosed as a discontinued operation as it is not considered to be a major separate geographical area of operation.

Disposal of the Namibia Operations (Sugar Operations Segment)

In November 2019, the Group entered into a sale of business agreement to dispose of the entire sugar packaging and distribution business of Tongaat Hulett (Namibia) (Proprietary) Limited (TH Namibia) to Bokomo Namibia (Proprietary) Limited (Bokomo). The Group's effective shareholding in TH Namibia was 51%. All the suspensive conditions, the last of which was the approval of the transaction by the Namibian Competition Commission, were fulfilled during the period and the effective date of the disposal was 1 July 2020. The Group recognised a total profit on disposal of R182 million during the year ended 31 March 2021. The Group's share of the purchase consideration of R112 million was received on 1 July 2020, however, subsequent to that a post-closing working capital adjustment of R15 million was settled in favour of Bokomo during the year ended 31 March 2021. The proceeds received were used to settle the Group's South African borrowings. While TH Namibia was classified as held for sale, it was not disclosed as a discontinued operation as it is not considered to be a major separate geographical area of operation.

13. DISPOSAL OF OPERATIONS CONTINUED

The following table presents details of the assets and liabilities that have been classified as held for sale.

	GROUP				COMPANY	
	31 March 2021	31 March 2020			31 March 2021	31 March 2020
R million	Total	Starch Business (Starch segment)	TH Namibia (Other SADC segment)	Total	Starch Business (Starch segment)	Starch Business (Starch segment)
Assets classified as held for sale						
Property, plant and equipment	–	868	6	874	–	868
Right-of-use assets	–	24	1	25	–	24
Goodwill	–	–	6	6	–	–
Intangible assets	–	41	–	41	–	41
Investments in subsidiaries and joint operations	–	–	–	–	–	15
Amounts owing by Group companies	–	–	–	–	–	42
Deferred tax assets	–	1	–	1	–	–
Inventories	–	482	82	564	–	447
Trade and other receivables	–	564	35	599	–	528
Derivative financial instruments	–	23	4	27	–	23
Cash and cash equivalents	–	–	2	2	–	–
Total assets classified as held for sale	–	2 003	136	2 139	–	1 988
Liabilities directly associated with assets classified as held for sale						
Deferred tax liabilities	–	174	2	176	–	163
Lease liabilities	–	26	1	27	–	27
Amounts owing to Group companies	–	–	–	–	–	16
Borrowings	–	227	34	261	–	227
Trade and other payables	–	418	43	461	–	414
Derivative financial instruments	–	3	–	3	–	3
Current tax liabilities	–	5	2	7	–	–
Total liabilities directly associated with assets classified as held for sale	–	853	82	935	–	850
Net assets	–	1 150	54	1 204	–	1 138

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

13. DISPOSAL OF OPERATIONS CONTINUED

Details of discontinued operations

Statement of financial position at the effective date of the disposal

R million	Starch Business 31 October 2020
Assets classified as held for sale	
Property, plant and equipment	**930**
Right-of-use assets	**20**
Intangible assets	**42**
Investments in subsidiaries and joint operations	**15**
Amounts owing by Group companies	**58**
Deferred tax assets	**–**
Inventories	**807**
Trade and other receivables	**753**
Derivative financial instruments	**16**
Cash and cash equivalents	**30**
Total assets of the disposal group classified as discontinued operations	**2 672**
Liabilities directly associated with assets classified as held for sale	
Deferred tax liabilities	**–**
Lease liabilities	**23**
Amounts owing to Group companies	**85**
Provisions	**8**
Borrowings	**507**
Trade and other payables	**334**
Current tax liabilities	
Total liabilities of the disposal group classified as discontinued operations	**957**
Net carrying amount of the disposal group	**1 715**
Total consideration for the disposal of discontinued operations, net of transaction costs	**5 213**
Consideration received	**4 856**
Transaction costs	**(93)**
Consideration held in escrow	**450**
Gain on the disposal of discontinued operations	**3 498**
Taxation	**(408)**
Net gain on disposal of discontinued operations	**3 090**

Transaction costs of R93 million, in addition to the success fees, included the costs associated with defending the dispute over whether a material adverse change had occurred or not, as well as a loss of R24 million on the settlement of post-retirement medical obligations for the transferring employees.

Financial performance and cash flow information

The financial performance of the Starch Business for the 12 months ended 31 March 2020 and the seven months ended 31 October 2020 is as follows:

	GROUP		COMPANY	
R million	31 October 2020	31 March 2020	31 October 2020	31 March 2020
Revenue	**2 494**	4 274	**2 379**	4 226
Cost of sales	**(1 937)**	(3 329)	**(1 833)**	(3 305)
Gross profit	**557**	945	**546**	921
Marketing and selling expenses	**(26)**	(49)	**(24)**	(45)
Administrative and other expenses	**(159)**	(287)	**(153)**	(312)
Other operating income	**5**	7	**5**	7
Operating profit	**377**	616	**374**	571
Net finance costs	**(18)**	(57)	**(18)**	(27)
Profit before tax	**359**	559	**356**	544
Taxation	**(101)**	(166)	**(101)**	(154)
Profit from discontinued operations	**258**	393	**255**	390
Other comprehensive income for the year, net of tax	**–**	–	**–**	–
Total comprehensive income for the year from discontinued operations	**258**	393	**255**	390

13. DISPOSAL OF OPERATIONS CONTINUED

The cash flow of the Starch Business for the 12 months ended 31 March 2020 and the seven months ended 31 October 2020 is as follows:

	GROUP		COMPANY	
R million	31 October 2020	31 March 2020	31 October 2020	31 March 2020
Net cash inflow generated from operating activities	**(124)**	481	**(119)**	479
Net cash outflow from investing activities	**(59)**	(43)	**(59)**	(43)
Net cash outflow from financing activities	**188**	(49)	**173**	(49)
Net increase in cash and cash equivalents	**5**	389	**(5)**	387

Proceeds on disposal of operations

The proceeds on disposal of operations disclosed in the statement of cash flows is as follows:

	Disposal of discontinued operation	Disposal of business	
R million	Starch operation	Eswatini operation	Namibia operation
Purchase consideration for the disposal of the operation	**5 306**	**400**	**220**
Amounts held in escrow	(450)	–	–
Transaction costs	(93)	(10)	–
Cash and cash equivalents of disposal group	(19)	(90)	–
Receivable for the balance of the purchase consideration	–	(25)	–
Proceeds on disposal of operation	**4 744**	**275**	**220**

The proceeds on disposal of investments (including subsidiaries) of R343 million relates to the sale by the Company of its shares of Tambankulu Estates Proprietary Limited. The total purchase consideration of R366 million included a net working capital adjustment of R23 million which as at 31 March 2021 remained unpaid.

14. SHARE CAPITAL AND PREMIUM

	Group		Company	
R million	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Ordinary Share Capital				
Authorised:				
150 000 000 (2020: 150 000 000) ordinary shares of R1,00 each	**150**	150	**150**	150
Issued and fully paid:				
135 112 506 (2020: 135 112 506) ordinary shares of R1,00 each	**135**	135	**135**	135
Treasury shares:				
298 621 (2020: 313 706) ordinary shares of R1,00 each	**–**	–	**–**	–
Share premium:	**1 544**	1 544	**1 544**	1 544
Total issued share capital and premium	**1 679**	1 679	**1 679**	1 679

In terms of the shareholder authority provided on 28 September 2020, unissued ordinary shares not exceeding 6 755 625 (i.e. representing 5% of the ordinary shares in issue) have been placed under the control of the directors to allot and issue at their discretion. This authority is valid only until the next annual general meeting of the Company or 28 December 2021, whichever occurs first, and is subject to the restrictions imposed by the JSE Listings Requirements and the Companies Act, 71 of 2008.

Treasury shares are held for the purpose of fulfilling the share awards outstanding in terms of the Group's employee share ownership plans. Further details on these share ownership plans are provided in Note 24 *Share-based payments*.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

15. DEFERRED TAX

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
The movement in net deferred tax liabilities during the year is as follows:				
Balance at beginning of the year	**530**	537	**(474)**	–
Tax expense during the period recognised in profit or loss	**108**	(21)	**305**	(316)
– Current year	**64**	190	**302**	(199)
– Prior year (over)/under provision	**(63)**	39	**3**	(4)
– Change in tax rate	**–**	(37)	**–**	–
– Current year tax losses not recognised	**107**	59	**–**	–
– Previously unrecognised deferred tax asset on tax losses	**–**	(272)	**–**	(113)
Tax (relief)/charge recognised in profit or loss – discontinued operations	**–**	(10)	**–**	(20)
– Current year	**–**	(10)	**–**	(20)
Tax (relief)/charge recognised in other comprehensive income	**(27)**	(59)	**6**	25
– Employee benefit plans	**(27)**	(59)	**6**	25
Transfer from/(to) assets held for sale (net movement)	**174**	(174)	**163**	(163)
Transfer to taxation provision	**(100)**	–	**–**	–
Transferred on disposal of business	**(35)**	–	**–**	–
Foreign currency translation, including the effect of hyperinflation	**(195)**	257	**–**	–
Balance at end of the year	**455**	530	**–**	(474)
Comprising:				
Deferred tax assets	**(165)**	(593)	**–**	(474)
Deferred tax liabilities	**620**	1 123	**–**	–
	455	530	**–**	(474)
The balance comprises temporary differences attributable to:				
Property, plant and equipment and intangible assets	**723**	856	**289**	330
Cane roots	**94**	151	**33**	34
Biological assets	**316**	544	**40**	38
Right-of-use assets (net of lease liabilities)	**(28)**	12	**–**	(1)
Employee benefit provisions and accruals	**(191)**	(180)	**(133)**	(128)
Pension fund employer surplus account	**29**	77	**29**	77
Accruals, other provisions and allowances	**(143)**	(97)	**(66)**	(39)
Inventory and prepayments	**15**	(5)	**15**	18
Contract liabilities and income received in advance	**–**	(4)	**–**	–
Provision for development expenditure	**29**	21	**–**	–
Farming capital development expenditure carried forward	**(136)**	(145)	**(136)**	(145)
Tax losses recognised and carried forward	**(100)**	(653)	**(66)**	(593)
Financial instruments, discounting and unrealised exchange rate differences	**(132)**	(60)	**–**	–
Other	**(21)**	13	**(5)**	(65)
Balance at end of the year	**455**	530	**–**	(474)

During 2021, a deferred tax provision of R100 million in respect of certain long outstanding and unresolved tax matters (refer to Note 25 Taxation) has been transferred to a non-current tax provision (refer to Note 19). The reclassification does not change the overall quantum of tax related provisions classified as non-current liabilities on the statement of financial position.

At the reporting date, the Group has estimated tax losses of R3 537 million (2020: R4 984 million) that can be set off against future taxable income, of which R100 million (2020: R653 million) has been applied to the deferred taxation balance.

15. DEFERRED TAX CONTINUED

The Group's tax losses are summarised below.

The Group's estimated tax losses at the end of year are:

R million	Estimated tax loss	Estimated tax loss – tax effect	Recognised in deferred tax	Not recognised in deferred tax
	31 March 2021			
Tongaat Hulett Limited (South Africa)	**2 556**	**716**	**66**	**650**
Tongaat Hulett Açúcar, Limitada (Mozambique)	**519**	**166**	**–**	**166**
Tongaat Hulett Açucareira de Moçambique, S.A. (Mozambique)	**279**	**89**	**–**	**89**
Tongaat Hulett Açucareira de Xinavane, S.A. (Mozambique)	**26**	**8**	**8**	**–**
Masintonto Ecoturismo, Limitada (Mozambique)	**27**	**9**	**–**	**9**
Lowveld Sugarcane Development Trust (Zimbabwe)	**107**	**26**	**26**	**–**
Sociedade de Assistência à Agricultura e Indústria, S.A. (Portugal)	**21**	**7**	**–**	**7**
	3 537	**1 021**	**100**	**921**

R million	Estimated tax loss – gross	Estimated tax loss – tax effect	Recognised in deferred tax	Not recognised in deferred tax
	31 March 2020			
Tongaat Hulett Limited (South Africa)	3 802	1 065	593	472
Tongaat Hulett Açúcar, Limitada (Mozambique)	657	210	–	210
Tongaat Hulett Açucareira de Moçambique, S.A. (Mozambique)	287	92	–	92
Tongaat Hulett Açucareira de Xinavane, S.A. (Mozambique)	151	48	48	–
Masintonto Ecoturismo, Limitada (Mozambique)	24	8	–	8
Lowveld Sugarcane Development Trust (Zimbabwe)	63	16	12	4
	4 984	1 439	653	786

In Mozambique, tax losses expire after five years with R28 million and R27 million due to expire at the end of the financial years ending 31 March 2022 and 2023 respectively. In respect of all the other tax losses, provided the business continues to trade, there is no expiry date or limit of carry forward.

The Company, with its high finance costs and history of losses, has previously only recognised deferred tax on its estimated tax loss to the extent that it had taxable temporary differences. In the 2020 financial year, the Company recognised a deferred tax asset of R311 million in respect of the tax consequences expected form the disposal of the Starch Business. In the current year, the Company has not recognised a deferred tax asset based on the forecast of taxable income for the following three years.

For Tongaat Hulett Developments Proprietary Limited, a deferred tax asset of R165 million (2020: R118 million) has been recognised in respect of land sale transactions where the tax has accrued but revenue has not been recognised. Where there is a possibility that the transaction will not be concluded, a deferred tax asset was not recognised. In the current financial year, the tax allowance for future infrastructure expenditure was limited to taxable income resulting in there being no tax loss to carry forward.

In Mozambique, Xinavane realised a taxable profit in the current financial year and is expected to generate sufficient taxable profits in future years to fully utilise its estimated tax loss before it expires. Consequently, deferred tax has been recognised on the tax loss to reduce its deferred tax liability in respect of taxable temporary differences. As the other three Mozambican subsidiaries have a history of tax losses, deferred tax on the estimated tax losses has only been recognised to the extent that there are taxable temporary differences available.

16. BORROWINGS

The Group's borrowings are summarised in the table below:

			Group		Company	
R million	**Currency**	**Interest rate %**	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Borrowings in functional currency						
Secured borrowings at amortised cost						
Senior term loan	ZAR	JIBAR (1 month) plus 4.60% – 5.85%	**3 330**	8 592	**3 330**	8 592
Senior revolving credit loan	ZAR	JIBAR (1 month) plus 5.13% – 6.36%	**1 550**	1 550	**1 550**	1 550
Seasonal senior revolving credit loan	ZAR	JIBAR (1 month) plus 5.11% – 6.66%	**–**	–	**–**	–
Seasonal senior term loan	ZAR	JIBAR (1 month) plus 3.55% – 4.95%	**–**	–	**–**	–
General short-term	ZAR	Prime – Prime plus 1.15%	**236**	–	**236**	–
Trade finance – Sugar	ZAR	None	**816**	775	**816**	775
Term loan	MZN	Lower of MZ prime rate less 2.0% and 16.0%	**466**	602	**–**	–
Sale and leaseback obligation	MZN	43.6% – 52.3%	**73**	–	**–**	–
Other short-term	MZN	MZ prime rate less 1.4%	**67**	93	**–**	–
Short-term liquidity	MZN	MZ prime rate less 0.5%	**–**	182	**–**	–
Project finance	ZWL	40% – 48%	**24**	95	**–**	–
Unsecured borrowings at amortised cost						
Tongaat Hulett Pension Fund	ZAR	5.8%	**96**	108	**96**	108
Other short-term	MZN	14.2% – 19.0%	**428**	467	**–**	–
General short-term	ZWL	55%	**–**	14	**–**	–
			7 086	12 478	**6 028**	11 025
Borrowings not in functional currency						
Secured borrowings at amortised cost						
Term loan (Zimbabwe)	USD	US LIBOR (3 month) plus 7.5%	**60**	–	**–**	–
Unsecured borrowings at amortised cost						
Term loan (Zimbabwe)	USD	US LIBOR (3 month) plus 4.5%	**–**	121	**–**	–
Term loan (Zimbabwe)	USD	12.0%	**5**	–	**–**	–
General short-term (Mozambique)	USD	US LIBOR (3 month) plus 3.5%	**70**	85	**–**	–
			135	206	**–**	–
Unamortised transaction costs relating to the South African facilities			**(22)**	(88)	**(22)**	(88)
Total borrowings			**7 199**	12 596	**6 006**	10 937
Categorised as follows:						
Current			**7 121**	12 439	**6 006**	10 937
Non-Current			**78**	157	**–**	–
			7 199	12 596	**6 006**	10 937

South Africa

Restructured senior debt facilities

The restructured senior debt facilities that became effective on 10 March 2020 are governed by a Common Terms Agreement (CTA) concluded between the Group and the nine respective lenders (the SA Lender Group) such that each individual lender participates in the facilities on the same commercial terms as the other lenders and has the same rights and obligations as it pertains to each of the facilities. The CTA makes provision for four new facilities (i.e. Facilities A, B, C and D) and the underlying exposures of each individual lender to these facilities is managed by an appointed facility agent. The SA Lender Group is bound by an inter-creditor agreement that governs their relationship.

In anticipation that COVID-19 may delay debt reduction transactions and cause pressure on the debt reduction milestones, particularly in light of the dispute with KLL Group over the existence of a material adverse change in the Starch Business, management engaged in negotiations in respect of a second restructure of the senior debt facilities. The amended and restated CTA and facility agreements were signed on 4 November 2020 with the most significant amendments being the extension of the maturity date of Senior Facility A and Senior Facility B to 30 September 2021, the extension of the maturity date of Senior Facility C and Senior Facility D to 31 March 2022, the revision of the default debt reduction milestones and the revision of the financial covenants. Subsequently, the Company and SA Lender Group concluded further amendments to the signed debt transaction default milestones to avoid potential events of default. The terms of the amended and restated CTA and facility agreements are summarised below.

16. BORROWINGS CONTINUED

Detail	Senior Facility A	Senior Facility B	Senior Facility C	Senior Facility D
Facility amount	R3 330 million	R2 200 million	R553 million	R47 million
Utilised as at 31 March 2021	R3 330 million	R1 550 million	R nil	R nil
Type	Senior Term Loan Facility	Senior Revolving Credit Facility	Seasonal Senior Revolving Credit Facility	Seasonal Senior Term Loan Facility
Purpose	To refinance the financial indebtedness under the Existing SA Facilities.	To refinance any residual financial indebtedness following application under the Existing SA Facilities, and, thereafter, Facility B may be used for general corporate and working capital purposes.	To finance the working capital requirements of the South African sugar business, specifically during the peak of the seasonal sugar working capital cycle. The facilities are to be settled on 31 March each financial year when trade finance from the South African Sugar Association is received.	
Interest rate	Margin (as applicable) + JIBAR (1 month)			
Margin per facility agreements	5.73% per annum	6.42% per annum	6.07% per annum	4.40% per annum
Weighted average interest rate	8.96%	9.07%	9.42%	7.79%
Margin applicable at 31 March 2021	The margins below include six downward interest rate ratchets and two upward interest rate ratchets (including the impact of the final pricing milestone at 31 March 2021)			
	5.48% per annum	5.94% per annum	6.34% per annum	4.67% per annum
Interest period	Cash interest is to be settled at the end of each interest period through cash from operations. The ability of the Company to elect the duration of any Interest Period (1 month vs 3 month) was removed from the amended and restated CTA and related facility agreements. All interest periods for the facilities have been reduced to a period of 1 month.			
Cash interest, roll-up interest and Payment-In-Kind (PIK) interest	The cash interest rate is calculated as the aggregate of JIBAR plus a cash interest spread of 2.7% and is settled at the end of each interest period. The total effective interest rate per facility is determined at each of the pricing milestone measurement dates, after taking into consideration the cumulative impact of the margin ratchets. The margin ratchets step the interest rate up or down dependant on how many cumulative pricing milestones have been met or missed at each measurement date. The range of the impact of margin ratchets encompass the spread between investment grade margins (between 2.6% and 3.5%) and equity margins (between 13.8% and 14.8%) for each facility. These pricing milestones were not revised in the amended and restated CTA concluded on 4 November 2020. Roll-up interest accrues on each facility and is settled through proceeds received from debt reduction transactions and/or voluntary repayments from operational cash flows. PIK interest also accrues on each facility and is only settled through proceeds received from debt reduction transactions. The PIK interest accrues from the test date used to determine whether a milestone has been achieved or missed. If a previously met milestone subsequently fails (e.g. a deal is cancelled) the PIK interest is applied retrospectively as if the milestone was never achieved. The relevant step down and step up margin ratchets per pricing milestone for each of the facilities are outlined below.			
	Step Down 0.38%	Step Down 0.43%	Step Down 0.32%	Step Down 0.28%
	Step Up 1.00%	Step Up 1.04%	Step Up 1.10%	Step Up 0.98%
Final repayment date	Extended to 30 September 2021 (from 31 March 2021)	Extended to 30 September 2021 (from 31 March 2021)	Extended to 31 March 2022 (from 31 March 2021), subject to a 'clean down' provision (see below).	
'Clean down' provision	N/A	N/A	Senior Facility C and Senior Facility D shall be repaid in full on 31 March of each financial year. Repayment shall be made from the trade finance provided from the South African Sugar Association for the relevant season and, if insufficient, additional repayments from the Company's internally generated cash.	
Conversion or redemption rights	None	None	None	None
Commitment fee	N/A		0.35% of the Margin (plus VAT thereon) on the unutilised and uncancelled amount of Senior Facility B, Senior Facility C and Senior Facility D, as applicable.	

16. BORROWINGS CONTINUED

Debt reduction strategy and milestones

The debt reduction milestones were renegotiated, and separate debt reduction milestones apply for the purposes of determining pricing under the facilities as well as the occurrence of a default under the restated and amended CTA, as follows:

Debt Reduction Milestones – Pricing

Milestones used to determine pricing margin ratchets remain unchanged and are set out in the table below. However, milestone dates for the purposes of testing and calculating the prevailing interest rate of the facilities were amended to the last day of each calendar month so as to allow any pricing benefit to be realised earlier. Any adjustments to the prevailing interest rates apply prospectively only with effect from the applicable milestone date.

Pricing Milestone Date	Signed Debt Transaction Agreements (cumulative)	Debt Reduction Proceeds (cumulative)
30 November 2019	ZAR500 000 000	ZAR0
31 March 2020	ZAR4 000 000 000	ZAR0
30 June 2020	ZAR6 000 000 000	ZAR500 000 000
30 September 2020	ZAR8 100 000 000	ZAR4 000 000 000
31 December 2020	ZAR8 100 000 000	ZAR6 000 000 000
31 March 2021	ZAR8 100 000 000	ZAR8 100 000 000

Debt Reduction Milestones – Default

On each date in the table below (each a "Milestone Default Test Date), the Company is required to have concluded signed debt reduction transaction agreements equal to or higher than the amount in the second column; and collected cumulative debt reduction proceeds equal to or higher than the amount in the third column. Failure to meet any debt reduction milestone on a test date will result in an event of default.

Milestone Default Test Date	Signed Debt Transaction Agreements (cumulative)	Debt Reduction Proceeds (cumulative)
30 November 2019	ZAR500 000 000	ZAR0
31 March 2020	ZAR4 000 000 000	ZAR0
30 June 2020	ZAR6 000 000 000	ZAR500 000 000
31 December 2020	ZAR6 000 000 000	ZAR5 500 000 000
30 April 2021 (previously 31 March 2021)	ZAR6 400 million (previously ZAR8 100 million)	ZAR6 000 000 000
13 July 2021 (previously 30 June 2021)	ZAR6 400 million (previously ZAR8 100 million)	ZAR6 000 000 000
30 September 2021	ZAR8 100 000 000	ZAR8 100 000 000

At 31 March 2021, the Company had paid cumulative debt reduction proceeds of R6 006 million to the SA Lender Group and had therefore achieved the R6 000 million debt reduction proceeds milestone. Debt reduction transaction agreements totalling R6 566 million had been signed at 31 March 2021, which fell short of the R8 100 million milestone required. In order to prevent an event of default from occurring, the Company and the SA Lender Group amended the milestone measurement date from 31 March 2021 to 30 April 2021. The extension provided sufficient time to conclude an amendment of the milestone quantum from R8 100 million to R6 400 million and avoid an event of default.

Debt reduction strategy and milestones (continued)

Debt reduction proceeds are be applied as follows:

First, towards the payment of all costs, expenses, losses, taxes and/or breakage costs then payable to the lenders.

Second, towards the payment of accrued and unpaid interest (including "roll-up" interest but excluding PIK Interest) and fees under the facilities.

Third, towards the prepayment of the principal amount of the Facility A Loan and Facility B Loans and the pro tanto cancellation of Facility B Commitments, provided that prepayments are first applied to the Facility A loan to the extent it remains outstanding.

Fourth, towards the prepayment of the principal amount of the Facility C and Facility D Loans and the *pro tanto* cancellation of Facility C and Facility D Commitments.

Fifth, towards the repayment and/or prepayment of all amounts owing under the ancillary facilities (excluding asset-backed facilities or derivative facilities not subject to an ISDA master agreement) and the overdraft facilities, and the *pro tanto* cancellation of the overdraft facility commitments.

Sixth, towards paying accrued unpaid PIK Interest.

Seventh, towards prepayment of facilities provided to the Starch business.

Eighth, towards the prepayment and/or repayment of asset-based ancillary facilities or derivative facilities no subject to an ISDA master agreement.

All proceeds received from SASA in connection with any funding made available by SASA shall first be applied in mandatory prepayment and cancellation of Facility C Loans and Facility D Loans, and any balance remaining following such application can be applied for general corporate purposes.

16. BORROWINGS CONTINUED

Financial covenants	The financial covenants were revised in their totality from leverage multiples (i.e. the ratio of total debt to EBITDA) to financial targets set and measured on a quarterly basis as detailed below. Failure to meet these covenants is an event of default. *Minimum forward-looking EBITDA covenant* Subject to headroom of 20%, and applicable to each Remaining Material South African Business1 for each quarter ending on 30 September 2020, 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021: • EBITDA for covenant setting purposes for the 6-month period ending on 30 September 2020 (to be provided to the facility agent on or before 31 August 2020). • Forward-looking EBITDA for covenant setting purposes for the three-month period ending on 31 December 2020 (to be provided to the facility agent on or before 30 September 2020). • Forward-looking EBITDA for covenant setting purposes for the three-month period ending on 31 March 2021 (to be provided to the facility agent on or before 31 December 2021). • Forward-looking EBITDA for covenant setting purposes for the three-month period ending on 30 June 2021 (to be provided to the facility agent on or before 31 March 2021). • Forward-looking EBITDA for covenant setting purposes for three-month period ending on 30 September 2021 (to be provided to the facility agent on or before 30 June 2021). *Minimum forward-looking free cash flow* Subject to headroom of 20%, and applicable to each Remaining Material South African Business[1] for each quarter ending on 30 September 2020, 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021: • Free cash flow for covenant setting purposes for the six-month period ending on 30 September 2020 (to be provided to the facility agent on or before 31 August 2020). • Forward-looking free cash flow for covenant setting purposes for the three-month period ending on 31 December 2020 (to be provided to the facility agent on or before 30 September 2020). • Forward-looking free cash flow for covenant setting purposes for the three-month period ending on 31 March 2021 (to be provided to the facility agent on or before 31 December 2021). • Forward-looking free cash flow for covenant setting purposes for the three-month period ending on 30 June 2021 (to be provided to the facility agent on or before 31 March 2021). • Forward-looking free cash flow for covenant setting purposes for three-month period ending on 30 September 2021 (to be provided to the facility agent on or before 30 June 2021). Owing to the worse than expected financial performance in the fourth quarter, the Company breached its EBITDA and Free Cash Flow financial covenants for the quarter ended 31 March 2021. The Company, due to the better than expected performance during the previous three quarters, did, however, meet its year to date covenants at 31 March 2021. At the Company's request, the SA Lender Group waived the abovementioned financial covenant breach on 12 July 2021.
Security	• Mortgage bonds registered over immovable properties owned by the Company's South African subsidiaries, excluding certain properties where commercial negotiations had been concluded or were at an advanced stage prior to the refinancing. • General notarial bonds over movable assets of the Company's South African businesses. • Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of the Company's South African businesses. • The security is first in ranking. If an insolvency event occurs (including, without limitation, the filing of a liquidation application or the commencement of business rescue proceedings), then Senior Facility C and Senior Facility D shall rank in priority to Senior Facility A, Senior Facility B, the Overdraft Facilities and the Ancillary Facilities

Note:

1. *"Material South African Business" means the Company's South African sugar division (including Voermol animal feeds), its starch and glucose division, its property division and the Tongaat Hulett Developments Proprietary Limited business; and "Remaining Material South African Business" means any Material South African Businesses which have not, without taking away from any restriction of disposals in the CTA, been finally disposed of by a member of the South African Group as part of a Debt Reduction Transaction.*

South African Sugar Association trade finance

At the end of the sugar season (i.e. end of March), the South African Sugar Association advances funds to each of the sugar millers in respect of their "carry-over" sugar stocks (i.e. sugar stocks that have been designated for sale into the local market in the next sugar season). This trade finance does not bear interest, is repayable as and when the "carry-over" sugar stocks are sold to customers and is typically settled in full within three months of the financial year.

Tongaat Hulett Pension Fund

The Tongaat Hulett Pension Fund 2010 (THPF2010), a defined contribution plan, advanced a portion of the employer surplus account to the Company as an interest-bearing loan. The loan bears interest at a floating rate linked to the rate of return on the THPF2010's money market funds plus a premium of 0.75%. The loan is repayable on demand. In terms of Section 19(5) of the Pension Funds Act 1956, the amount invested by a fund in the participating employer cannot exceed 5% of the fund's assets. During the year, the pension fund's assets declined as a result of the disposal of operations, resulting in the Company repaying R12 million of the loan to ensure the limit was adhered to. Further details are provided in Note 7 *Other non-current assets*.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

16. BORROWINGS CONTINUED

Ancillary facilities

Certain facilities already provided to the Group were not impacted by the refinancing and continued to operate on a bilateral basis with the respective lenders. The facilities relate to guarantees, vehicle and asset finance and the potential future exposure on derivative products (including forward exchange contracts), amongst others. Total facilities of R922 million are available, of which R372 million was utilised as at 31 March 2021.

The ancillary facilities (excluding any asset backed facilities) rank *pari passu* with the senior term and senior revolving credit facilities in respect of any proceeds realised from the enforcement of transaction security or pursuant to insolvency, business rescue or any related proceedings, provided that, in respect of any derivate instrument, the contingent liability thereunder will only rank *pari passu* as aforementioned to the extent that the applicable Ancillary Facility lender has entered into ISDA documentation in connection with such derivative instrument.

Mozambique

On 18 December 2019, the Group concluded a debt standstill agreement with its seven lenders in Mozambique (the Mozambique Lender Group), having commenced the negotiations in May 2019 to refinance the Mozambique debt facilities. The refinancing of the Mozambique debt facilities has been agreed with the Mozambique group lenders and a credit approved term sheet was signed on 26 June 2021.

Furthermore, the maturity date of the debt standstill agreement that was concluded with the Mozambique group lenders on 18 December 2019, was on 7 July 2021, extended from 30 June 2021 to 31 July 2021. Long-form agreements are well progressed, and the refinancing of the Mozambique debt facilities is expected to be concluded by 15 July 2021. Refer to Note 33 Events occurring after the reporting period for further details relating to refinancing of the facilities in Mozambique.

The short-term liquidity facility of R182 million that was outstanding at 31 March 2020 was fully repaid during the year and it is no longer available for drawdown. The facility was secured by a trade receivable from the sugar industry.

On 29 June 2020, the Group announced a sale and leaseback transaction whereby the Mozambican operations would dispose of their vehicle fleet to Unitrans Mozambique Limitada. An obligation of R91 million was recognised at inception of the lease and is repayable over the five year contractual lease term. The effective interest rate ranges from 44% to 52% as the initial recognition of the obligation does not account for the Mozambican operations' contractual right to request certain vehicles to be replaced annually, before expiry of the lease term, with a corresponding reduction in the rental charge and the lease obligation. Consequently, over the five-year period, the capital repayments to Unitrans will be lower than the initial obligation recognised. The proceeds from this transaction were used to repay the Mozambique Lender Group.

Encumbrances

Buildings, plant and machinery of the Mozambique subsidiaries with a book value of R1 506 million (2020: R1 925 million) are encumbered as security for the long-term borrowings and certain short-term borrowings totalling R606 million (2020: 694 million).

Zimbabwe

At 31 March 2020, the Group's borrowings in Zimbabwe totalled R89 million (2020: R230 million), as set out below:

- On 2 September 2020, Triangle Limited refinanced the outstanding term loan facility with an alternate lender. The new facility of R103 million (US$ 7.0 million) is repayable in monthly instalments up to and including November 2021. The loan bears interest at a floating rate of US LIBOR (3 month) plus 7.5% (March 2020: US LIBOR (3 month) plus 4.5%). The loan is secured by export trade receivables. While the interest rate is higher, the lender is able to support the Group through a more comprehensive banking relationship. The balance as at 31 March 2021 was R60 million (US$ 4.1 million) compared to R121 million (US$ 6.8 million) as at 31 March 2020.
- Hippo Valley Estates Limited has access to annually renewable ZWL denominated overdraft facilities of R56 million to support the peak working capital requirement of the sugar season. At 31 March 2021, these facilities were not utilised (2020: R14 million was utilised).
- The Lowveld Sugarcane Development Trust raised term loans totalling R24 million (2020: R95 million) to partially fund a 4 000 hectare expansion of the area under cane that supplies the Group's two sugar mills. The loans are repayable by 31 March 2024, bear interest at fixed rates of between 40% and 48%, and are secured by a "crop stop order" over the proceeds from the sale of the sugarcane.

17. POST-RETIREMENT BENEFITS

Pension and provident fund schemes

The Group contributes towards retirement benefits for substantially all permanent employees who, depending on preference or local legislation, are required to be members of either a Tongaat Hulett scheme or a designated industry or state schemes. The Tongaat Hulett schemes are defined contribution schemes and are governed by the relevant retirement fund legislation. The scheme assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and, with the exception of any employer surplus account, are held separately from those of the Group. The schemes are administered by boards of trustees, each of which includes both employer and elected employee representatives.

The latest audited financial statements of the Group's defined contribution schemes reflect a satisfactory state of affairs. Contributions of R110 million were expensed during the year (2020: R139 million). The Group has no further payment obligation once the contributions have been paid.

Post-retirement medical aid benefits

In the South African operations, the obligation to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 30 June 1996. However, a number of pensioners and current employees remain entitled to this benefit. The entitlement to this benefit for these current employees is dependent upon the employee remaining in service until retirement. The expected contributions for South Africa for the 2022 financial year are R39 million.

The Zimbabwean operations subsidise 100% of the medical service costs incurred by a pensioner and/or a pensioner's dependents, provided the services are obtained from the operation's own medical facilities. The expected contributions for Zimbabwe for the 2022 financial year are R1.8 million.

In Mozambique, Tongaat Hulett Açucareira de Xinavane, S.A. subsidises the medical contributions in respect of its pensioners. The expected contributions for Mozambique for the 2022 financial year are R1.2 million.

Retirement gratuities

The South African and Zimbabwean operations have historically made payments on retirement to eligible employees who have remained in service until retirement and completed a minimum service period of ten years.

In 2019, the eligibility for this benefit in the South African operations changed and was restricted to employees who, on 1 April 2019, were over the age of 55 years and had completed at least ten years of continuous service. In 2020, the retrenchment of employees in the South African operations was treated as a further curtailment of retirement gratuity benefit, the effect of which resulted in a reduction in the retirement gratuity provision in 2020 of R16 million. There was no curtailment in the 2021 financial year. The expected contributions for South Africa for the 2022 financial year are R1.1 million.

In Zimbabwe, the impact of hyperinflation on actual salary increases was larger than what was assumed in the March 2020 valuation, contributing to a remeasurement of R47 million. The resultant increase in the provision was offset by a monetary gain of R69 million. The expected contributions for Zimbabwe for the 2022 financial year are R0.2 million.

Settlement of post-retirement obligations of Starch Business

Pursuant to the sale of the Starch Business as a going concern, employees were transferred to the purchaser in accordance with Section 197 of the Labour Relations Act with terms and conditions on the whole no less favourable. As KLL Group could not offer retirement gratuity or post-retirement medical funding benefits to eligible employees and pensioners of the Starch Business, it was agreed that an amount of R96 million would be included in the purchase price for the Starch Business and paid to the Company to compensate it to retain this obligation. The Company intends to settle the Starch pensioners' medical aid contributions as and when they fall due. In respect of the eligible employees, the Company agreed to settle the obligation at an amount of R60 million which was funded by a cash payment of R33 million and a transfer of R27 million from the employer surplus account (i.e. as a pension fund credit enhancement for the employee).

As a result of the above, a settlement loss arose as the settlement amounts paid by the Company to the eligible employees as at 31 October 2020 were higher than the post-retirement benefits provision recognised. The settlement amount was higher as it included an allowance for future service and a 10% enhancement to the benefit.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

17. POST-RETIREMENT BENEFITS CONTINUED

An actuarial valuation of all post retirement obligations is performed annually. The movements in the post-retirement benefits is as follows:

	GROUP					
	31 March 2021			31 March 2020		
R million	Post-retirement medical aid benefits	Retirement gratuities	Total	Post-retirement medical aid benefits	Retirement gratuities	Total
Balance at the beginning of the year	**434**	**121**	**555**	540	103	643
Net income statement charge	**23**	**6**	**29**	48	(7)	41
Current service costs	**1**	**3**	**4**	4	3	7
Curtailment gain	**–**	**–**	**–**	–	(16)	(16)
Settlement payment	**(45)**	**(15)**	**(60)**	–	–	–
Settlement loss	**22**	**2**	**24**	–	–	–
Interest cost	**45**	**16**	**61**	44	6	50
Employer contributions	**(40)**	**(11)**	**(51)**	(43)	(11)	(54)
Remeasurement of net defined benefit obligations	**107**	**44**	**151**	32	253	285
From changes in financial assumptions	**31**	**1**	**32**	(39)	–	(39)
From changes in demographic assumptions	**1**	**–**	**1**	(4)	–	(4)
From changes in experience items	**75**	**43**	**118**	75	253	328
Foreign currency translation, including the effect of hyperinflation	**(61)**	**(84)**	**(145)**	(143)	(217)	(360)
Balance at the end of the year	**463**	**76**	**539**	434	121	555
Analysed as follows:						
Non-current	**421**	**74**	**495**	392	112	504
Current	**42**	**2**	**44**	42	9	51

	COMPANY					
	31 March 2021			31 March 2020		
R million	Post-retirement medical aid benefits	Retirement gratuities	Total	Post-retirement medical aid benefits	Retirement gratuities	Total
Balance at beginning of the year	**380**	**33**	413	420	53	473
Net income statement charge	**17**	**(10)**	7	41	(10)	31
Current service costs	**1**	**1**	2	2	2	4
Curtailment gain	**–**	**–**	–	–	(16)	(16)
Settlement payment	**(45)**	**(15)**	(60)	–	–	–
Settlement loss	**22**	**2**	24	–	–	–
Interest cost	**39**	**2**	41	39	4	43
Employer contributions	**(37)**	**(8)**	(45)	(36)	(9)	(45)
Remeasurement of net defined benefit obligations	**20**	**(2)**	18	(45)	(1)	(46)
From changes in financial assumptions	**31**	**1**	32	(39)	–	(39)
From changes in demographic assumptions	**–**	**–**	–	(3)	–	(3)
From changes in experience items	**(11)**	**(3)**	(14)	(3)	(1)	(4)
Balance at the end of the year	**380**	**13**	393	380	33	413
Analysed as follows:						
Non-current	**341**	**11**	352	342	24	366
Current	**39**	**2**	41	38	9	47

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

17. POST-RETIREMENT BENEFITS CONTINUED

The assumptions utilised in the valuation of the post-retirement benefits are as follows:

	South Africa		Zimbabwe		Mozambique	
R million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Post-retirement medical aid benefits						
Discount rate (%)	**10.4%**	11.8%	**63.0%**	54.5%	**8.2%**	8.4%
Healthcare cost inflation rate (%)	**8.0%**	8.2%	**60.5%**	52.3%	**6.9%**	6.0%
Weighted average duration of the obligation (years)	**8.2**	8.5	**16.8**	18.0	**6.3**	6.2
Retirement gratuities						
Discount rate (%)	**6.7%**	8.8%	**63.0%**	54.5%		
Salary inflation rate (%)	**5.0%**	6.2%	**61.0%**	51.0%		
Weighted average duration of the obligation (years)	**4.0**	4.0	**10.6**	8.7		

Sensitivity analysis

The sensitivity analysis below has been provided by the local actuaries based on changes in the assumptions occurring at the end of the year, assuming that all other assumptions are held constant and the effect of the interrelationships is excluded. The effect on the obligation is as follows:

		2021		2020	
R million	**Change in assumption**	**Increase**	**Decrease**	**Increase**	**Decrease**
Post-retirement medical aid benefits					
Group					
Discount rate	1%	**(33)**	**40**	(31)	36
Healthcare cost inflation rate	1%	**40**	**(35)**	37	(33)
Company					
Discount rate	1%	**(27)**	**31**	(27)	31
Healthcare cost inflation rate	1%	**31**	**(27)**	32	(28)
Retirement gratuities					
Group					
Discount rate	1%	**(6)**	**7**	(8)	9
Salary inflation rate	1%	**7**	**(6)**	8	(7)
Company					
Discount rate	1%	**(0.4)**	**0.5**	(1)	1
Salary inflation rate	1%	**0.5**	**(0.5)**	1	(1)

Key risks associated with post-retirement obligations

Post-retirement medical aid benefits:

- Higher than expected price inflation (to which medical cost/contribution increases are related).
- "Real" future medical aid cost/contribution inflation (i.e. the increase above price inflation) turns out higher than assumed.
- Members/pensioners changing medical aid plans to more expensive plans subject to maximum in terms of policy.
- Longevity – pensioners (and their dependants) living longer than expected in retirement.

Retirement gratuities:

- "Real" salary increases (i.e. the increase above price inflation) turn out higher than assumed.
- Large number of early retirements (normal or ill health) bringing forward gratuity payments.
- Fewer exits prior to retirement than expected (i.e. more people reach retirement than allowed for in terms of current demographic assumptions).

18. DEFERRED INCOME

	GROUP					
	31 March 2021			31 March 2020		
R million	**Contract Liabilities**	**Government Grants**	**Total**	**Contract Liabilities**	**Government Grants**	**Total**
Balance at beginning of the year	**194**	**88**	**282**	194	108	302
Additional liability recognised	**61**	**–**	**61**	100	–	100
Income recognised in the statement of profit or loss	**(34)**	**(20)**	**(54)**	(100)	(20)	(120)
Balance at end of the year	**221**	**68**	**289**	194	88	282
Analysed as follows:						
Non-current	**119**	**48**	**167**	47	68	115
Current	**102**	**20**	**122**	147	20	167
	221	**68**	**289**	194	88	282

	COMPANY	
R million	**31 March 2021**	**31 March 2020**
Balance at beginning of the year	**88**	108
Income recognised in the statement of profit or loss	**(20)**	(20)
Balance at end of the year	**68**	88
Deferred income is comprised of only 'government grants' for the Company		
Analysed as follows:		
Non-current	**48**	68
Current	**20**	20
	68	88

Further information

Contract liabilities

Contract liabilities represent the portion of the purchase consideration received from customers in respect of township property sales that is attributable to certain performance obligations inherent in the sales agreement which are yet to be satisfied. These performance obligations primarily relate to the installation of internal engineering services (commonly referred to as basic services) to the specific sites sold. To the extent that the internal engineering services are installed, and the performance obligations are fulfilled, revenue is recognised with a corresponding decrease in the liability.

It is anticipated that 46% (R 102 million) of the purchase consideration allocated to unsatisfied performance obligations as at 31 March 2021 will be recognised as revenue within the next twelve months. The remaining 54% (R 119 million) will be recognised in the 2023 financial year and beyond.

During 2021, the Group's installation programme was delayed by the COVID-19 pandemic and the related lockdowns which suspended all non-essential construction work. The extent to which revenue is recognised is dependent on the progress made on installing the internal engineering services and therefore could be adversely impacted by further delays caused by COVID-19 and any related suspension of economic activities by Government. A six-month delay in the installation programme would reduce the revenue expected to be recognised in the next financial year to R41 million.

Government grants

In March 2014, the Group secured R150 million from the Jobs Fund (managed by the Department of National Treasury of South Africa) in the form of a grant to develop cane in rural areas surrounding Tongaat Hulett sugar mills in South Africa. The grant required the Group to match the funding, including an additional 'in-kind' contribution and facilitated the planting of a further 10 971 hectares of sugarcane and creating 3 074 jobs in rural communities. As the grant relates to assets, the income will be released to the income statement over the useful life of the related assets which is estimated to be between 7 and 8 years.

19. PROVISIONS

	GROUP					
	31 March 2021			31 March 2020		
R million	Provision for Development Expenditure	Other Provisions	Total	Provision for Development Expenditure	Other Provisions	Total
Balance at beginning of the year	**1 370**	**8**	**1 378**	1 335	8	1 343
Additional provision recognised	**44**	**143**	**187**	14	–	14
Utilised during the year	**(82)**	**–**	**(82)**	(72)	–	(72)
Unwinding of discount	**124**	**–**	**124**	130	–	130
Transfer from deferred taxation	**–**	**100**	**100**	–	–	–
Changes in the discount rate and expected future cash flows						
– Charged to profit and loss	**(52)**	**–**	**(52)**	(13)	–	(13)
– Charged to inventory	**(48)**	**–**	**(48)**	(24)	–	(24)
Balance at end of the year	**1 356**	**251**	**1 607**	1 370	8	1 378
Analysed as follows:						
Non-current	**1 016**	**108**	**1 124**	682	8	690
Current	**340**	**143**	**483**	688	–	688
	1 356	**251**	**1 607**	1 370	8	1 378

	COMPANY	
R million	31 March 2021	31 March 2020
Balance at beginning of the year	**8**	8
Additional provision recognised	**143**	–
Utilised during the year	**–**	–
Unwinding of discount	**–**	–
Balance at end of the year	**151**	8
Analysed as follows:		
Non-current	**8**	8
Current	**143**	–
	151	8

Further information

Development expenditure

When the Group sells a township property it is responsible, both contractually and in terms of legislation, to provide engineering services to support the development of the land, and to deliver on various commitments made to customers in respect of the precinct as a whole (i.e. common costs). Engineering services and common costs are collectively referred to as development expenditure. The Group recognises a provision for the unavoidable costs to provide the common costs.

Engineering services are the systems for the provision of water, sewerage, electricity, municipal roads, stormwater drainage and solid waste collection. Internal engineering services (commonly referred to as basic infrastructure) are the public infrastructure within the boundary of the land to be developed and are the responsibility of the Group. The Group recognises a provision for the estimated costs to provide the internal engineering services. External engineering services (commonly referred to as bulk infrastructure) are required to be installed outside the boundary of the land to be developed by the municipality. As the Group has regularly entered into cost-sharing arrangements with the municipality and assumed responsibility large portions of these bulk infrastructure obligations to stimulate development, a provision is raised for the Group's estimated contribution to these external engineering services.

The provision for development expenditure is allocated to the various components as follows:

R million	31 March 2021	31 March 2020
Internal engineering services (also known as basic services)	**438**	439
External engineering services (also known as bulk infrastructure)	**793**	774
Common costs (in respect of the precinct as a whole)	**125**	157
Total	**1 356**	1 370

19. PROVISIONS CONTINUED

The provision for the development expenditure represents the estimated cost to complete the required engineering services within precincts that are currently under development and where township property sales have commenced. The basis of estimating the provision for development expenditure is disclosed under *Critical estimates and judgements*.

Development expenditure is funded from the proceeds received from township properties already concluded and future township property sales within the precinct. The Group's general corporate borrowing facilities are utilised to fund any timing mismatch that arises.

It is anticipated that 25,1% (R 340 million) of the provision as at 31 March 2021 will be utilised during the next reporting period with the remaining 74,9% (R 1 016 million) being incurred in the 2023 financial year and beyond. The extent to which the provision is utilised is dependent on the progress made on obtaining the relevant planning rights and installing the engineering services and therefore could be adversely impacted by delays caused by COVID-19 and any related suspension of economic activities by Government. A six-month delay in obtaining the planning approvals and/or the installation programme would result in a reduction in the total provision of R43 million (i.e. due to discounting), while current portion of the provision would reduce from R340 million to R94 million.

Sensitivity analysis

Reasonably possible changes at the reporting date to any of the relevant assumptions below, holding the other assumptions constant, would have affected the provision for development expenditure by the amounts shown below:

	2021		2020	
R million	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
1% increase in discount rate	**11.0%**	**(32)**	10.7%	(17)
1% decrease in discount rate	**11.0%**	**33**	10.7%	17
10% increase in Group's contribution to bulk infrastructure	**58%**	**75**	56%	77

Other provisions

Site restoration

Other provisions include an obligation of R8 million (2020: R8 million) for site restoration and other environmental remediation relating to the closure of the Sorbitol plant by the Starch Business in 2018. The assets of the Sorbitol plant have been fully impaired and, together with the site restoration obligation, did not form part of the assets disposed of to KLL Group.

Refinery stock loss

The 2020/21 season-end stock count on 2 March 2021 identified a raw sugar stock loss of c.25 216 tons which, upon further investigation, was determined to be as a result of production inefficiencies at the refinery. The stock loss was split into two components: (i) locally produced raw sugar of 21 491 tons intended for refining and sale into the domestic market; and (ii) raw sugar purchased from the South African Sugar Association (SASA) of 3 725 tons intended for refining and sale into export markets.

The Company suffered a further stock loss of 2 220 tons between 3 March 2021 and the 31 March 2021 financial year end that will impact the 2021/22 season.

The outcome of the investigation into the stock loss was communicated to SASA post the finalisation and distribution of the industry proceeds for the 2020/21 season. Consequently, the Company inadvertently declared saleable sugar production (525 297 tons) and a share of industry (26.0%) that were overstated and was paid too high a share of the industry proceeds on that basis. Saleable sugar production should have been 503 806 tons (i.e. 21 491 tons lower) with the share of industry equating to 25.2%. For context, in the 2019/20 season the Company's saleable sugar production was 592 983 tons (26.8% share of industry).

The Company has made representations to SASA concerning alternate options to adjust the industry proceeds for the sugar loss. SASA has appointed a sub-committee of the Finance and Administration Committee to review the options at hand. Due to the uncertainty of both the timing and amount, a provision of R130 million has been recognised for the financial impact of a 0.8% reduction in the Company's share of the industry for the 2020/21 season.

A further provision of R13 million has been recognised in respect of the stock loss, that occurred between 3 March 2021 and 31 March 2021. In total, R143 million has been recognised for the reduction in the Company's share of the industry caused by the stock loss.

Taxation

Other provisions include an amount of R100 million in respect of the Group's uncertain tax position arising from outstanding and unresolved tax matters, in particular within Mozambique where a tax query remains unresolved. The provision represents managements best estimate of the amount and likelihood of any potential liability. Refer to Note 25 *Taxation* for further details.

20. TRADE AND OTHER PAYABLES

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Trade payables	**1 053**	922	**500**	373
Accruals	**811**	708	**465**	401
Total trade payables	**1 864**	1 630	**965**	774
Income received in advance	**255**	315	**13**	36
Land sales	**217**	243	**13**	13
Sugar and other operations	**38**	72	**–**	23
Other payables	**303**	391	**115**	212
Accrual for leave pay	**73**	83	**41**	43
Utilities	**62**	61	**3**	2
Payroll related deductions	**53**	68	**27**	30
Interest accrual	**–**	69	**–**	69
Sundry[1]	**115**	110	**44**	68
Value added tax	**135**	157	**132**	133
Total	**2 557**	2 493	**1 225**	1 155

[1] *Sundry is comprised of numerous lower value items.*

Further information

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying amount approximates fair value because of the short period to settlement of these obligations.

Income received in advance

In respect of land sales, this represents deposits received from customers in terms of land sale agreements and land sale proceeds received directly by the Group (i.e. not through a conveyancing attorney) ahead of the transfer of the property to the purchaser and the related revenue recognition. During the year, R33 million was released upon the transfer of the properties to the customer, R8 million was refunded to customers where the property transaction could not be concluded and an additional R15 million was received in respect of property transactions that will be recognised in revenue in future years.

In respect of the sugar operations, income received in advance relates to advance payments received from customers in Zimbabwe to secure sugar stocks ahead of the physical delivery of the stock and the related revenue recognition.

21. REVENUE

The Group generates revenue primarily from the sale of land, sugar and other related products. Revenue is derived from the transfer of goods and services over time and at a point in time in respect of the following:

	Group		Company	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Revenue from contracts with customers is disaggregated below:				
Sugar operations				
South Africa	**5 896**	5 294	**6 212**	6 023
Sugar sales – local market	**5 042**	3 535	**5 042**	3 535
Sugar sales – export market	**852**	1 296	**1 168**	2 025
Sugar sales – redistribution	**(1 121)**	(506)	**(1 121)**	(506)
Molasses	**64**	169	**64**	169
Animal feeds	**1 059**	800	**1 059**	800
Zimbabwe	**6 031**	6 035	**–**	–
Sugar sales – local market	**4 703**	4 726	**–**	–
Sugar sales – export market	**836**	801	**–**	–
Ethanol	**402**	366	**–**	–
Molasses	**27**	83	**–**	–
Livestock and other	**63**	59	**–**	–
Mozambique	**1 810**	1 657	**–**	–
Sugar sales – local market	**1 151**	935	**–**	–
Sugar sales – export market	**497**	559	**–**	–
Refining fee	**88**	77	**–**	–
Molasses	**74**	86	**–**	–
Other SADC	**933**	1 451	**–**	–
Sugar sales – local market	**692**	1 217	**–**	–
Sugarcane sales	**235**	232	**–**	–
Livestock and other	**6**	2	**–**	–
Sub-total sugar operations	**14 670**	14 437	**6 212**	6 023
Land conversion and development	**248**	945	**–**	–
Township properties	**107**	529	**–**	–
Large land sales	**107**	316	**–**	–
Installation of engineering services	**34**	100	**–**	–
Starch operations	**2 494**	4 274	**2 379**	3 949
Starch and glucose – local markets	**1 880**	3 036	**1 765**	2 784
Starch and glucose – export markets	**179**	493	**179**	483
Co-products	**435**	745	**435**	682
Total revenue	**17 412**	19 656	**8 591**	9 972
Less: revenue from discontinued operations	**(2 494)**	(4 274)	**(2 379)**	(3 949)
Total revenue from continuing operations	**14 918**	15 382	**6 212**	6 023
Timing of revenue recognition				
At a point in time	**14 884**	15 282	**6 212**	6 023
Over time	**34**	100	**–**	–
	14 918	15 382	**6 212**	6 023

Revenue from contracts with customers has been further disaggregated into geographical regions. Refer to Note 1 *Segmental reporting*.

South African sugar sales–redistribution

The sugar millers within the South African sugar industry are allocated a pro-rata share of the local sugar market based on their saleable raw sugar production. Where a sugar miller sells sugar in excess of its share of the local market it is required to pay SASA an amount for this excess sugar for redistribution to the sugar miller who has underperformed with respect to their share of the industry local market. This redistribution mechanism ensures that all sugar millers have an equitable exposure to both local and export markets and ultimately receive a weighted average selling price for the sugar produced.

Land conversion and development revenue – installation of engineering services

Details of unfulfilled performance obligations in respect of the installation of engineering services are disclosed under contract liabilities in Note 18 *Deferred income*.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

22. OPERATING PROFIT

Profit from operations is arrived at after taking into account, among other items, those detailed below:

	Group		Company	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Depreciation of property, plant and equipment	**387**	583	**117**	227
Continuing operations	**387**	482	**117**	126
Discontinued operations	**–**	101	**–**	101
Depreciation of right-of-use assets	**64**	103	**14**	18
Continuing operations	**60**	96	**10**	11
Discontinued operations	**4**	7	**4**	7
Amortisation of intangible assets	**68**	57	**37**	40
Continuing operations	**68**	52	**37**	35
Discontinued operations	**–**	5	**–**	5
Employee costs	**2 773**	3 465	**1 313**	1 804
Continuing operations – Zimbabwe	**953**	918	**–**	–
Continuing operations – Other	**1 533**	2 061	**1 026**	1 323
Discontinued operations	**287**	486	**287**	481
Employee costs	**2 773**	3 465	**1 313**	1 804
Salaries and wages	**2 215**	2 522	**1 031**	1 230
Medical, risk and other employment benefits	**224**	217	**105**	126
Retrenchment and retirement costs	**56**	277	**27**	180
Annual and incentive bonus	**186**	329	**90**	202
Share-based payment expense	**(5)**	16	**(7)**	13
Contributions to post-retirement funds	**140**	164	**113**	123
Movement on employee benefit obligations	**(43)**	(60)	**(46)**	(70)
External auditors' remuneration	**47**	88	**21**	48
Continuing operations	**44**	82	**18**	43
Discontinued operations	**3**	6	**3**	5
External auditors' remuneration	**47**	88	**21**	48
Fee for current year audit and interim review	**38**	33	**17**	17
Fee in respect of prior year audit (approved in current year)	**7**	38	**3**	22
Other services	**1**	10	**1**	7
Disbursements	**1**	7	**–**	2
Charges for leases not capitalised in terms of IFRS 16	**112**	187	**110**	113
Continuing operations	**111**	184	**109**	110
Discontinued operations	**1**	3	**1**	3
Charges for leases not capitalised in terms of IFRS 16	**112**	187	**110**	113
Short-term leases not recognised in lease liabilities	**40**	54	**38**	54
Leases of low-value assets not included in short-term leases	**2**	3	**1**	3
Variable lease payment expenses not included in lease liabilities	**70**	130	**71**	56
Consulting fees	**134**	183	**105**	179
Continuing operations	**119**	161	**90**	157
Discontinued operations	**15**	22	**15**	22
Consulting fees	**134**	183	**105**	179
Technical services	**79**	24	**56**	22
Forensic investigation	**3**	59	**3**	59
Turnaround initiatives (i.e. debt restructuring, asset disposals)	**43**	97	**40**	97
Administrative and other services	**9**	3	**6**	1
Net foreign exchange losses/(gains)	**46**	403	**(33)**	(6)
Continuing operations – Zimbabwe	**50**	354	**–**	–
Continuing operations – Other	**3**	–	**(26)**	(4)
Discontinued operations	**(7)**	49	**(7)**	(2)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

22. OPERATING PROFIT CONTINUED

	Group		Company	
R million	**31 March 2021**	31 March 2020	**31 March 2021**	31 March 2020
Income from subsidiaries	**–**	–	**(936)**	(225)
Dividend received			**(841)**	(223)
Management fees			**(95)**	(2)
Net impairment loss on financial assets	**65**	63	**45**	119
Research and developments costs	**1**	18	**1**	1
Continuing operations	**–**	17	**–**	–
Discontinued operations	**1**	1	**1**	1
Loss/(profit) on disposal of plant, equipment and intangibles	**12**	(10)	**15**	(10)
Continuing operations	**12**	(10)	**15**	(10)
Discontinued operations	**–**	–	**–**	–
Write-off of inventory due to the SA Sugar stock loss	**205**	–	**205**	–
Biological assets – fair value loss/(gain)	**405**	(889)	**(9)**	13
Non-trading items				
Loss/(profit) on disposal of land, buildings and cane roots	**(7)**	4	**(7)**	5
Profit on disposal of land between Group entities	**–**	–	**(64)**	(334)
Profit on disposal of Tambankulu Estates Proprietary Limited	**(193)**	–	**(181)**	–
Profit on disposal of Tongaat Hulett (Namibia) (Proprietary) Limited	**(182)**	–	**–**	–
Loss on derecognition of cane roots and sharecropper arrangements	**2**	4	**2**	4
	(380)	8	**(250)**	(325)
Net impairment of non-financial assets				
Net impairment of property, plant and equipment:				
SA Sugar operations	**149**	–	**149**	–
Mozambique operations	**–**	4	**–**	–
Net impairment/(reversal of impairment) of other intangible assets:				
SA Sugar operations	**(10)**	–	**(10)**	–
	139	4	**139**	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

23. NET FINANCE COSTS

R million	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
Net finance costs comprise:				
Finance costs relating to financial instruments measured at amortised cost:				
Interest on borrowings and bank overdrafts	**1 099**	1 275	**877**	1 046
Interest on loans from Group companies	**–**	–	**21**	68
Interest on lease liabilities	**98**	45	**2**	3
Unwinding of discount on provisions	**185**	180	**41**	43
Other finance costs	**38**	47	**35**	18
Sub-total	**1 420**	1 547	**976**	1 178
Finance income relating to financial instruments measured at amortised cost:				
Interest income on bank deposits	**(13)**	(21)	**(9)**	(1)
Interest income on pension fund employer surplus	**(13)**	(57)	**(13)**	(57)
Other finance income	**(56)**	(18)	**(7)**	(2)
Sub-total	**(82)**	(96)	**(29)**	(60)
Net foreign exchange loss on foreign currency borrowings and lease liabilities:				
Exchange gains on foreign currency borrowings and lease liabilities	**(26)**	(164)	**–**	–
Exchange losses on foreign currency borrowings and lease liabilities	**271**	333	**–**	–
Sub-total	**245**	169	**–**	–
Total net finance costs	**1 583**	1 620	**947**	1 118

24. SHARE-BASED PAYMENTS

On 24 January 2020, shareholders approved a new equity-settled share-based payment plan, namely the Tongaat Hulett 2019 Conditional Share Plan which replaces the following share plans:

- Share Appreciation Right Scheme 2005.
- 2010 Tongaat Hulett Long-term Incentive Plan, comprising a performance and retention element.
- Deferred Bonus Plan 2005.

The Group's two Black Economic Empowerment (BEE) Share Ownership Plans continue to operate to a limited extent after the majority of grants made on 1 August 2007 vested on 1 August 2012.

The total share-based payment expense recognised in respect of the various employee share plans was R5 million (2020: R16 million). Share awards were made and exercised at various times and the average closing share price for the year was R7.08 (2020: R12.90).

Tongaat Hulett 2019 Conditional Share Plan (CSP)

The CSP is a long-term incentive structure for executive management and senior management. The purpose of the CSP is to ensure alignment of participants and shareholders by incentivising participants to enhance the performance of the Group, providing an opportunity for participants to share in the improved performance, and motivating participants to remain in the employ of the Group. Participation in the CSP is not a condition of employment and the Remuneration Committee has absolute discretion on making an award to a participant. CSP awards that vest may be settled by way of market purchases of shares for delivery to the participant, use of existing treasury shares, and the new issue of shares. While settlement in cash is permissible where it is not practical or possible to settle in shares, this will not be standard practice and the Group intends to settle all CSP awards by way of market purchases or the issue of new shares. Consequently, the Group will account for the CSP as an equity-settled transaction in terms of IFRS 2 *Share-based Payment*.

Awards are forfeited in the case of voluntary resignation, early retirement and dismissal with certain vesting conditions remaining in the case of normal retirement, sale of business, disability, retrenchment and death. Awards under the CSP will not exceed 5% of the number of ordinary shares in issue, with an individual participant limit of 1%.

The CSP makes provision for the following types of awards:

Performance shares	Annual awards that vest based on the satisfaction of predetermined, forward-looking performance conditions and continued employment for the duration of the three-year vesting period. Performance conditions include headline earnings growth, relative total shareholder return, and return on invested capital.
Bonus shares	Awards determined as a percentage of the annual short-term incentive and subject to the same three-year employment condition and vesting period.
Retention shares	*Ad hoc* awards made in specific instances with the intention of retaining key talent identified as instrumental to delivering the Group's business strategy. Retention awards are subject to four-year employment condition and vesting period.

24. SHARE-BASED PAYMENTS CONTINUED

Although no CSP awards have been granted during the 2021 financial year the service commencement date for certain bonus shares was 1 April 2020. These awards are accounted for as equity-settled. The awards are recognised over a four-year period being the year in which services were rendered and the three-year vesting period applicable from the grant date. The fair value of the awards is based on the estimated grant date fair value of the equity instruments which is calculated with reference to the deferred bonus accrued in respect of qualifying employees at 31 March 2021, taking into consideration the performance of the respective operations within the group for the year ended 31 March 2021, that will be settled in shares.

Once the grant date has been established (as the awards are still at the discretion of the Remuneration Committee) the fair value of each award will be determined with reference to the deferred bonus. There are no further performance conditions related to these awards after 31 March 2021. Management applied judgment in determining the service commencement date as the employees were aware of the general terms and conditions of the awards at the beginning of the 2021 financial year.

A share-based payment expense of R4.2 million has been recognised in respect of these awards during the 2021 financial year applying an annual forfeiture rate of 5%.

Share Appreciation Right Scheme 2005 (SARS)

The SARS is a long-term incentive for executive management, senior management and qualifying professional employees. Under the SARS, participating employees are awarded the right to receive shares equal to the difference between the exercise price and the grant price, less income tax payable on such difference. The employee therefore participates in the share price appreciation in the company. The exercise price and grant price are determined with respect to the volume weighted average price of the share on the exercise date and grant date. The number of awards expected to vest is conditional on the achievement of certain performance conditions. Once vested, the rights must be exercised by the 7th anniversary of the grant date to receive shares. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death.

There were no SARS awards during the 2021 financial year and no further awards will be made under the SARS. There is no expectation that any of the 805 115 unvested SARS awards at 31 March 2021 will vest.

				Outstanding rights					Vested and exercisable
Grant Date	**Financial year of grant**	**Grant price (Rand)**	**Fair value on grant date (Rand)**	**31 March 2020**	**Granted**	**Exercised**	**Lapsed/ forfeited**	**31 March 2021**	**31 March 2021**
29 May 2017	**2018**	**R115.85**	**R25.28**	**1 156 755**	**–**	**–**	**(1 156 755)**	**–**	**–**
20 September 2018	**2019**	**R74.08**	**R16.97**	**1 127 155**	**–**	**–**	**(322 040)**	**805 115**	**–**
Total				**2 283 910**	**–**	**–**	**(1 478 795)**	**805 115**	**–**

				Outstanding rights					Vested and exercisable
Grant Date	**Financial year of grant**	**Grant price (Rand)**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Exercised**	**Lapsed/ forfeited**	**31 March 2020**	**31 March 2020**
29 May 2012	2013	R110.21	R21.73	751 144	–	–	(751 144)	–	–
6 June 2016	2017	R113.41	R28.06	1 401 844	–	–	(1 401 844)	–	–
29 May 2017	2018	R115.85	R25.28	1 363 373	–	–	(206 618)	1 156 755	–
20 September 2018	2019	R74.08	R16.97	1 541 152	–	–	(413 997)	1 127 155	–
Total				5 057 513	–	–	(2 773 603)	2 283 910	–

Performance (vesting) conditions	An increase in headline earnings per ordinary share as determined by the Remuneration Committee. Retesting of the performance condition is not allowed.
Non-market performance conditions	Growth in headline earnings per share.
Market performance conditions	No market conditions.
Remaining option life:	2019 grant: 62 months, 2018: grant: 46 months
– Expected	2019 grant: 66 months, 2018: grant: 50 months
– Contractual	

Long-Term Incentive Plan 2005 (LTIP)

The LTIP is a long-term incentive for executive management, senior management and qualifying professional employees. Under the LTIP, participating employees are granted conditional awards. These awards are converted into shares on the achievement of performance conditions over a performance period. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death. There were no LTIP awards during the 2021 financial year and no further awards will be made under the LTIP. There is no expectation that any of the 451 962 unvested LTIP awards at 31 March 2021 will vest.

24. SHARE-BASED PAYMENTS CONTINUED

Grant Date	Financial year of grant	Fair value on grant date (Rand)	Outstanding and unvested conditional awards 31 March 2020	Granted	Settled	Lapsed/ forfeited	31 March 2021
29 May 2017	2018	R63.39	563 855	–	–	(563 855)	–
20 September 2018	2019	R33.53	623 368	–	–	(171 406)	451 962
Total			**1 187 223**	**–**	**–**	**(735 261)**	**451 962**

Grant Date	Financial year of grant	Fair value on grant date (Rand)	Outstanding and unvested conditional awards 31 March 2019	Granted	Settled	Lapsed/ forfeited	31 March 2020
6 June 2016	2017	R60.28	509 063	–	–	(509 063)	–
29 May 2017	2018	R63.39	664 568	–	–	(100 713)	563 855
20 September 2018	2019	R33.53	851 906	–	–	(228 538)	623 368
Total			**2 025 537**	**–**	**–**	**(838 314)**	**1 187 223**

Performance (vesting) conditions	2019 grant: 25% of the award will be subject to the Total Shareholder Return (TSR) condition, 25% to the Return on Capital Employed (ROCE), 25% to a sugar production condition and 25% to the operating cash flow condition. No retesting of the performance conditions is allowed. 2018 grant: 40% of the award will be subject to the TSR condition, 40% to the ROCE condition and 20% to a sugar production condition. No retesting of the performance conditions is allowed.
Non-market performance conditions	ROCE and sugar production, with the agricultural land sale condition used in earlier grants
Market performance conditions	TSR
Remaining option life: – Expected – Contractual	 2019 grant: 16 months, 2018: grant: 0 months 2019 grant: 18 months, 2018: grant: 2 months

Long-term Incentive Plan 2005–Retention awards (RLTIP)

The RLTIP is a long-term incentive for executive management, senior management and qualifying professional employees, but targeted at key and high potential employees for retention. Under the RLTIP, participating employees are granted conditional awards which are converted into shares after a required service period is completed. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death. RTLIP shares granted in 2016 to executives named in the findings of the PWC Investigation published by the Company have been withheld pending legal action. There were no RLTIP awards during the 2021 financial year and no further awards will be made under the RLTIP.

Grant Date	Financial year of grant	Vesting period (Years)	Fair value on grant date (Rand)	Outstanding rights 31 March 2020	Granted	Settled*	Lapsed/ forfeited	31 March 2021
28 May 2015	2016	4	R94.23	27 553	–	–	(27 553)	–
6 June 2016	2017	4	R102.07	107 708	–	(88 441)	(19 267)	–
29 May 2017	2018	4	R104.26	189 513	–	(12 843)	(68 170)	108 500
2 January 2018	2018	4	R102.27	15 000	–	–	–	15 000
20 September 2018	2019	4	R66.67	173 073	–	(8 456)	(58 917)	105 700
2 January 2018	2018	5	R99.61	15 000	–	–	–	15 000
Total				527 847	–	(109 740)	(173 907)	244 200

* *The weighted average share price related to shares issued to settle was R9.17.*

Grant Date	Financial year of grant	Vesting period (Rand)	Fair value on grant date (Rand)	Outstanding rights 31 March 2019	Granted	Settled*	Lapsed/ forfeited	31 March 2020
28 May 2015	2016	4	R94.23	143 598	–	(112 811)	(3 234)	27 553
6 June 2016	2017	4	R102.07	127 586	–	–	(19 878)	107 708
29 May 2017	2018	4	R104.26	232 200	–	–	(42 687)	189 513
2 January 2018	2018	4	R102.27	15 000	–	–	–	15 000
20 September 2018	2019	4	R66.67	232 700	–	–	(59 627)	173 073
2 January 2018	2018	5	R99.61	15 000	–	–	–	15 000
20 September 2018	2019	5	R61.69	15 000	–	–	(15 000)	–
Total				781 084	–	(112 811)	(140 426)	527 847

* *The weighted average share price related to shares issued to settle was R2.95.*

24. SHARE-BASED PAYMENTS CONTINUED

Performance (vesting) conditions	There are no performance (vesting) conditions other than the passage of time.
Non-market performance conditions	No non-market conditions.
Market performance conditions	No market conditions.
Remaining option life:	
– Expected – 4 year grant	2019 grant: 28 months, 2018 grants: 20 months (January 2018) and 13 months (May 2017); 2017 grant: 1 month
– Contractual – 4 year grant	2019 grant: 30 months, 2018 grants: 22 months (January 2018) and 15 months (May 2017); 2017 grant: 3 months
– Expected – 5 year grant	2019 grant: 39 months, 2018 grants: 31 months (January 2018) and 27 months (September 2017)
– Contractual – 5 year grant	2019 grant: 42 months, 2018 grants: 34 months (January 2018) and 30 months (September 2017)

Deferred Bonus Plan 2005 (DBP)

The DBP is a long-term incentive for selected executives. Under the DBP, participating employees purchase shares in the Company with a portion of their after-tax bonus. These pledged shares are held in trust by a third-party administrator for a qualifying three-year period. Provided the employee has not resigned, after three years the pledged shares are released from the trust and the employee is awarded with a matching number of shares in the Company. DBP shares granted in 2017 to executives named in the findings of the PwC Investigation published by the Company have been withheld pending legal action. There were no DBP awards during the 2021 financial year and no further awards will be made under the DBP.

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2020**	**Granted**	**Settled***	**Lapsed/ forfeited**	**31 March 2021**
30 May 2016	**2017**	**R104.47**	**21 883**	**–**	**–**	**(21 883)**	**–**
29 May 2017	**2018**	**R107.05**	**69 050**	**–**	**(33 391)**	**(35 659)**	**–**
Total			**90 933**	**–**	**(33 391)**	**(57 542)**	**–**

* *The weighted average share price related to shares issued to settle was R6.31.*

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Settled***	**Lapsed/ forfeited**	**31 March 2020**
30 May 2016	**2017**	**R104.47**	40 793	–	(18 910)	–	21 883
29 May 2017	**2018**	**R107.05**	83 617	–	-	(14 567)	69 050
Total			124 410	–	(18 910)	(14 567)	90 933

* *The weighted average share price related to shares issued to settle was R2.89.*

Performance (vesting) conditions	There are no performance (vesting) conditions other than the passage of time.
Non-market performance conditions	No non-market conditions.
Market performance conditions	No market conditions.
Remaining option life:	
– Expected	2018 grant: 0 months, 2017 grant: 0 months
– Contractual	2018 grant: 2 months, 2017 grant: 0 months

BEE Share Ownership Plans

Employee Share Ownership Plan (ESOP)

The ESOP was established to allow all permanent employees up to middle management based in South Africa to participate in the Company's 2007 BEE transaction. The majority of the shares vested in August 2012 and were transferred to the respective employees. The shares are held in the Tongaat Hulett Employee Share Ownership Trust. At 31 March 2021, the trust held 33 019 unallocated ordinary shares (2020: 32 008 shares). There was no share-based payment expense in respect of the years ended 31 March 2020 or 31 March 2021.

Management Share Ownership Plan (MSOP)

The MSOP was established to allow permanent South African historically disadvantaged senior management to participate in the Company's 2007 BEE transaction. The majority of the shares vested in August 2012 and were transferred to the respective employees. The shares are held in the Tongaat Hulett Management Share Ownership Trust. Unallocated shares held by the trust may be granted to qualifying management subject to a 5-year vesting period. No new shares are issued to the plan. Allocated shares that are forfeited prior to vesting become available for reallocation. At 31 March 2021, the trust held 166 045 unallocated ordinary shares (2020: 156 117 shares). The share-based payment expense in respect of the year ended 31 March 2021 was R1 million (2020: R1 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

24. SHARE-BASED PAYMENTS CONTINUED

In summary, the shares held by the Tongaat Hulett Management Share Ownership Trust consisted of the following:

Item	31 March 2020	Granted	Released*	Forfeited	31 March 2021
Unvested shares allocated (number of shares)	**94 500**	**–**	**(32 790)**	**(8 587)**	**53 123**
Unallocated shares (number of shares)	**156 117**	**–**	**(202)**	**10 130**	**166 045**
Total	**250 617**	**–**	**(32 992)**	**1 543**	**219 168**

* *The weighted average exercise price of the released shares was R8.44.*

Item	31 March 2019	Granted	Released*	Forfeited	31 March 2020
Unvested shares allocated (number of shares)	182 783	–	(30 819)	(57 464)	94 500
Unallocated shares (number of shares)	98 915	–	(262)	57 464	156 117
Total	281 698	–	(31 081)	–	250 617

* *The weighted average exercise price of the released shares was R2.37*

25. TAXATION

The taxation expense represents the sum of current taxation and deferred taxation. Taxation rates that have been enacted by the reporting date are used to determine the taxation balances.

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Current tax				
South African				
– Current year	**–**	1	**–**	–
– Prior year over provision	**–**	(46)	**–**	–
Foreign				–
– Current year	**579**	447	**–**	–
– Prior year under provision	**(1)**	–	**–**	–
Sub-total	**578**	402	**–**	–
Deferred tax				
South African				
– Current year	**90**	(140)	**124**	(219)
– Prior year (over)/under provision	**(6)**	32	**3**	(4)
– Tax losses not recognised	**178**	–	**178**	–
– Previously unrecognised deferred tax asset on tax losses	**–**	(272)	**–**	(113)
Foreign				
– Current year	**(204)**	320	**–**	–
– Prior year (over)/under provision	**(57)**	7	**–**	–
– Change in tax rate	**–**	(37)	**–**	–
– Tax losses not recognised	**107**	59	**–**	–
Sub-total	**108**	(31)	**305**	(336)
Withholding/non-resident tax	**82**	23	**64**	23
Taxation charge/(relief) for the year	**768**	394	**369**	(313)
Attributable to profit/(losses) from:				
Continuing operations	**259**	228	**(140)**	(467)
Discontinued operations	**509**	166	**509**	154
	768	394	**369**	(313)

25. TAXATION CONTINUED

The Group has elected to present a reconciliation between the product of the accounting profit multiplied by the South African tax rate and the total taxation charge/(relief) for the year, as well as a reconciliation between the South African statutory tax rate and the Group's effective tax rate.

	Group				Company			
	31 March 2021		31 March 2020		31 March 2021		31 March 2020	
R million	**%**	**R**	**%**	**R**	**%**	**R**	**%**	**R**
Profit/(loss) before taxation – continuing and discontinued operations		**3 488**		924		**3 444**		(681)
Tax using the South African statutory tax rate	**28.0%**	**977**	28.0%	259	**28.0%**	**964**	28.0%	(191)
Differences in statutory tax rates in foreign jurisdictions								
Zimbabwe[1]	**(0.9%)**	**(30)**	(3.1%)	(29)	**–**	**–**	–	–
Other[2]	**(0.2%)**	**(8)**	(0.6%)	(6)	**–**	**–**	–	–
Aggregate statutory base tax rate	**26.9%**	**939**	24.3%	224	**28.0%**	**964**	28.0%	(191)
Adjusted for:								
Disallowed finance costs	**1.2%**	**42**	9.5%	88	**1.2%**	**43**	(12.9%)	88
Non-deductible administrative penalties	**0.1%**	**5**	2.2%	20	**–**	**–**	(1.6%)	11
Dividends received from subsidiaries	**–**	**–**	–	–	**(6.8%)**	**(235)**	9.3%	(63)
Reduction of statutory tax rate in Zimbabwe[1]	**–**	**–**	(4.0%)	(37)	**–**	**–**	–	–
Exempt government grant income	**(0.2%)**	**(6)**	(0.6%)	(6)	**(0.2%)**	**(6)**	0.9%	(6)
Net monetary loss arising from hyperinflation	**4.6%**	**161**	36.1%	334	**–**	**–**	–	–
Miscellaneous non-deductible expenditure[3]	**1.0%**	**37**	4.0%	38	**0.3%**	**9**	8.5%	(58)
Portion of capital profits not subject to tax	**(20.3%)**	**(709)**	(7.6%)	(70)	**(18.9%)**	**(651)**	0.6%	(4)
Prior year (over)/under provision	**(1.8%)**	**(63)**	(0.8%)	(7)	**0.1%**	**3**	–	–
Current year tax losses not recognised	**8.2%**	**285**	6.4%	59	**5.2%**	**178**	–	–
Previously unrecognised deferred tax asset on tax losses	**–**	**–**	(29.4%)	(272)	**–**	**–**	16.6%	(113)
Share of profit from associates	**(0.1%)**	**(5)**	–	–	**–**	**–**	–	–
Withholding/non-resident tax	**2.4%**	**82**	2.5%	23	**1.9%**	**64**	(3.4%)	23
Tax using the effective rate of taxation	**22.0%**	**768**	42.6%	394	**10.8%**	**369**	46.0%	(313)

[1] *In Zimbabwe the statutory tax rate reduced from 25.75% to 24.72% with effect from 1 April 2020. The Zimbabwe operations contributed to a reduction in the Group's effective tax rate for the 2021 financial year of 0.9%.*

[2] *The statutory tax rates of the other jurisdictions in which the Group's operations are located: Mozambique 32%, Eswatini 27.5%, Botswana 22%, Namibia 32%, Australia 30%, and Portugal (holding company) 21%. The operations in Eswatini, Namibia and Australia were disposed of and only contributed to the Group's taxable income up until the effective date of the transaction. In total, these operations reduced the Group's effective tax rate by 0.2%. The movement year-on-year is dependent on the contribution of each entities' profits to the overall Group.*

[3] *Miscellaneous non-deductible expenditure includes capital expenses and other expenses not incurred in the production of income, including legal costs, professional fees, donations, entertainment and various employee allowances.*

The Group has considered IFRIC 23 *Uncertainty Over Income Tax Treatments* when assessing its tax obligations in respect of a number of uncertain tax positions as discussed below in addition to certain other disputes with the revenue authorities.

Zimbabwe

The Group's operations in Zimbabwe have a number of disputed or unresolved tax issues with the Zimbabwe Revenue Authority (ZIMRA). The total tax exposure on all disputed and unresolved tax matters totals R16 million including penalties and interest (2020: R63 million). of which the full amount recognised as a liability (2020: R63 million). At 31 March 2021, the full tax exposure had been paid to ZIMRA while the dispute processes are progressed (2020: R28 million). As the Group's objections to ZIMRA's assessments have been rejected, the matters are to be resolved through the Zimbabwe courts. Once a dispute reaches the court process, the Group recognises the tax liability for the full value of the tax under dispute, net of any amount paid in terms of the dispute process. In the event that the court finds in favour of the Group, the liability will be derecognised, and a refund of any tax is pursued.

A summary of the material tax disputes is as follows:

- ZIMRA contends that the Group provides a milling service on behalf of third-party farmers on which VAT should be levied. The Group maintains that it purchased the sugarcane from third-party farmers in terms of a cane purchase agreement, an activity that does not attract VAT (i.e. sugar is a zero-rated supply). Judgement was passed by the Fiscal Court of Appeals in favour of the Group, ZIMRA appealed to the Supreme Court.
- The Group's subsidiary, Zimbabwe Sugar Sales (Private) Limited (ZSS), operates as the sales agent for the two sugar mills on a cost recovery basis, with all income being taxed in the hands of the two sugar mills and third-party growers. ZIMRA deemed that ZSS should have earned a notional 5% commission and has raised an assessment on the entity. ZIMRA's decision was upheld by the Fiscal Court of Appeals and ZSS has appealed to the Supreme Court. The case awaits the hearing date from the court.

25. TAXATION CONTINUED

Mozambique

The Mozambique Revenue Authority (MRA) raised a notification of audit findings of R546 million (2020: R665 million) whereby it disallowed certain capital expenditure related to the 2009 expansion of the sugar mill owned by the Group's subsidiary, Tongaat Hulett Açucareira de Xinavane, S.A. (Xinavane), due to its alleged failure to provide documentary evidence in support thereof. The company submitted documentation in October 2017 and has yet to receive a response. Following the reversal of various costs capitalised to this project as part of the restatement of the 31 March 2018 annual financial statements, the Group considers it probable that there will be a resultant reduction in this tax exposure and that any further supporting documentation can be provided.

South Africa

Arising from the restatement of the financial statements, both the Company and its subsidiary (Tongaat Hulett Developments Proprietary Limited (THD)) filed applications via the South African Revenue Service's (SARS) Voluntary Disclosure Program (VDP) to regularise the tax obligations for the 2016, 2017 and 2018 years of assessment. The VDP applications were accepted and the necessary agreements signed. The Company's assessed loss was formally reduced by SARS by R1 114 million and the conclusion of the VDP agreement resulting in a saving of penalties of R194 million. In respect of THD, the VDP agreement increased taxable income by R33 million (but resulted in a saving of penalties of R5 million) and the resultant payment of R12 million (including interest of R3 million) was offset from a tax refund owing. The financial effects of the VDPs were accounted for in the Annual Financial Statements for the year ended 31 March 2018 as part of the restatements.

Group

As a result of the substantial prior period errors corrected in the annual financial statements for the year ended 31 March 2019, an element of uncertainty on the various revenue authorities' response thereto has created uncertain tax positions. Management considered the possible tax implications of these adjustments as part of the restatements and continue to engage with the relevant tax authorities.

26. DIVIDENDS

In view of the Group's current financial status, the Board has determined that no dividend should be declared for the 2021 financial year (2020: none). It is also envisaged that no further dividends will be declared until the Company has sufficiently reduced its borrowings to a sustainable level in line with the agreement with the South African lender group.

Dividends were paid to the non-controlling shareholders of the following subsidiaries:

R million	31 March 2021	31 March 2020
Hippo Valley Estates Limited (Zimbabwe)	**33**	–
Mutirikwi Sugar Company (Zimbabwe)	**13**	21
Tongaat Hulett (Botswana) Proprietary Limited	**22**	16
Tongaat Hulett (Namibia) Proprietary Limited	**114**	15
Total	**182**	52

The dividend paid to non-controlling shareholder of Tongaat Hulett (Namibia) Proprietary Limited increased as its sugar packaging and distribution business was distributed to its shareholders.

27. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated based on the net profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.

Headline earnings/(loss) per share is calculated based on the headline earnings/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares in issue. The JSE Listings Requirements require the calculation of headline earnings/(loss) and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings/(loss) per share. Headline earnings/(loss) is not an IFRS measurement or disclosure requirement. The calculation of headline earnings/(loss) is detailed in Circular 1/2019 issued by the South African Institute of Chartered Accountants Accounting Practices Committee.

Reconciliation of earnings/(loss) used in the calculation of earnings per share

	Group					
	31 March 2021			31 March 2020		
R million	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
The calculation of basic and headline earnings per share is based on:						
(Loss)/profit attributable to owners of Tongaat Hulett	**(929)**	**3 348**	**2 419**	(286)	406	120
Adjusted for:						
(Profit)/loss on disposal of land, cane roots and buildings	**(7)**	**–**	**(7)**	4	–	4
Tax effect of profit/(loss) on disposal of land, cane roots and buildings	**4**	**–**	**4**	(1)	–	(1)
Impairment loss on land, cane roots and buildings	**7**	**–**	**7**	–	–	–
Tax effect of impairment loss on land, cane roots and buildings	**–**	**–**	**–**	–	–	–
Loss/(profit) on disposal of property, plant and equipment	**13**	**–**	**13**	(14)	–	(14)
Tax effect of (loss)/profit on disposal of property, plant and equipment	**(6)**	**–**	**(6)**	4	–	4
Impairment loss on property, plant and equipment	**142**	**–**	**142**	4	–	4
Tax effect of impairment loss on property, plant and equipment	**(42)**	**–**	**(42)**	(1)	–	(1)
Loss on disposal of intangible assets	**3**	**–**	**3**	6	–	6
Tax effect of loss on disposal of intangible assets	**(1)**	**–**	**(1)**	(1)	–	(1)
Reversal of impairment loss on intangible assets	**(10)**	**–**	**(10)**	–	–	–
Tax effect of reversal of impairment loss on intangible assets	**3**	**–**	**3**	–	–	–
Profit on disposal of discontinued operation	**–**	**(3 498)**	**(3 498)**	–	–	–
Tax effect of profit on disposal of discontinued operation	**–**	**408**	**408**	–	–	–
Profit on disposal of other businesses	**(376)**	**–**	**(376)**	–	–	–
Tax effect of profit on disposal of businesses	**–**	**–**	**–**	–	–	–
Non-controlling interest	**90**	**–**	**90**	–	–	–
Headline (loss)/earnings attributable to owners of Tongaat Hulett	**(1 109)**	**258**	**(851)**	(285)	406	121

Weighted average number of shares utilised in the earnings per share calculations:

	Group	
Number of Shares – Thousands	**31 March 2021**	**31 March 2020**
The weighted average number of ordinary shares used in calculating basic earnings per share	**134 846**	134 820
Potential ordinary shares in issue at beginning of year relating to employee incentive schemes	**643**	138
The weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**135 489**	134 958

27. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED

The Group has potential ordinary shares held by the Employee Share Option Trust and the Management Share Option Trust that have not vested or have not been allocated. In addition, contingently issuable shares are held by employees in terms of various employee incentive schemes. All plans and schemes are anti-dilutive for both the years ended 31 March 2021 and 31 March 2020 as the Group has recognised a loss from continuing operations.

	Group					
	31 March 2021			31 March 2020		
R million	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Earnings/(loss) per share						
Basic	**(689)**	**2 483**	**1 794**	**(212)**	**301**	**89**
Diluted	**(689)**	**2 483**	**1 794**	**(212)**	**301**	**89**
Headline earnings/(loss) per share						
Basic	**(822)**	**191**	**(631)**	**(211)**	**301**	**90**
Diluted	**(822)**	**191**	**(631)**	**(211)**	**301**	**90**

28. RISK MANAGEMENT

28.1. Capital Risk Management

With high levels of borrowings in South Africa and Mozambique, the Group's primary objective is to manage its capital structure to provide stability to the business and ensure that its operations are able to continue as a going concern (refer to Going Concern note in the 'Basis of Preparation'). Once borrowing levels have reduced sufficiently, the Group plans to optimise each material operations' capital structure such that borrowings are located in close proximity to the assets and cash flows required to service that debt. Consequently, the Group will avoid borrowing funds in South Africa for equity investments (direct, or indirect through unpaid intercompany balances) into foreign operations. The Group will no longer cross-subsidise underperforming operations without a robust remedial turnaround plan in place. In doing so, the Group aims to reduce its cost of capital, provide acceptable returns for shareholders and benefits for other stakeholders.

In assessing the adequacy of the capital structure, the Group recognises the need for relatively low gearing given that sugar is a commodity and is exposed to both market price risk and volatility caused by weather (e.g. drought). In addition, the seasonal nature of the sugar business has meant that the borrowings position at 31 March is historically the lowest in the financial year. To provide a holistic review of the capital structure, careful consideration is given to the movements in average borrowing levels year-on-year.

The Group's capital risk management has largely been focussed on the following:

1. Delivering on the debt reduction milestones and concluding a further refinance of the current South African borrowing facilities. The principle underpinning the debt refinance was to negotiate a sustainable debt solution with longer dated facilities to create stability for the Group, and allocate the remaining debt to two separate payment-in-kind (PIK) instruments. The refinance was completed on 12 July 2021 and further details have been provided in Note 33 *Events occurring after the reporting date*.
2. Concluding the refinance of its debt in Mozambique for a two year period in order to provide the operation time to repay its debt from internally generated cash resulting from improved operational and financial performance. The refinancing of the Mozambique debt facilities has been agreed with the Mozambique group lenders and a credit approved term sheet was signed on 26 June 2021. Long form agreements are well progressed, and the refinancing of the Mozambique debt facilities is expected to be concluded by 15 July 2021. Further details have been provided in Note 33 *Events occurring after the reporting date*.
3. Preserving the value of capital in Zimbabwe from the impact of the hyperinflationary economy through *inter alia* initiatives to minimise cash holdings in Zimbabwe Dollars, by accelerating capital expenditure and projects, prepayments and advance purchases of raw materials.

With the distortion created by hyperinflation and constraints in repatriating cash balances, the Zimbabwe operation is excluded from the review of the Group's capital structure. The Zimbabwe operations have surplus cash balances are not geared and have seasonal facilities in place to meet the peak working capital requirement. The capital structure consists of net borrowings (borrowings as per Note 16 *Borrowings*, excluding Zimbabwe borrowings as per Note 32 *Reporting on the Zimbabwe Operations* and deducting cash balances available to reduce revolving credit facilities as per Note 12 *Cash and Cash Equivalents*) and equity (comprising issued share capital, reserves and non-controlling interests). The following ratios are used to determine the adequacy of the capital structure:

		Target	**31 March 2021**	**31 March 2020**
Leverage ratio[1]	Group (excl. Zimbabwe)	Below 2.0x	**9.8**	15.7
	South Africa	Below 2.0x	**Note 3**	Note 3
	Mozambique	Below 2.0x	**2.6**	4.9
Interest cover ratio[2]	Group (excl. Zimbabwe)	Above 3.0x	**0.5**	0.5
	South Africa	Above 3.0x	**Note 3**	Note 3
	Mozambique	Above 3.0x	**1.4**	1.2

[1] *"Total borrowings" (excluding Zimbabwe) less "Cash balances available for debt reduction" divided by "Adjusted EBITDA" (including dividends from Zimbabwe in respect of the Group and South African ratios).*
[2] *"Adjusted EBITDA" (excluding Zimbabwe) divided by "Net financing costs" (excluding Zimbabwe and foreign exchange differences).*
[3] *As a result of the South African operations recording a loss at 'Adjusted EBITDA' level, the resultant ratios were not meaningful.*

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management

Financial risk remains a key component of the group's risk universe. As with other important categories of risk, financial risk is coordinated through the group's enterprise risk management approach. This unified approach seeks to identify and mitigate those threats that could have the greatest impact on the achievement of the business's core objectives.

To ensure the effective management of the group's financial risk profile, both a qualitative and quantitative risk appetite has been set. In the year ahead, the risk appetite will be further entrenched so as to bolster financial decision making and provide the necessary comfort that the group's financial objectives will be achieved.

While the Group is focused on managing both solvency and liquidity risks, its main risk exposure relates to liquidity risk. Management monitors liquidity risk daily by forecasting cash flows over a twelve-month time horizon and assessing the Group's ability to settle its debt obligations, taking into consideration the likelihood of turnaround strategies and possible key initiatives in achieving debt reduction milestones.

The following table summarises the carrying amounts of financial instruments recorded at 31 March and sets out the Group's classification of each class of financial assets and liabilities, as well as a comparison to their fair values.

The different fair value levels are described below:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for foreign currency forwards–the present value of future cash flows based on the forward exchange rates at the balance sheet date
- for foreign currency options – option pricing models; and
- for other financial instruments – discounted cash flow analysis.

		GROUP		COMPANY	
R million	**Fair value level**	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Financial assets					
Measured at amortised cost:					
Other non-current assets[1]		**15**	32	**8**	18
Trade and other receivables[2,3]		**1 376**	739	**924**	355
Cash and cash equivalents[4]		**629**	1 242	**177**	762
Fair value through profit or loss:					
Derivative financial instruments – forward exchange contracts	1	**7**	–	**7**	–
Total		**2 027**	2 013	**1 116**	1 135
Financial liabilities					
Measured at amortised cost:					
Trade and other payables[2,5]		**2 349**	2 253	**1 052**	979
Borrowings[6]		**7 199**	12 596	**6 006**	10 937
Total		**9 548**	14 849	**7 058**	11 916

The above table includes only financial assets and liabilities and thus values may differ to the balances of similarly classified items in the balance sheet.

[1] *Other non-current assets exclude the pension fund employer surplus account and lease incentives (non-current portion).*
[2] *The fair value of these instruments approximates their carrying amount, due to their short-term nature.*
[3] *Trade and other receivables exclude VAT receivable, prepayments and lease incentives (current portion).*
[4] *The carrying amount of cash and cash equivalents approximates fair value.*
[5] *Trade and other payables exclude VAT payable and leave pay accruals.*
[6] *As the majority of the Group's borrowings are due within twelve months and bear interest are variable rates, the fair value thereof approximates the carrying amount.*

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management continued

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Credit risk management and exposure

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, other loans at amortised cost and derivative financial instruments. The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 31 March 2021. The gross carrying amount of the Group's financial assets best represents its maximum exposure to credit risk.

The Group's considers its maximum exposure to credit risk to be:

R million	31 March 2021	31 March 2020
Cash and cash equivalents	**629**	1 242
Trade and other receivables	**1 376**	739
Derivative financial assets	**–**	–
Other non-current assets (other loans at amortised cost)	**15**	32
	2 020	**2 013**

The financial instruments above do not represent a concentration of credit risk because the Group deals with a variety of major banks, and its trade receivables and loans are spread among a number of major industries, customers and geographic areas. The Group evaluates its concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate largely in independent markets. In addition, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, with the exception of the DNA in Mozambique. The Group defines counterparties as having similar characteristics if they are related entities.

Cash and cash equivalents and derivative financial assets

The credit risk on cash balances and derivative financial instruments is limited because the majority of cash balances have been placed with counterparties that are reputable banks with investment-grade credit ratings. In Zimbabwe and Mozambique, the availability of credit rating information is limited. In these cases, the Group endeavours to deposit money with financial institutions that have a strong affiliation with a recognised, investment-grade international or South African financial institution. In Zimbabwe, the Group also takes into consideration the credit ratings of Zimbabwe financial institutions provided by Global Credit Rating Co Proprietary Limited using a Zimbabwe-specific credit rating scale. At 31 March 2021, the Group has cash balances of R283 million (2020: R110 million) with financial institutions where a credit rating cannot readily be determined or that are rated below investment grade. As a result of the long-established banking relationships with these institutions, no credit loss has been recognised.

Trade and other receivables

Credit risk on land sales is limited as revenue is recognised on the date the property is transferred to the purchaser which coincides with the receipt of the full land proceeds. In exceptional circumstances, when the property is transferred before full payment is received, a mortgage bond is registered against the title deed in favour of the Group. The Group has certain legacy debtor arrangements where title to the property has already transferred to the purchaser, a portion of the proceeds remains unpaid and its recoverability remains in doubt or the amount owing is disputed. In such circumstances, the Group continues to pursue the full recovery of the amount but has made an allowance for an expected credit loss equal to amount disputed.

Credit risk relating to sugar operations is limited for the following reasons:

a) South African sugar operations:

   Before a customer is granted credit, or a credit limit is increased, the necessary credit checks are undertaken through credit bureaus to determine the customer's credit quality and an appropriate credit limit. Third-party debtor monitoring has been implemented to proactively identify any potential changes to the credit profile of the operation's customers. To mitigate the risk of non-payment due to insolvency, protracted default (i.e. the amount remains owing for more than six months) or business rescue proceedings, the operation has a credit insurance policy that covers 80% of any credit loss. At 31 March 2021, 65% of the gross credit exposures were insured (2020: 83%). Where a debtor is not covered by the credit insurance policy (e.g. they have not provided financial statements to the insurer), a guarantee from a financial institution is required before credit is advanced. Including guarantees, 75% of the gross credit exposures were covered at 31 March 2021 (2020: 86%). Credit risk is further limited as payment terms are short, ranging from 7–14 days for sugar products and up to 30 days for non-sugar products.

b) Mozambique sugar operations:

   All local sugar sales are made to the DNA who settles the amount owing for the sugar within 7 to 14 days of production. The DNA utilises the sugar stocks purchased as security for the working capital facility required to settle the amount owing. The Group has an indirect exposure to the DNA borrowings through its investment in the DNA (refer to Note 6 *Investments in Associates and Joint Ventures*).

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management continued

***Trade and other receivables** continued*

c) Zimbabwe sugar operations:

With the hyperinflationary environment, credit terms provided to sugar debtors have reduced from 28 days in 2020 to an average of seven days. Some sugar debtors are on a prepayment and cash-on-delivery basis. Credit terms provided to other debtors average 30 days. Prior to granting any customer credit, or increasing credit limits, internal credit checks are undertaken to assess the customer's credit quality and determine an appropriate credit limit. Credit quality and limits are reviewed regularly by management.

Impairment considerations for these financial assets are detailed in Note 10 *Trade and Other Receivables*.

Other non-current assets

The Group's other loans at amortised cost have varying credit risks which have been taken into consideration in determining the expected credit loss. A breakdown of the key credit exposures is as follows:

a) Deferred purchase consideration

The Group is owed an amount of R 84 million in respect of the sale of shares in a property realisation company. During the 2021 financial year, the Group entered into a settlement agreement, with amounts not recoverable being written off. The balance has been fully provided for within lifetime expected credit losses.

b) Grower loans

The repayment of these loans occurs as a deduction from the proceeds payable to the grower on delivery of their sugarcane to the mill. Therefore, credit risk is limited to the extent that the grower continues to honour their obligations in terms of the cane supply agreement.

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group was exposed to commodity risk prior to the disposal of the Starch Business.

The Group's risk management policy explicitly forbids the use of financial or commodity derivatives (outside its risk management framework of mitigating financial and commodity risks) for speculative purposes and all derivative instruments must be supported by underlying transactions. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates.

The Group presents its financial statements in South African Rand and is therefore exposed to foreign currency translation risk, largely from its Mozambique and Zimbabwean operations. Changes in foreign currency exchange rates impact the translation into South African Rand of both the income statement and net assets of these foreign operations.

In the normal course of business, the Group enters into transactions denominated in foreign currencies. The Group's foreign currency exposure primarily arises from the export of sugar products to regional and global markets, foreign currency denominated borrowings raised in-country, as well as unpaid intercompany funding provided to its foreign subsidiaries. The Group has not designated these intercompany funding balances as a hedge of its net investment in these foreign subsidiaries. The Group is not reliant on imported raw materials to any significant extent, although components of its capital expenditure may have to be imported, particularly in the case of Zimbabwe and Mozambique.

The fair values of the forward exchange contracts are established by reference to observable inputs and are categorised as Level 2 under the fair value hierarchy and are accounted for as cash flow hedges. In Zimbabwe and Mozambique, there are no hedging instruments to hedge its foreign currency exposures. Consequently, these operations seek to match foreign currency income and expenditure as best as possible.

The fair value of forward exchange contracts is summarised as follows, with derivative exposure at a minimal level whether or not hedge accounting is applied:

	GROUP		COMPANY	
R million	**2021**	**2020**	**2021**	**2020**
US Dollar	**7**	–	**7**	–

Hedges in respect of imports and exports are expected to mature within twelve months.

Foreign currency denominated financial assets

The sensitivity analysis below indicates the impact on the Group's results arising from the revaluation of unhedged and uncovered foreign currency denominated monetary items to the spot exchange rate at the end of the reporting period. The effect on equity is calculated as the after-tax effect on profit and loss. The effect of translation of results into presentation currency of the Group is excluded from the information provided, as this represents translation risk.

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management continued

Foreign currency denominated financial assets

	Carrying amount		10% weakening of the functional currency: Profit/(loss)		10% weakening of the functional currency: Equity, net of tax	
R million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Group						
Australian Dollar	**–**	41	**–**	4	**–**	3
US Dollar	**206**	149	**21**	15	**15**	11
New Zealand Dollar	**–**	5	**–**	1	**–**	–
Euro	**17**	1	**2**	–	**1**	–
	223	196	**23**	20	**16**	14
Company						
Australian Dollar	**–**	41	**–**	4	**–**	3
US Dollar	**15**	17	**2**	2	**1**	1
	15	58	**2**	6	**1**	4

The Group has exposure to foreign currency risk in respect of the borrowings, trade and payables, and intercompany payables that are not denominated in the functional currency of the foreign operation to whom they apply:

			GROUP			
			Increase in loss		Carrying amount	
R million	**Currency**	**10% devaluation of functional currency of foreign operation**	**2021**	**2020**	**2021**	**2020**
Mozambique						
General short-term banking facilities	ZAR	ZAR:MZN	**–**	–	**–**	–
General short-term banking facilities	USD	ZAR:USD	**(7)**	(9)	**70**	85
Intercompany payable owing to Tongaat Hulett Ltd	ZAR	ZAR:MZN	**(16)**	(15)	**155**	145
Intercompany payable owing to Tongaat Hulett Ltd	ZAR	ZAR:MZN	**(41)**	(41)	**411**	405
			(64)	(65)	**636**	635
Zimbabwe						
General short-term banking facilities	USD	ZAR:USD	**(7)**	(12)	**65**	121
Intercompany payable owing to Tongaat Hulett Ltd	ZAR	ZAR:ZWL	**(12)**	(7)	**120**	66
			(19)	(19)	**185**	187

Commodity price risk

The Group was exposed to variability in the maize price via its procurement of maize and the sale of starch, which is also linked to the maize price. The Group's risk management strategy was to align the pricing of the procurement and sales contracts as much as possible to mitigate its exposure to maize price volatility. The execution of this strategy was achieved by selling the requisite number of SAFEX maize futures once procurement contracts with farmers/traders have been priced. The SAFEX futures are closed out once the underlying sales contracts with customers are priced, effectively matching the SAFEX-linked purchase and sales price elements. Similarly, if the customer has priced its contracts before the procurement contracts with the farmers/traders have been priced then the requisite number of SAFEX maize futures are purchased. The SAFEX futures are closed out once the underlying procurement contracts with the farmers/traders are priced.

The Group applied fair value hedge accounting to its unpriced maize procurement contracts and commodity futures.

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management continued

***Commodity price risk** continued*

The fair value of the commodity futures contracts, which are set out below, were established by reference to quoted prices and are categorised as Level 1 under the fair value hierarchy.

R million	Hedging instrument: Nominal amount of the hedging instrument	Carrying amount of the hedging instrument: Assets	Carrying amount of the hedging instrument: Liabilities	Hedged item – Carrying amount of the hedging item: Assets	Hedged item – Carrying amount of the hedging item: Liabilities
2021: The Group is no longer exposed to significant commodity risk post the disposal of the Starch Business					
2020:					
Priced with Customers and Farmers but not yet delivered – Asset[1]	245	21	–	–	(21)
Priced with Customers and Farmers but not yet delivered – Liability[1]	245	–	(27)	27	–
Priced with Farmers but not with Customers and Not Delivered – Asset[2]	285	28	–	–	(28)
Priced with Farmers but not with Customers and Not Delivered – Liability[2]	–	–	–	–	–
		49	(27)	27	(49)
Net balance – derivative instruments					22
Net balance – derivative inventory					(22)

Notes

[1] *When priced with farmers and customers and not delivered, there are hedging instruments on both firm commitments and the accumulated movements on the firm commitments are used to adjust the carrying amount of the maize once it is delivered.*

[2] *When priced with farmers and not customers, and not delivered; the hedged item is the commitment to buy maize/take delivery of maize and the accumulated movements are taken to the cost of maize on delivery.*

Interest rate risk

Interest rate risk arises due to the fluctuations in interest rates which impacts cash flows. The Group's exposure to the risk of changes in market interest rates relates primarily to the variable rate deposits, term loans and revolving credit facilities. The Group did not have any interest rate swaps in place. The Group's interest rate is monitored by management on a dynamic basis as the New SA Facilities allow for certain changes in the reference rate. The Group's exposure to variable rate borrowings is included below.

An interest sensitivity analysis detailing an increase in the effective interest rate by 100 basis points has been set out below:

	Carrying amount		Profit and loss		Equity, net of tax	
R million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Group						
Variable rate instruments:						
Senior term loan	**3 330**	8 592	**33**	86	**33**	86
Senior revolving credit loan	**1 550**	1 550	**16**	16	**16**	16
Term loans	**531**	723	**5**	7	**5**	7
General short-term	**306**	99	**3**	1	**3**	1
Other	**511**	850	**5**	9	**5**	9
	6 228	11 814	**62**	118	**62**	118
Company						
Variable rate instruments:						
Senior term loan	**3 330**	8 592	**33**	86	**33**	86
Senior revolving credit loan	**1 550**	1 550	**16**	16	**16**	16
General short-term	**236**	–	**2**	–	**2**	–
Other	**96**	108	**1**	1	**1**	1
	5 212	10 250	**52**	103	**52**	103

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Group monitored its liquidity requirements to ensure that it had sufficient cash to meet its operational needs and current management's key focus is on improving liquidity in the Group. They have taken active steps as described in Note 16 *Borrowings*.

28. RISK MANAGEMENT CONTINUED

28.2. Financial Risk Management continued

***Liquidity risk** continued*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the contractual maturity dates essential for understanding the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest repayments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

R million	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due over 5 years	Total
Group							
2021							
– Borrowings	**7 556**	**53**	**48**	**43**	**–**	**–**	**7 700**
– Trade payables	**2 349**	**–**	**–**	**–**	**–**	**–**	**2 349**
– Lease liabilities	**129**	**125**	**122**	**122**	**121**	**134**	**753**
	10 034	**178**	**170**	**165**	**121**	**134**	**10 802**
2020							
– Borrowings	13 672	38	32	26	20	–	13 788
– Trade payables	2 253	–	–	–	–	–	2 253
– Lease liabilities	127	104	98	93	2	18	442
	16 052	142	130	119	22	18	16 483
Company							
2021							
– Borrowings	**6 265**	**–**	**–**	**–**	**–**	**–**	**6 265**
– Trade payables	**1 052**	**–**	**–**	**–**	**–**	**–**	**1 052**
– Lease liabilities	**8**	**4**	**1**	**1**	**1**	**–**	**15**
– Amounts owing to Group companies	**310**	**–**	**–**	**–**	**–**	**–**	**310**
	7 635	**4**	**1**	**1**	**1**	**–**	**7 642**
2020							
– Borrowings	12 006	–	–	–	–	–	12 006
– Trade payables	979	–	–	–	–	–	979
– Lease liabilities	21	17	13	8	1	–	60
– Amounts owing to Group companies	691	–	–	–	–	–	691
	13 697	17	13	8	1	–	13 736

29. COMMITMENTS & CONTINGENCIES

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Contracts for capital expenditure authorised	**124**	82	**70**	43
Approved but not contracted	**553**	103	**130**	96

These commitments relate to expenditure on property, plant, equipment and intangible assets. It is anticipated that this expenditure will be financed from operational cash flows.

The Lowveld Sugarcane Development Trust has estimated the cost to complete the 4 000 hectare expansion of area under sugarcane in Zimbabwe to be USD 32.5 million. As at 31 March 2021, approximately 2 657 hectares of land has been cleared in preparation for planting, of which 562 hectares (2020: 393 hectares) has been planted. The timing of the expenditure is dependent on the ability of LSDT to secure external funding, which is in turn dependent on the lenders being provided with security of tenure for the land being developed. As these uncertainties are not within the control of the Group, the amount has not been included in the total capital commitments above.

Guarantees and contingent liabilities

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
Infrastructure commitments in respect of Income received in advance	**27**	55	**–**	–
Contingent liability in respect of infrastructure development	**50**	–	**–**	–
Performance guarantees issued in respect of infrastructure obligation	**308**	341	**–**	–
Guarantees issued in respect of deposits for utilities and key suppliers	**21**	28	**18**	28

Performance guarantees are issued by a financial institution in favour of local municipalities for the value of the development expenditure necessary for infrastructure to be installed to sites that the Group sells to purchasers as fully serviced. The Group's provision for this development expenditure is disclosed in Note 19 *Provisions*. On the strength of the security provided by the performance guarantee, the municipality is able to grant the Group permission to transfer the property to the purchaser before the site is fully serviced. In the event that the Group does not perform in respect of its obligations to service the site, the municipality may call upon the financial institution to make payment in terms of the guarantee and utilise the funds to fulfil any outstanding obligations. The financial institution will in turn seek to recover the amount from the Group. The Group regularly assesses the delivery of its infrastructure plans in conjunction with the risk of non-performance in terms of any exposures under this guarantee. The Group's total performance guarantee facility is R600 million.

Tongaat Hulett Developments and eThekwini Municipality have a shared objective of unlocking the south-eastern quadrant of Cornubia, a newly developed area inland from and adjacent to Umhlanga, to enable improved regional accessibility, new investment and unlocking housing, economic, social and employment opportunities. In June 2014, the parties agreed on a cost sharing basis for major road infrastructure in this region however there is yet to be any progress in respect of the infrastructure requirements for this project. Therefore, the obligating event that would result in the payment of this contribution has not yet occurred and as such a contingent liability of R50 million has been disclosed.

Guarantees are issued by financial institutions in favour of third parties is respect of deposits for utilities, customs and, in limited circumstances where no alternate option exists, for key suppliers. In the event that the Group defaults on its payment obligations to utility providers or key suppliers (the secured creditors), the financial institution may be called upon by the creditors to make payment in terms of the guarantee. The financial institution will in turn seek to recover the amount from the Group. The amounts owing by the Group to the secured creditors are reflected in Note 20 *Trade and Other Payables*. The Group is up to date in respect of these payment commitments and no default has occurred. The Group's total guarantee facility is R30 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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30. RELATED PARTY TRANSACTIONS

During the year Tongaat Hulett Limited, in the ordinary course of business, entered into various related party sales, purchases and investment transactions. These transactions occurred under terms that are no less favourable than those arranged with third parties. Intra-group transactions with subsidiaries are eliminated on consolidation.

The Group's material subsidiaries are disclosed in Note 5 *Investment in Subsidiaries and Joint Operations*. For further information relating to transactions with equity accounted associates and joint ventures, refer to Note 6 *Investments in Associates and Joint Ventures*. Transactions between the Group and its related parties are disclosed below.

	Group		Company	
R million	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020 Restated ***
Goods and services				
Sugar sales to Tongaat Hulett (Botswana) Proprietary Limited	**–**	–	**219**	225
Sugar sales to Tongaat Hulett (Namibia) Proprietary Limited	**–**	–	**97**	504
Sugar sales to Distribuidora Nacional de Açúcar, Limitada (joint venture)	**1 239**	1 037	**–**	–
Cane purchases from Uzinzo Sugar Farming Proprietary Limited	**90**	80	**90**	80
Operational support and administrative fees received				
Zimbabwe subsidiaries	**–**	–	**45**	–
Mozambique subsidiaries	**–**	–	**36**	2
Other subsidiaries	**–**	–	**14**	–
Interest paid to related parties				
Tambankulu Estates Proprietary Limited	**–**	–	**(5)**	(38)
Tongaat Hulett Estates Proprietary Limited	**–**	–	**(16)**	(11)
Paid to Tongaat Hulett Pension Fund 2010	**(6)**	(11)	**(6)**	(11)
Property transactions				
Sale of land to Tongaat Hulett Developments Proprietary Limited	**–**	–	**–**	194
Purchase of land from Tongaat-Hulett Pension Fund 2010	**–**	9	**–**	9
Trading balances with related parties				
Amounts owing to related parties	**–**	–	**(262)**	(197)
Amounts owing by related parties (before impairments)	**–**	–	**520**	(226)
Loans received from related parties				
Tambankulu Estates Proprietary Limited	**–**	–	**–**	(226)
Tongaat Hulett Estates Proprietary Limited	**–**	–	**85**	262
Tongaat Hulett Pension Fund 2010	**(96)**	(108)	**(96)**	(108)
Dividend income				
Tambankulu Estates Proprietary Limited	**–**	–	**213**	200
Tongaat Hulett (Botswana) Proprietary Limited	**–**	–	**22**	13
Tongaat Hulett (Namibia) Proprietary Limited	**–**	–	**79**	10
Tongaat Hulett Estates Proprietary Limited	**–**	–	**148**	–
Format Development Corporation Limited	**–**	–	**56**	–
Triangle Sugar Corporation Limited	**–**	–	**323**	–

* *Prior year figures pertaining to 'loans received from related parties' have been corrected. Additionally, the dividend income of R200 million from Tambankulu Estates Proprietary Limited was reported as nil in error and has been corrected in the current period. Please refer to Note F in the notes to the statement of cash flows for further details.*

Key management personnel

Key management personnel remuneration is set out in further detail in Note 31 *Directors' and Prescribed Officers' Remuneration and Interest in Shares*, consisting of executive and non-executive directors and prescribed officers.

	Group	
R million	**31 March 2021**	**31 March 2020**
Non-executive directors' fees	**7 561**	9 916
Executive directors' and other prescribed officers' remuneration	**40 957**	99 625
Salary	**26 515**	27 662
Retirement and medical contributions	**4 316**	4 386
Accrued leave and other benefits	**–**	3 874
Short-term incentive	**10 126**	63 673
Share incentive gains	**–**	30
Total	**48 518**	109 541

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for the year ended 31 March 2021

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES

The Group's executive directors are responsible for the design and execution of the organisation's strategy and long-term business plans. In addition, the individuals responsible for operational business units report to the Chief Executive Officer and are viewed as Prescribed Officers within the meaning of the Companies Act 71 of 2008, as amended.

Remuneration

	Current Executive Directors						Prescribed Officers					
	J G Hudson Chief Executive Officer		**R D Aitken** Chief Financial Officer		**DL Marokane** Executive Director		**G Macpherson** MD – Starch		**S Harvey** MD – Sugar		**B Gumede** MD – Property	
R' thousands	**2021**	**2020**	**2021**	**2020**	**2021**	**2021**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Salary	**6 864**	6 600	**4 555**	4 205	**4 761**	4 600	**2 643**	4 356	**5 016**	4 800	**2 676**	2 331
Retirement and medical contributions	**1 026**	982	**737**	681	**802**	766	**372**	611	**795**	743	**584**	522
Other benefits	**–**	–	**–**	1 000	**–**	1 000	**–**	–	**–**	750	**–**	–
Short-term incentive*	**1 973**	17 835	**1 310**	9 456	**1 369**	10 345	**3 254**	10 072	**1 442**	11 449	**778**	4 515
Turnaround incentive bonus	**1 973**	8 475	**1 310**	5 400	**1 369**	5 907	**1 302**	5 766	**1 442**	6 164	**769**	2 993
Cash element of bonus	**–**	9 360	**–**	4 056	**–**	4 438	**1 920**	4 296	**–**	5 285	**–**	1 522
Deferred Bonus Plan 2005 (share linked deferral)	**–**	–	**–**	–	**–**	–	**32**	10	**–**	–	**9**	–
Total reward (excluding conditional long-term incentive awards)	**9 863**	25 417	**6 602**	15 342	**6 932**	16 711	**6 269**	15 039	**7 253**	17 742	**4 038**	7 368
Long Term Incentive Plan 2005 – Retention awards	**–**	–	**–**	–	**–**	–	**–**	30	**–**	–	**–**	–
Total Annual Remuneration	**9 863**	25 417	**6 602**	15 342	**6 932**	16 711	**6 269**	15 069	**7 253**	17 742	**4 038**	7 368

* *the presentation of short-term incentives, on the accrual basis, has changed from the prior year, which was on the cash paid basis, to align to the approach utilised in the single-figure remuneration report.*

- R D Aitken – 'Other benefits' includes an amount of R1 million received on joining the Company in recognition of forfeited long-term incentives from his previous employer. The benefit was paid on completion of two years of service.
- D L Marokane – 'Other benefits' includes an amount of R1 million received on joining the Company. The benefit was paid on completion of two years of service.
- G Macpherson ceased to be a prescribed officer on 31 October 2020 as his employment with the Group ceased following the disposal of the Starch Business. The remuneration disclosed in the table reflects the seven months to the effective date of the disposal.
- S Harvey – 'Other benefits' includes an amount of R750 000 received on joining the Company.

As disclosed in Note 8 *Inventories* the Group Remuneration Committee has not awarded any short-term incentives. The turnaround incentive award reflecting in the 2021 financial year were earned and paid in the period and relate to the achievement of milestone 2 of the Turnaround Incentive Part A (debt-repayment). While milestone 3 of the Turnaround Incentive Part A was achieved, the Remuneration Committee did not award the incentive.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

Share-based payment awards

J G Hudson and S Harvey have not received any share-based payment awards.

R D Aitken

Scheme	Award date	Vesting date	Grant date fair value (ZAR)	Opening balance 31 March 2020	Share units: Granted during 2021	Exercised during 2021	Lapsed/ forfeited during 2021	Closing balance 31 March 2021	Value (Pre-Tax) (ZAR): Value of settled awards during 2021	Estimated closing fair value 31 March 2021
Share Appreciation Right Scheme 2005	20 September 2018	20 September 2021	74,08	19 418	–	–	–	**19 418**	–	–
Long Term Incentive Plan 2005	20 September 2018	20 September 2021	74,08	12 011	–	–	–	**12 011**	–	**122 632**
Long Term Incentive Plan 2005 – Retention awards	2 January 2018	2 January 2022	113,63	15 000	–	–	–	**15 000**	–	**153 150**
	20 September 2018	20 September 2022	74,08	5 000	–	–	–	**5 000**	–	**51 050**

D L Marokane

Scheme	Award date	Vesting date	Grant date fair value (ZAR)	Opening balance 31 March 2020	Share units: Granted during 2021	Exercised during 2021	Lapsed/ forfeited during 2021	Closing balance 31 March 2021	Value (Pre-Tax) (ZAR): Value of settled awards during 2021	Estimated closing fair value 31 March 2021
Share Appreciation Right Scheme 2005	20 September 2018	20 September 2021	74,08	38 619	–	–	–	**38 619**	–	–
Long Term Incentive Plan 2005	20 September 2018	20 September 2021	74,08	21 319	–	–	–	**21 319**	–	**217 667**
Long Term Incentive Plan 2005 – Retention awards	2 January 2018	2 January 2023	113,63	15 000	–	–	–	**15 000**	–	**153 150**
Management Share Option Plan	2 January 2018	2 January 2023	111,15	35 000	–	–	–	**35 000**	–	**357 350**

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31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

G Macpherson

					Share units				Value (Pre-Tax) (ZAR)	
Scheme	Award date	Vesting date	Grant date fair value (ZAR)	Opening balance 31 March 2020	Granted during 2021	Exercised during 2021	Lapsed/ forfeited during 2021	Closing balance 31 March 2021	Value of settled awards during 2021	Estimated closing fair value 31 March 2021
Share Appreciation Right Scheme 2005	29 May 2017	29 May 2020	115,85	31 157	–	–	**(31 157)**	–	–	–
	20 September 2018	20 September 2021	74,08	36 569	–	–	–	**36 569**	–	–
Long Term Incentive Plan 2005	29 May 2017	29 May 2020	115,85	15 187	–	–	**(15 187)**	–	–	–
	20 September 2018	20 September 2021	74,08	20 188	–	–	–	**20 188**	–	**206 119**
Deferred Bonus Plan	29 May 2017	29 May 2020	115,85	5 259	–	**(5 259)**	–	–	**31 903**	–

B Gumede

					Share units				Value (Pre-Tax) (ZAR)	
Scheme	Award date	Vesting date	Grant date fair value (ZAR)	Opening balance 31 March 2020	Granted during 2021	Exercised during 2021	Lapsed/ forfeited during 2021	Closing balance 31 March 2021	Value of settled awards during 2021	Estimated closing fair value 31 March 2021
Share Appreciation Right Scheme 2005	29 May 2017	29 May 2020	115,85	12 190	–	–	**(12 190)**	–	–	–
	20 September 2018	20 September 2021	74,08	14 153	–	–	–	**14 153**	–	–
Long Term Incentive Plan 2005	29 May 2017	29 May 2020	115,85	5 942	–	–	**(5 942)**		–	–
	20 September 2018	20 September 2021	74,08	7 813	–	–	–	**7 813**	–	**79 771**
Deferred Bonus Plan	29 May 2017	29 May 2020	115,85	1 444	–	**(1 444)**	–	–	**8 659**	–

The estimated fair value at 31 March 2021 is calculated based on the share price of the company on 31 March 2021 of R10,21 , assuming all awards have vested.

Other than the remuneration disclosed in this note, which was paid by the company, no consideration was paid to, or by any third party, or by the company itself, in respect of services of the company's directors, as directors of the company, during the year ended 31 March 2021.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

The aggregate holdings as at 31 March 2021 of those directors of the company holding issued ordinary shares of the company are detailed below. Holdings are beneficial except where indicated otherwise.

Interest of directors and prescribed officers in share capital of the company

	2021		2020	
Number of shares	**Direct Shares**	**Indirect Shares**	**Direct Shares**	**Indirect Shares**
Executive directors				
J G Hudson	**161 379**	**–**	–	–
R D Aitken	**57 580**	**–**	–	–
D L Marokane	**–**	**–**	–	–
	218 959	**–**	–	–
Prescribed officers				
G Macpherson*	**–**	**–**	45 404	–
S Harvey	**–**	**–**	–	–
B Gumede	**–**	**–**	–	–
	–	**–**	45 404	–

* *G Macpherson's shareholding has been excluded from the above table. Following the disposal of the Starch Business, of which he was Managing Director, he ceased being a prescribed officer of the company.*

There hasn't been any change in shareholdings of current directors and prescribed officers between 31 March 2021 and the approval of these financial statements.

Non-executive Director's Remuneration

			Total Fees	
R'000	**Resignation date**	**Appointment date**	**12 months to 31 March 2021**	**12 months to 31 March 2020**
L von Zeuner	–	10 December 2018	**1 495**	1 788
L de Beer	–	1 October 2019	**1 214**	812
R M Goetzsche	–	1 October 2019	**1 168**	664
J J Nel	–	1 October 2019	**1 289**	778
A H Sangqu	–	1 October 2019	**990**	519
D Noko	–	1 July 2020	**715**	–
L Stephens	–	15 July 2020	**690**	–
S M Beesley	24 January 2020	–	**–**	891
F Daniels	24 January 2020	–	**–**	1 267
J John	31 May 2019	–	**–**	258
R P Kupara	30 September 2019	–	**–**	398
T N Mgoduso	30 September 2019	–	**–**	293
N Mjoli-Mncube	30 June 2019	–	**–**	255
S G Pretorius	30 September 2019	–	**–**	593
T A Salomao	30 September 2019	–	**–**	201
C B Sibisi	30 September 2019	–	**–**	1 199
Total			**7 561**	10 954

32. REPORTING ON THE ZIMBABWEAN OPERATIONS

The Group results were materially impacted by the significant devaluation of the Zimbabwe Dollar (ZWL) against major trading currencies (including the South African Rand) and the requirement of IAS 21 *The Effects of Foreign Exchange Rates* (IAS 21) to translate the results of the Zimbabwean operations into South African Rand using the official interbank closing exchange rate. The interbank exchange rate is impacted by limited foreign currency liquidity within the Zimbabwean economy to enable immediate settlement.

The Group's Zimbabwean operations have applied IAS 29 hyperinflation accounting for the twelve months ended 31 March 2021. This has resulted in the Group recording a net monetary loss of R626 million for the year (2020: R1 296 million). While the application of IAS 29 is meant to improve comparability of the Group's results, the use of inflation and exchange rates that differ from those experienced by the Zimbabwean operations and reflected in the underlying transactions has, to some extent, distorted the comparability of the Group's results.

Refer to the Basis of Preparation for further detail pertaining to reporting in hyperinflationary economies. The following inflation and exchange rates (relative to the South African Rand) were applied to consolidate the Zimbabwe operations' results:

Financial period	Functional currency	Average exchange rate	Closing exchange rate	General price index (closing)	Conversion factor (average)	Conversion factor (closing)
1 April 2019 to 31 March 2020	ZWL	1.5373	0.7168	810.4	10.626	3.406
1 April 2020 to 31 March 2021	ZWL	0.2454	0.1697	2 759.8	1.486	1.000

The table below shows the results reported for the Zimbabwe operations translated using the official interbank rate (i.e. ZWL 86.9 : USD 1 or ZWL 5.8927 : ZAR 1), together with a sensitivity showing the impact of applying the parallel exchange rate emerging within the economy. At 31 March 2021, the parallel rate was ZWL 114.0 : USD 1 (ZWL 7.7280 : ZAR 1).

R million	As reported ZWL 86.9 : USD 1	Parallel Rate ZWL 114.0 : USD 1	Sensitivity vs Parallel Rate
Revenue	6 162	4 698	(1 464)
Operating profit	1 578	1 205	(373)
Profit for the year	513	390	(123)
Net asset value	3 140	2 394	(746)
Total assets	4 776	3 640	(1 136)

Note: The underlying transactions have not changed

The standalone statement of profit or loss and other comprehensive income and statement of financial position of the Group's Zimbabwean operations, after adjusting for inflation and translating at the closing exchange rate, are presented below for ease of reference. Comparatives have not been adjusted for the impact of inflation as they were already presented in South African Rand (i.e. a stable reporting currency).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

32. REPORTING ON THE ZIMBABWEAN OPERATIONS CONTINUED

Statement of profit or loss and other comprehensive income for the year ended 31 March 2021

R million	31 March 2021	31 March 2020
Revenue	**6 162**	6 126
Cost of sales	**(3 027)**	(1 366)
Gross profit	**3 135**	4 760
Marketing and selling expenses	**(750)**	(793)
Administrative and other expenses	**(901)**	(1 241)
Other operating income	**94**	156
Profit from operations	**1 578**	2 882
Net finance costs	**(77)**	(340)
Finance costs	**(105)**	(352)
Finance income	**28**	12
Dividend income	**40**	5
Net monetary loss	**(626)**	(1 296)
Share of net profit of associates	**19**	9
Profit before taxation	**934**	1 260
Taxation	**(424)**	(677)
Profit for the year	**510**	583
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences on translation of foreign operations, including the effect of hyperinflation	**(760)**	989
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post-retirement benefit obligations	**(133)**	(331)
Tax effect of remeasurement of post-retirement benefit obligations	**33**	84
Other comprehensive (loss)/income for the year, net of tax	**(860)**	742
Total comprehensive (loss)/income for the year	**(350)**	1 325

These results of the Zimbabwean operations include inter-group transactions (i.e. these have not been eliminated).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

32. REPORTING ON THE ZIMBABWEAN OPERATIONS CONTINUED

Statement of Financial Position as at 31 March 2021

R million	31 March 2021	31 March 2020
ASSETS		
Non-current assets		
Property, plant and equipment	**1 717**	2 192
Right-of-use assets	**3**	2
Intangible assets	**35**	48
Investments in associates and joint ventures	**45**	32
Amounts owing by Group companies	**–**	4
Other non-current assets	**–**	4
Total non-current assets	**1 800**	2 282
Current assets		
Inventories	**895**	782
Biological assets	**1 165**	1 918
Trade and other receivables	**595**	408
Cash and cash equivalents	**311**	317
Amounts owing by Group companies	**10**	2
Total current assets	**2 976**	3 427
TOTAL ASSETS	**4 776**	5 709
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**73**	73
Distributable reserves	**3 064**	3 158
Other reserves	**(1 040)**	(458)
Total equity attributable to owners of Tongaat Hulett Limited	**2 097**	2 773
Non-controlling interests	**1 043**	1 084
Total equity	**3 140**	3 857
Non-current liabilities		
Deferred tax liabilities	**576**	864
Borrowings	**15**	157
Lease liabilities	**1**	1
Amounts owing to Group companies	**–**	40
Post-retirement benefit obligations	**134**	128
Total non-current liabilities	**726**	1 190
Current liabilities		
Borrowings	**74**	74
Lease liabilities	**1**	1
Trade and other payables	**579**	488
Post-retirement benefit obligations	**2**	3
Current tax liabilities	**120**	70
Amounts owing to Group companies	**134**	26
Total current liabilities	**910**	662
TOTAL LIABILITIES	**1 636**	1 852
TOTAL EQUITY AND LIABILITIES	**4 776**	5 709

These results of the Zimbabwean operations include inter-group transactions (i.e. these have not been eliminated).

33. EVENTS OCCURING AFTER THE REPORTING PERIOD

Management has carefully assessed the events occurring between the reporting date and the date of authorising these annual financial statements to ensure that all material matters have been disclosed.

No other material events occurred since the date of these consolidated financial statements and the date of approval thereof, the knowledge of which would affect the ability of the users of these statements to make proper evaluations and decisions.

COVID-19

The COVID-19 global pandemic continues to impact the world at large. The third wave of the pandemic is gaining significant momentum in South Africa and Zimbabwe where, as at the date of this report, infections continue to grow at an alarming rate and both governments have during July 2021 imposed stricter lockdown measures. Mozambique is experiencing the early stages of the third wave.

South Africa commenced phase 2 of its vaccine rollout plan on 17 May 2021. Both Zimbabwe and Mozambique have also commenced their vaccine rollout plans. Through its healthcare infrastructure in Zimbabwe, the Group has vaccinated 4 922 people of which 4 281 were employees thus representing 27% of the Zimbabwe workforce. Since the start of the pandemic, the Group had 1 210 confirmed COVID-19 cases and has sadly lost 20 employees across its regions.

Management continues to monitor the impact of COVID-19 on the Group's businesses given the increasing rate of infections and the impact of lockdown restrictions. The areas of focus are:

- The Group's land conversion and development business which remains most vulnerable to any economic downturn caused by the pandemic;
- The risk of temporary or permanent loss of engineering and operational skills; and
- The ability to procure critical spares timeously as a result of a general shortage in global supply, as well as constraints on local suppliers.

South African sugar operational update

Refinery

The South African sugar operation's central refinery produces all the Company's refined sugar and supplies a significant portion of the total demand for refined sugar in South Africa. Due to an increase in refined sugar demand, that started during the first lockdown in April 2020 and was sustained throughout the 2021 financial year, the planned annual maintenance shutdown was deferred to April 2021. While overall refined sugar production increased by 40% to more than 450 000 tons, this production ramp-up led to increased production costs and process inefficiencies, that resulted in a loss of sugar of 27 436 tons. The production loss also reduced the Company's sugar industry market share which had adverse profit implications.

Significant steps have been taken during the recent maintenance shutdown to rectify and enhance the refinery processes and controls in order to prevent a recurrence. A new leadership team has been appointed at both the refinery and the South African sugar operations.

The annual maintenance shut commenced on 7 April 2021. Plant inspections uncovered various problems that contributed to a sugar loss through the plant's effluent streams which have since been resolved. Problematic equipment was reconfigured to facilitate on-the-run maintenance, which reduced the dependence on annual shutdowns to address problems. The refinery recommenced operations on 23 April 2021 at a lower level of throughput which has gradually been increasing as the operation stabilises and residual problems are corrected. Yields and effluent data is now monitored daily and, year-to-date, the refinery has operated at targeted effluent levels and an improved production yield of approximately 95.5% as compared to 92% in the previous year.

Mills

The Felixton and Amatikulu sugar mills started the season two and three weeks earlier respectively than the prior season in order to create additional capacity to crush all the available sugarcane during the season. The Maidstone sugar mill start-up was one week later. The start of the milling season has been challenging with sugarcane crushed and sugar production being 3% and 11% of that in the prior year, despite the additional weeks of crushing. The operational performance of the sugar mills remains a management focus area.

South African debt facilities

At 31 March 2021, the Company had paid cumulative debt reduction proceeds of R6 006 million to the South African lenders and had therefore achieved the R6 000 million debt reduction proceeds milestone which was measured on 30 April 2021. Cumulative debt reduction transaction agreements totalling R6 566 million had been signed at 31 March 2021, which fell short of the R8 100 million required at that date to avoid an event of default. As a result, the Company and the South African lenders amended the milestone measurement date from 31 March 2021 to 30 April 2021, and amended the corresponding milestone amount to R6 400 million. Subsequently, the measurement date for the cumulative signed debt reduction transaction agreements for 30 June 2021 was amended to 13 July 2021, and the corresponding milestone amount was amended from R8 100 million to R6 400 million which resulted in the Company meeting such milestone.

The combination of the sugar stock loss at the refinery and the slow milling season start-up (described above) has reduced inventory levels available for sale and consequently placed pressure on the Company's liquidity. To mitigate this, the South African lenders agreed to avail the R600 million seasonal facilities from 5 May 2021, which was earlier than the contractual 31 May 2021 availability date.

Owing to the worse than expected financial performance in the fourth quarter, the Company breached its EBITDA and Free Cash Flow financial covenants for the quarter ended 31 March 2021. The Company, due to the better than expected performance during the previous three quarters, did however meet its year to date covenants at 31 March 2021. At the Company's request, the South African lenders waived the above-mentioned covenant breach on 12 July 2021.

Given that the Company's existing facilities are maturing within 12 months from the reporting date, the Company and the South African lenders agreed and signed a credit approved short-form term sheet on 12 July 2021 to refinance the SA Facilities. Legal agreements to give effect thereto are currently being drafted and it is expected that the refinancing will be concluded by 31 August 2021.

33. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

The salient terms of the new facilities are:

Detail	Senior Facility A Senior Term Loan Facility	Senior Facility B Senior Revolving Loan Facility	Senior Facility C Senior PIK Term Loan Facility	Senior Facility D Senior PIK Term Loan Facility	Super Senior Standby Facility
Facility amount	R1 500 million.	R1 400 million subject to a step down in commitment to the limits detailed below: 31 March 2023: R1 300 million; and 31 March 2024: R1 200 million.	R2 000 million.	R1 172 million (estimated and dependent on date of financial close).	42.5% of the amount received related to the disposal proceeds of the Starch Business held in escrow. Only becomes available one business day following repayment of Facility A out of proceeds related to the disposal proceeds of the Starch Business held in escrow.
Purpose	To partially refinance amounts outstanding under the existing facilities that are considered to be sustainable.	To partially refinance amounts outstanding under the existing facilities and to fund general corporate and working capital requirements.	To partially refinance amounts outstanding under the existing facilities.	To partially refinance amounts outstanding under the existing facilities.	To fund the general corporate and working capital requirements of the South African Group. Ranks in priority to Senior Facility A, Senior Facility B, Senior Facility C and Senior Facility D.
Termination date	30 June 2024.	30 June 2024.	30 June 2024.	30 June 2024.	Annually renewable.
Repayment	Interest repayable at the end of each interest period. Outstanding balance and accrued unpaid interest to be repaid on the termination date.	Interest payable at the end of each interest period. Repayment of each loan at the end of each interest period with roll-over loan provisions.	Interest to be capitalised and included in principal repayment as follows: 1. Equity capital raise proceeds: equity raise to be applied to Senior Facility C, the proceeds of which will be the higher of R2 000 million or the aggregate amounts owing on Senior Facility C at 31 March 2022. 2. Debt reduction transactions – 'sell down': (if insufficient equity is raised or the enterprise value of the Group is less than 1.5x the outstanding Senior Facilities): possible disposal of non-South African sugar operations via a formal process run by management with an independent party on terms satisfactory to the South African lenders to settle the Senior Facility C. 3. Debt reduction transactions – 'properties': If (1) and (2) do not result in the minimum net proceeds required to settle Senior Facility C. Proceeds are to be applied first in the settlement of Senior Facility D and then Senior Facility C.		Interest payable at the end of each interest period. Repayment of each loan at the end of each interest period with roll-over loan provisions.
Certain mandatory prepayments	Mandatory repayment on receipt of proceeds held in the starch escrow account.	SASA proceeds shall be applied to prepay the facility. Any amounts repaid or prepaid under this facility may be reborrowed.	None.	None.	None.
Structuring fee	To be determined by way of a competitive market clearing process.				
Agency fee	As per the fee letter.				

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2021

33. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Detail	Senior Facility A Senior Term Loan Facility	Senior Facility B Senior Revolving Loan Facility	Senior Facility C Senior PIK Term Loan Facility	Senior Facility D Senior PIK Term Loan Facility	Super Senior Standby Facility
Commitment fee	None.	To be determined calculated on the unused and uncancelled amount of the facility during the availability period. To be determined by way of a competitive market clearing process.	None.	None.	None.
Interest period	1 month or 3 months at the election of the Company.				
Base interest rate	1 month or three-month JIBAR, as applicable.				
Applicable Margin	To be determined subject to a competitive market clearing process.				
Margin Ratchet	None, other than step-up of 2% in the event of default.	None, other than step-up of 2% in the event of default.	Pricing step-up at a percentage to be determined by a competitive market clearing process if there is a failure to implement an equity capital raise at the higher of R2 000 million or the aggregate amounts owing on Senior Facility C at 31 March 2022.		None, other than step-up of 2% in the event of default.
Financial covenants	The financial covenant measurement dates are 31 March and 30 September of each year. Failure to meet a historical financial covenant is an event of default (other than for the 30 September 2021 and 31 March 2022 measurement dates) whereas failure to meet a forecast financial covenant triggers discussion to agree remedial action, and not an automatic event of default.				

Ratio	Last day of calculation period			
	30 September 2021	**31 March 2022**	**30 September 2022**	**Subsequent measurement dates**
Historical/Forecast Leverage Ratio not greater than:	n/a	3.6 x	3.0 x	2.5 x
Historical/Forecast Interest Cover Ratio not less than:	4.5 x	2.5 x	2.5 x	2.5 x
Historical/Forecast Debt Service Cover Ratio not less than:	12.0 x	7.5 x	1.0 x	1.0 x

Detail	
Security	• General notarial bonds over movable assets of the Company's South African businesses. • Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of the Company's South African businesses. • Mortgage bonds registered over immovable properties owned by the Company's South African subsidiaries. • Sugar stocks that are funded by SASA over the season-end (carry over finance) are excluded.
Other salient terms	• Senior Facility D is subject to a maximum loan to value ratio of 25%. • Cash sweep mechanism (triggered by a cumulative debt service cover ratio in excess of 1.5 times). • Sugar production output reports and a requirement to adequately maintain all assets. • The term sheet includes the right to appoint an observer to the relevant subcommittees of the board (risk and capital investment, property advisory board or any future subcommittees that may be formed in relation to disposal activities). • Annual limits (80%) have been placed on the capital expenditure for the South African Sugar operation, and infrastructure expenditure for the Property business. Written consent will be required from the South African lenders prior to the incurring of expenditure in excess of the 80% limit. • To the extent that an equity capital raise is not successful, the Company is required to implement a management incentive scheme in order to ensure repayment of Senior Facility C and Senior Facility D. • Key manager provisions relating to Gavin Hudson, Rob Aitken and/or Simon Harvey remain. Any replacement requires approval from the South African lenders.

33. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Mozambique debt facilities

In anticipation of the 30 June 2021 expiry of the debt standstill agreement, the maturity date of the debt standstill agreement that was concluded with the Mozambique group lenders on 18 December 2019, was on 7 July 2021, extended from 30 June 2021 to 31 July 2021. The refinancing of the Mozambique debt facilities has been agreed with the Mozambique group lenders and a credit approved term sheet was signed on 26 June 2021. Long form agreements are well progressed, and the refinancing of the Mozambique debt facilities is expected to be concluded by 15 July 2021. It should be noted that during June 2021, one of the Mozambique lenders who was a party to the debt standstill agreement chose to not participate in the above mentioned refinance, and as a result, a bilateral agreement with the lender was concluded on 24 June 2021 to extend the existing working capital facility of MZN 340 million (R74 million) for a period of 24 months, at the Mozambique prime lending rate less 0.25%, a commitment fee of 0.20% per annum on any unutilised amounts, and with the existing security over certain immovable assets at the Mafambisse sugar mill remaining in place. The salient terms of the new facilities are:

<table>
<tr><th>Detail</th><th>Facility A
Term Loan Facility</th><th>Facility B
Seasonal Loan Facility</th></tr>
<tr><td>Facility amount</td><td>MZN 2 419 million (R528 million).</td><td>MZN 2 000 million (R437 million).</td></tr>
<tr><td>Purpose</td><td>To refinance the amount outstanding under the existing facilities.</td><td>To partially refinance any residual amounts outstanding under the existing facilities and may be used for general corporate and working capital purposes.</td></tr>
<tr><td>Tenor</td><td>24 months.</td><td>24 months.</td></tr>
<tr><td>Repayment</td><td>Interest payable in cash at the end of each interest period.

After the Measurement Date any excess cash (cash on hand less the amount outstanding under Facility B and a minimum cash balance of MZN 100 million) will be used to prepay the facilities.

The total amounts outstanding under Facility A at the end of the Tenor shall be repaid in full.</td><td>Interest payable in cash at the end of each interest period.

Repayment with certain amounts received from the DNA and in respect of net export receivables.

The total amounts outstanding under Facility B at the end of the Tenor shall be repaid in full.</td></tr>
<tr><td>Structuring fee</td><td colspan="2">An upfront fee of 0.55% on each total facility commitment.</td></tr>
<tr><td>Commitment fee</td><td>None.</td><td>0.85% per annum on the available commitment.</td></tr>
<tr><td>Interest period</td><td colspan="2">1 or 3 months at the election of the borrower.</td></tr>
<tr><td>Base interest rate</td><td colspan="2">Mozambique prime lending rate.</td></tr>
<tr><td>Margin</td><td>-0.25% per annum.</td><td>-0.50% per annum.</td></tr>
<tr><td>Margin ratchet</td><td>Margin will be adjusted by 0.50% to -0.75% from the applicable Measurement Date when the Senior Interest Cover Ratio is greater than or equal to 2.65x.</td><td>None.</td></tr>
<tr><td>Financial covenants</td><td colspan="2">The financial covenant measurement dates are measured quarterly as detailed below:
<table>
<tr><th>Measurement Date (calculated on a rolling 12 months basis as applicable)</th><th>Ratio of EBITDA to Net Senior Finance Charges (Senior Interest Cover Ratio)</th><th>Ratio of the Cash Flow to Net Senior Finance Charges (Senior Cash Interest Cover Ratio)</th><th>Ratio of the Total Senior Debt to EBITDA (Senior Leverage Ratio)</th></tr>
<tr><td>30 June 2021</td><td>>2.85x</td><td>>2.1x</td><td><3.0x</td></tr>
<tr><td>30 September 2021</td><td>>3.0x</td><td>>2.2x</td><td><3.0x</td></tr>
<tr><td>31 December 2021</td><td>>3.0x</td><td>>2.2x</td><td><3.0x</td></tr>
<tr><td>31 March 2022</td><td>>3.0x</td><td>>2.4x</td><td><3.0x</td></tr>
</table></td></tr>
<tr><td>Security</td><td colspan="2">The security package includes both moveable and immoveable assets which comprises mortgage bonds over the mills, refinery and buildings; and security cession of proceeds from sales to the DNA, export sales or receivables and related proceeds collection accounts. The Mozambique lenders have no recourse to the Company.</td></tr>
</table>

Economic conditions in Zimbabwe

Hyperinflation and currency dynamics in Zimbabwe continue to impact on the Group's results. Annual inflation at March 2021 was 241% year-on-year, decreasing from 677% in March 2020 with a further decline to 107% in June 2021.

The currency dynamics within the country remain dynamic and, as an exporter who regularly holds US Dollars (USD), the Group remains unable to participate in the weekly foreign exchange auctions to convert its Zimbabwe Dollar (ZWL) cash balances to USD. Consequently, both ZWL and USD (locally and export generated) cash flows are closely monitored to avoid liquidity shortages in either currency.

On 27 May 2021, Statutory Instrument 127 was promulgated to prevent abuse of the foreign exchange auction system and temporarily suspended the Group's ability to invoice in USD until a clarification was issued on 15 June 2021 by the Reserve Bank of Zimbabwe. The Group has recommenced invoicing in USD and currently, up to 60% of sugar sales to local market consumers are being concluded in USD.

The weighted average auction rate on 31 March 2021 of ZWL 84.4 moved to ZWL 85.5 against the USD on 6 July 2021. The Zimbabwe operations continue to transact on the interbank market at the ruling average auction rate.

Since 31 March 2021, dividends of USD 4 million have been declared by the Zimbabwe subsidiary and received by the Company.

33. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Change of auditors

The Board has, subject to shareholder's approval at the 2021 annual general meeting, appointed Ernst & Young (EY) as the group's external auditors for the financial year ending 31 March 2022. The audit services of Deloitte & Touche will end on completion of their statutory commitments for the Group's 2021 financial year, which is expected to be on or about 31 August 2021.

Governance changes

David Noko, currently an independent non-executive director, was appointed with effect from 1 July 2021 as the Lead Independent Non-Executive Director.

National protest action

Since 8 July 2021, there has been an outbreak of protest action across South Africa. This protest action has gradually been escalating in severity and resulted in wide scale damage to property. As a result of transporters not being able to deliver cane to the sugar mills and to safeguard the Company's assets and employees, all the South African sugar operations were temporarily suspended on 12 July 2021. Management continue to appraise the situations as it unfolds.

Delay in release of annual financial statements

Tongaat Hulett was unable to publish its financial results by 30 June 2021 as required by the JSE Listings Requirements, which now have been published on 13 July 2021.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 March 2021

Shareholder spread (no of shares)	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	9 057	74.98%	1 727 492	1.28%
1 001 – 10 000	2 345	19.41%	8 580 449	6.35%
10 001 – 100 000	578	4.79%	16 999 942	12.58%
100 001 – 1 000 000	80	0.66%	24 658 985	18.25%
Over 1 000 000	19	0.16%	83 145 638	61.54%
Total	12 079	100.00%	135 112 506	100.00%

Distribution of Shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance Companies	3	0.02%	51 045	0.04%
Close Corporations	46	0.38%	189 584	0.14%
Collective Investment Schemes	63	0.52%	29 336 985	21.71%
Custodians	30	0.25%	536 561	0.40%
Foundations & Charitable Funds	38	0.31%	867 086	0.64%
Hedge Funds	11	0.09%	3 073 026	2.27%
Insurance Companies	3	0.02%	935 493	0.69%
Investment Partnerships	28	0.23%	82 817	0.06%
Managed Funds	24	0.20%	700 920	0.52%
Medical Aid Funds	2	0.02%	18 827	0.01%
Organs of State	9	0.07%	22 871 906	16.93%
Private Companies	204	1.69%	28 216 979	20.88%
Retail Shareholders	11 107	91.95%	28 903 289	21.39%
Retirement Benefit Funds	83	0.69%	12 197 835	9.03%
Scrip Lending	7	0.06%	1 307 018	0.97%
Stockbrokers & Nominees	41	0.34%	1 579 981	1.17%
Tongaat Hulett Share Schemes	7	0.06%	522 099	0.39%
Trusts	352	2.91%	3 092 455	2.29%
Unclaimed Scrip	13	0.11%	26 456	0.02%
Other	8	0.07%	602 144	0.45%
Total	12 079	100.00%	135 112 506	100.00%

* *In terms of Section 56(3) (a) & (b) and Section 56(5) (a) (b) & (c) of the South African Companies Act, 2008 (Act No. 71 of 2008) foreign disclosures have been incorporated into this analysis.*

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	17	0.14%	22 797 634	16.87%
Directors and Prescribed Officers	2	0.02%	218 959	0.16%
Tongaat Hulett Pension Funds	4	0.03%	30 307	0.02%
Tongaat Hulett Share Schemes	7	0.06%	522 099	0.39%
Government Employees Pension Fund	4	0.03%	22 026 269	16.30%
Public shareholders	12 062	99.86%	112 314 872	83.13%
Total	12 079	100.00%	135 112 506	100.00%

ANALYSIS OF ORDINARY SHAREHOLDERS CONTINUED

as at 31 March 2021

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
PSG Asset Management	20 343 790	15.06%
Public Investment Corporation	18 624 082	13.78%
Sanlam Investment Management	5 605 849	4.15%
Kagiso Asset Management	5 436 439	4.02%
Ninety One	4 571 693	3.38%
Total	54 581 853	40.39%

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	22 026 269	16.30%
PSG Asset Management Proprietary Limited	20 314 955	15.04%
Braemar Trading Limited	13 485 584	9.98%
Artemis Investments Proprietary Limited	10 600 000	7.85%
Metal & Engineering Industries Benefit Funds	7 030 783	5.20%
Sanlam Group	4 233 013	3.13%
Total	77 690 604	57.50%

Share price performance

Opening price 01 April 2020	R2.19	Volume traded during period	123 954 764
Closing price 31 March 2021	R10.21	Ratio of volume traded to shares issued (%)	91.74%
Closing high for year	R12.20	Rand value traded during the period	R927 728 167
Closing low for year	R2.01	Price/earnings ratio as at 31 March 2021	(1.24)
Volume weighted average price	R7.38	Earnings yield as at 31 March 2021	(80.6%)
Number of shares in issue	135 112 506	Dividend yield as at 31 March 2021	–
Market capitalisation at 31 March 2021	R1 379 498 686		

Est. 1892

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