*for the year ended 31 December 2007*

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## FINANCIAL HIGHLIGHTS

| | **2007** | 2006 Restated* |
|---|---|---|
| Revenue (Rmillion) - continuing operations | **6 395** | 5 110 |
| Profit from Tongaat Hulett continuing operations (Rmillion) | **838** | 726 |
| Net profit attributable to shareholders (Rmillion) | **3 457** | 723 |
| Headline earnings (Rmillion) | **61** | 703 |
| Earnings per share - basic (cents) | **3 292,8** | 685,3 |
| Headline earnings per share - basic (cents) | **58,1** | 666,4 |
| Annual dividend per share (cents) | **310,0** | 550,0 |

* Following the unbundling of Hulamin, comparative figures have been restated to reflect Hulamin as a discontinued operation. For the year ended 31 December 2007, Hulamin's results were included for the six months to the end of June 2007 and for the full twelve months in 2006.

## CURRENCY CONVERSION GUIDE

| | Closing rate at 31 December | | |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| US dollar | **6,84** | 7,00 | 6,35 |
| UK pound | **13,61** | 13,73 | 10,92 |
| Euro | **9,99** | 9,22 | 7,48 |

| | Average rate for year | | |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| US dollar | **7,05** | 6,77 | 6,37 |
| UK pound | **14,11** | 12,48 | 11,58 |
| Euro | **9,67** | 8,51 | 7,92 |

# REPORT OF THE INDEPENDENT AUDITORS

*to the members of Tongaat Hulett Limited*

**Report on the Financial Statements**
We have audited the annual financial statements and the consolidated annual financial statements of Tongaat Hulett Limited which comprise the directors' report, the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on page 47 and pages 51 to 98.

**Directors' Responsibility for the Financial Statements**
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion the financial statements present fairly, in all material respects, the financial position and consolidated financial position of Tongaat Hulett Limited as at 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

**Deloitte & Touche**
Audit KZN
Registered Auditors
Per JAR Welch
Partner

21 February 2008

2 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban

# DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2007*

The directors are responsible for the preparation and integrity of the annual financial statements of the company and other information included in this report that has been prepared in accordance with International Financial Reporting Standards.

The directors, supported by the Audit and Compliance Committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent auditors on the results of their statutory audit, that the company's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the company's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

In preparing the financial statements, the company has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company at 31 December 2007 and the results of its operations for the year then ended. The directors are also of the opinion that the company will continue as a going concern in the year ahead.

The independent external auditors concur with the above statements by the directors.

The company's independent external auditors, Deloitte & Touche, have audited the financial statements and their unqualified report appears on page 50.

The annual financial statements were approved by the board of directors on 21 February 2008 and are signed on its behalf by:

**C M L Savage**
Chairman

**P H Staude**
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal

21 February 2008

# CERTIFICATE BY COMPANY SECRETARY

I certify that the company has lodged with the Registrar of Companies all returns that are required of a public company in terms of the Companies Act in respect of the year ended 31 December 2007 and that all such returns are true, correct and up to date.

**M M L Mokoka**
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal

21 February 2008

***The directors have pleasure in submitting the consolidated annual financial statements of the company for the year ended 31 December 2007.***

## NATURE OF BUSINESS

Tongaat Hulett is an agri-processing business which includes the integrated components of land management, property development and agriculture. The activities are dealt with in detail in the annual report.

## FINANCIAL RESULTS

The net profit attributable to shareholders for the year ended 31 December 2007 amounted to R 3,457 billion (2006 - R723 million). This translates into a headline earnings per share of 58,1 cents (2006 - 666,4 cents) based on the weighted average number of shares in issue during the year.

## DIVIDENDS

An interim dividend number 160 of 150 cents per share was paid on 30 August 2007 and a final dividend number 161 of 160 cents per share has been declared and is payable on 27 March 2008 to shareholders registered at the close of business on 20 March 2008.

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

| | | |
|---|---|---|
| Last date to trade ordinary shares "CUM" dividend | Thursday | 13 March 2008 |
| Ordinary shares trade "EX" dividend | Friday | 14 March 2008 |
| Record date | Thursday | 20 March 2008 |
| Payment date | Thursday | 27 March 2008 |

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Friday 14 March 2008 and Thursday 20 March 2008, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Thursday 13 March 2008.

## SHARE CAPITAL

Following the unbundling and listing of Hulamin and the introduction of BEE equity participation in Tongaat Hulett and Hulamin, Tongaat Hulett's authorised share capital of R150 000 000, comprising of 150 000 000 ordinary par value shares of R1,00 (one Rand) each, was increased by way of a special resolution in a general meeting, to R199 700 010, through the creation of:

1. 30 000 000 A preferred ordinary par value shares of R1,00 (one Rand) each;
2. 6 000 000 B1 ordinary par value shares of R1,00 (one Rand) each;
3. 10 500 000 B2 ordinary par value shares of R1,00 (one Rand) each;
4. 3 200 000 B3 ordinary par value shares of R1,00 (one Rand) each; and
5. 10 redeemable preference shares of R1,00 (one Rand) each.

During the year 1 265 571 shares were allotted (including 150 900 shares to directors) in respect of options exercised in terms of the company's employee share incentive schemes for a total consideration of R49 million. Details of the unissued ordinary shares and the company's share incentive schemes are set out in notes 11, 33 and 34.

Shareholders will be asked to consider an ordinary resolution at the forthcoming annual general meeting to place unissued shares of the company up to five percent of the number of shares in issue at 23 April 2008 under the control of the directors until the following annual general meeting.

At the previous annual general meeting, a general authority was granted by shareholders for the company to acquire its own shares in terms of the Companies Act. The directors consider that it will be advantageous for the company were this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the company at the relevant time. Shareholders will be asked to consider a special resolution to this effect at the forthcoming annual general meeting with the proviso that the number of ordinary shares acquired in any one financial year may not exceed five percent of the ordinary shares in issue at the date on which this resolution is passed.

In compliance with the Listings Requirements of the JSE Limited ("JSE"), the acquisition of shares or debentures ("securities") pursuant to a general authority may only be made by a company subject to such acquisitions:

- being effected through the order book operated by the JSE trading system;
- being authorised thereto by the company's articles of association;
- being authorised by the shareholders of the company in terms of a special resolution of the company in general meeting which will be valid only until the next annual

general meeting of the company; provided that such authority will not extend beyond 15 months from the date of the resolution;

- not being made at a price greater than ten percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected. The JSE should be consulted for a ruling if the company's securities have not traded in such five business day period.

Further, in terms of the Listings Requirements of the JSE, the directors consider that in their opinion, taking into account the effect of the maximum acquisition by the company of shares issued by it as referred to above:

- the company and its subsidiaries (together "the group") will be able, in the ordinary course of business, to pay its debts for a period of 12 months from 21 February 2008;
- the assets of the company and of the group will be in excess of the liabilities of the company and the group for a period of 12 months from 21 February 2008. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the company's latest audited group annual financial statements;
- the ordinary capital and reserves of the company and the group will be sufficient for the company's and the group's present requirements for 12 months from 21 February 2008;
- the working capital of the company and the group for a period of 12 months from 21 February 2008 will be adequate for the company's and the group's requirements.

## SUBSIDIARY COMPANIES AND JOINT VENTURES

The principal subsidiaries and joint ventures of the company are reflected in note 26.

The attributable interest of the company in the results of its consolidated subsidiaries and joint ventures for the year ended 31 December 2007 is as follows: :

| | 2007 | 2006 |
|---|---|---|
| In the aggregate amount of: | | |
| Net profit - (R million) | 565 | 421 |
| Net losses - (R million) | 12 | 45 |

## DIRECTORATE

The unbundling and listing of Hulamin and the introduction of BEE equity participation in Tongaat Hulett and Hulamin, necessitated changes to the composition of the Tongaat Hulett board, as detailed in the corporate governance report. The composition of the Board, at 31 December 2007, is as follows: C M L Savage (Chairman), P H Staude (CEO), P M Baum, E le R Bradley, B G Dunlop, J John, J B Magwaza, M Mia, M H Munro, T H Nyasulu, C B Sibisi, R H J Stevens and J G Williams.

Directors retiring by rotation at the annual general meeting in accordance with article 61 of the articles of association are Messrs P M Baum, J B Magwaza and R H J Stevens. Mrs J John and Messrs C B Sibisi and J G Williams were appointed during the course of the last financial year and are required to retire and be re-elected at the annual general meeting in accordance with article 59 of the articles of association. These directors are all eligible and offer themselves for re-election. Details of each of these retiring directors are set out on pages 44 and 45.

## DIRECTORS' SHAREHOLDINGS

At 31 December 2007, the present directors of the company beneficially held a total of 276 484 ordinary shares equivalent to 0,27 percent in the company (2006 - 1 077 970 shares equivalent to one percent and which included directors who resigned from the Board following the corporate restructuring transactions and the change in the composition of the Board in 2007). They also held, in a non-beneficial capacity, a total of 24 647 ordinary shares equivalent to 0,02 percent in the company (2006 – 508 310 shares equivalent to 0,5 percent). Details of the directors' shareholdings and interests in the share incentive schemes are provided in notes 32 and 33. There has been no change in these holdings between 31 December 2007 and 21 February 2008.

## AUDIT AND COMPLIANCE COMMITTEE

The Corporate Laws Amendment Act No 24 of 2006 (the Act) came into effect on 14 December 2007. The Tongaat Hulett Audit and Compliance Committee has considered the provisions of the Act and has taken the necessary steps to ensure compliance. The committee confirms that during 2007 it carried out its functions responsibly and in accordance with its terms of reference as detailed in the Corporate Governance section of the Annual Report. In addition, the committee is satisfied that the designated auditors of the company are independent of the company.

## POST BALANCE SHEET EVENTS

There were no material events between the balance sheet date and the date of this report.

# BALANCE SHEETS

*as at 31 December 2007* *Tongaat Hulett Limited*

| Company 2006 | Company 2007 | Rmillion | Note | Consolidated 2007 | Consolidated 2006 |
|---|---|---|---|---|---|
| | | **ASSETS** | | | |
| | | **Non-current assets** | | | |
| 1 992 | 2 125 | Property, plant and equipment | 1 | **3 210** | 4 270 |
| 87 | 98 | Growing crops | 2 | **353** | 212 |
| 203 | 401 | Long-term receivable and prepayment | 3 | **203** | 203 |
| | | Goodwill | 4 | **42** | 21 |
| | 4 | Intangible assets | 5 | **6** | 14 |
| 2 | 265 | Investments | 6 | **267** | 320 |
| 1 834 | 1 138 | Subsidiaries and joint ventures | 7 | | |
| 4 118 | 4 031 | | | **4 081** | 5 040 |
| 1 494 | 1 683 | **Current assets** | | **3 546** | 4 016 |
| 911 | 1 032 | Inventories | 8 | **1 331** | 1 595 |
| 568 | 553 | Trade and other receivables | | **1 742** | 1 879 |
| 6 | 12 | Derivative instruments | 9 | **12** | 33 |
| | 65 | Tax | | **65** | |
| 9 | 21 | Cash and cash equivalents | 10 | **396** | 509 |
| 5 612 | 5 714 | **TOTAL ASSETS** | | **7 627** | 9 056 |
| | | **EQUITY AND LIABILITIES** | | | |
| | | **Capital and reserves** | | | |
| 107 | 138 | Share capital | 11 | **138** | 107 |
| 932 | 1 517 | Share premium | | **1 517** | 932 |
| | | BEE held consolidation shares | 12 | **(1 053)** | |
| 2 185 | 1 051 | Retained income | | **1 796** | 3 868 |
| 75 | 353 | Other reserves | | **337** | 50 |
| 3 299 | 3 059 | **Shareholders' interest** | | **2 735** | 4 957 |
| | | Minority interests in subsidiaries | | **223** | 76 |
| 3 299 | 3 059 | **Equity** | | **2 958** | 5 033 |
| 719 | 1 099 | **Non-current liabilities** | | **2 156** | 1 401 |
| 472 | 487 | Deferred tax | 13 | **673** | 1 055 |
| | 351 | Long-term borrowings | 14 | **410** | 49 |
| | | Non-recourse equity-settled BEE borrowings | 15 | **812** | |
| 247 | 261 | Provisions | 16 | **261** | 297 |
| 1 594 | 1 556 | **Current liabilities** | | **2 513** | 2 622 |
| 550 | 636 | Trade and other payables | 17 | **1 494** | 1 388 |
| 1 039 | 918 | Short-term borrowings | 14 | **977** | 1 174 |
| 5 | 2 | Derivative instruments | 9 | **2** | 16 |
| | | Tax | | **40** | 44 |
| 5 612 | 5 714 | **TOTAL EQUITY AND LIABILITIES** | | **7 627** | 9 056 |

# INCOME STATEMENTS

*for the year ended 31 December 2007* *Tongaat Hulett Limited*

| Company 2006 | Company 2007 | Rmillion | Note | Consolidated 2007 | Consolidated 2006 Restated |
|---|---|---|---|---|---|
| 4 194 | 4 762 | REVENUE - continuing operations | | **6 395** | 5 110 |
| 488 | 515 | **Profit from Tongaat Hulett operations** | | **838** | 726 |
| 290 | 1 | Capital profit on land | | **48** | 26 |
| | (379) | BEE IFRS 2 charge and transaction costs | | **(383)** | |
| | | Exchange rate translation (loss)/gain | | **(1)** | 57 |
| | 3 348 | Fair value adjustment of investment in Hulamin | | **3 348** | |
| 778 | 3 485 | **Operating profit after corporate transactions** | 18 | **3 850** | 809 |
| | | Share of associate company's loss | 6 | | (4) |
| (73) | (151) | Financing costs | 20 | **(193)** | (38) |
| 108 | 49 | Finance income | 20 | **74** | 126 |
| 813 | 3 383 | **PROFIT BEFORE TAX** | | **3 731** | 893 |
| (177) | (142) | Tax | 21 | **(288)** | (238) |
| 636 | 3 241 | **NET PROFIT AFTER TAX** | | **3 443** | 655 |
| | | **DISCONTINUED OPERATION** | 35 | | |
| | | Hulamin unbundling | | **42** | 69 |
| 636 | 3 241 | **NET PROFIT** | | **3 485** | 724 |
| | | **Attributable to:** | | | |
| 636 | 3 241 | Shareholders | | **3 457** | 723 |
| | | Minority interest | | **28** | 1 |
| 636 | 3 241 | | | **3 485** | 724 |
| | | **EARNINGS PER SHARE (cents)** | 23 | | |
| | | Basic | | **3 292,8** | 685,3 |
| | | Diluted | | **3 220,7** | 667,8 |

# CASH FLOW STATEMENTS

*for the year ended 31 December 2007* — *Tongaat Hulett Limited*

| Company 2006 | Company 2007 | Rmillion | Consolidated 2007 | Consolidated 2006 |
|---|---|---|---|---|
| | | **Cash generated from operations** | | |
| 778 | 3 185 | Operating profit before dividends | **3 797** | 959 |
| | 300 | Dividends received | **53** | 61 |
| 778 | 3 485 | Operating profit | **3 850** | 1 020 |
| (309) | (1) | Profit on disposal of property, plant and equipment | **(48)** | (45) |
| | | Non-cash items: | | |
| | (3 348) | Fair value adjustment of investment in Hulamin | **(3 348)** | |
| | 349 | BEE IFRS 2 charge and accelerated vesting of share awards | **350** | |
| 176 | 192 | Depreciation | **222** | 272 |
| | | Adjustment for exchange rate translation loss/(gain) | **1** | (57) |
| 10 | 14 | Provisions | **14** | 14 |
| 4 | 12 | Other | **(71)** | (16) |
| (63) | (190) | Tax payments | **(293)** | (152) |
| 596 | 513 | Cash generated from operations | **677** | 1 036 |
| | | **Cash required by operations** | | |
| (13) | (130) | Inventories | **(216)** | (115) |
| (36) | 10 | Trade and other receivables | **(276)** | (558) |
| 12 | 85 | Trade and other payables | **317** | 266 |
| (37) | (35) | Increase in working capital | **(175)** | (407) |
| 559 | 478 | Cash flow from operations | **502** | 629 |
| 35 | (102) | Net financing (costs)/income | **(119)** | (23) |
| 594 | 376 | **Cash flow from operating activities** | **383** | 606 |
| | | **Cash flows from investing activities** | | |
| | | Expenditure on property, plant and equipment | | |
| (132) | (114) | - New | **(516)** | (281) |
| (147) | (174) | - Replacement | **(193)** | (163) |
| (38) | (46) | - Major plant overhaul costs capitalised | **(46)** | (38) |
| | (4) | Expenditure on intangible assets | **(4)** | (3) |
| 7 | (4) | (Expenditure on)/disposal of growing crops | **(14)** | 7 |
| 338 | 10 | Proceeds on disposal of property, plant and equipment | **58** | 78 |
| (290) | (263) | Investments - shares in subsidiary | **(2)** | (254) |
| | | Investments - unlisted | | (3) |
| | (210) | Prepayment | | |
| (262) | (805) | Net cash used in investing activities | **(717)** | (657) |
| 332 | (429) | **Net cash flow before dividends and financing activities** | **(334)** | (51) |
| | | **Dividends paid** | | |
| (506) | (582) | Ordinary and preferred ordinary shares | **(531)** | (506) |
| | | Minorities | **(20)** | |
| (506) | (582) | Dividends paid | **(551)** | (506) |
| (174) | (1 011) | **Net cash flow before financing activities** | **(885)** | (557) |
| | | **Cash flows from financing activities** | | |
| 492 | 230 | Borrowings raised | **712** | 358 |
| | | Non-recourse equity-settled BEE borrowings | **812** | |
| | | Hedges of foreign loans | | 19 |
| 106 | 1 115 | Shares issued | **49** | 106 |
| | | Equity contribution by BEE minorities | **18** | |
| | (450) | Share repurchase | **(450)** | |
| | (65) | Settlement of share-based payment awards | **(73)** | |
| | (9) | Share issue expenses | **(9)** | |
| (455) | 202 | Inter-group loans | | |
| 143 | 1 023 | Net cash from financing activities | **1 059** | 483 |
| (31) | 12 | **Net increase/(decrease) in cash and cash equivalents** | **174** | (74) |
| 40 | 9 | Balance at beginning of year | **509** | 526 |
| | | Subsidiaries consolidated | **46** | |
| | | Hulamin unbundling | **(347)** | |
| | | Foreign exchange adjustment | **15** | |
| | | Exchange rate translation (loss)/gain | **(1)** | 57 |
| 9 | 21 | **Cash and cash equivalents at end of year** | **396** | 509 |

# STATEMENTS OF CHANGES IN EQUITY

*for the year ended 31 December 2007* — *Tongaat Hulett Limited*

| Rmillion | Share Capital Ordinary | Share Capital B Ordinary | Share Capital A Preferred Ordinary | Share Premium | BEE Held Consolidation Shares | Capital Redemption Reserve funds | Share-based Payment Reserve | Hegding and Translation Reserves | Retained Income | Shareholders' Interest | Minority Interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | | | | | | | | |
| **Balance at 1 January 2006** | 104 | | | 821 | | 33 | 28 | (24) | 3 651 | 4 613 | 75 | 4 688 |
| Share capital issued | 3 | | | 103 | | | | | | 106 | | 106 |
| Transfer on exercise of options | | | | 8 | | | (8) | | | | | |
| Hedge reserve released to income statement | | | | | | | | (9) | | (9) | | (9) |
| Gain from cash flow hedges | | | | | | | | 8 | | 8 | | 8 |
| Recognition of share-based payment | | | | | | | 22 | | | 22 | | 22 |
| Net profit | | | | | | | | | 723 | 723 | 1 | 724 |
| Dividends paid | | | | | | | | | (506) | (506) | | (506) |
| **Balance at 31 December 2006** | 107 | | | 932 | | 33 | 42 | (25) | 3 868 | 4 957 | 76 | 5 033 |
| Share capital issued | 1 | 10 | 25 | 1 079 | (1 053) | | | | | 62 | | 62 |
| Repurchase of ordinary shares | (5) | | | | | | | | (445) | (450) | | (450) |
| Equity contribution by BEE minorities | | | | | | | | | | | 18 | 18 |
| Share issue expenses | | | | (9) | | | | | | (9) | | (9) |
| Transfer on exercise of options | | | | 9 | | | (9) | | | | | |
| Currency exchange rate changes | | | | | | | | 19 | | 19 | 4 | 23 |
| Share-based payment charge | | | | | | | 374 | | | 374 | | 374 |
| Settlement of share-based payment awards | | | | | | | (81) | | | (81) | | (81) |
| Consolidation of subsidiaries | | | | | | | | | | | 129 | 129 |
| Hulamin unbundling | | | | (494) | | | (12) | (4) | (4 546) | (5 056) | (19) | (5 075) |
| Net profit | | | | | | | | | 3 457 | 3 457 | 28 | 3 485 |
| Reallocation of minority interest | | | | | | | | | (7) | (7) | 7 | |
| Dividends paid | | | | | | | | | (531) | (531) | | (531) |
| Dividends paid - minorities | | | | | | | | | | | (20) | (20) |
| **Balance at 31 December 2007** | 103 | 10 | 25 | 1 517 | (1 053) | 33 | 314 | (10) | 1 796 | 2 735 | 223 | 2 958 |
| **COMPANY** | | | | | | | | | | | | |
| **Balance at 1 January 2006** | 104 | | | 821 | | 29 | 28 | 2 | 2 055 | 3 039 | | |
| Share capital issued | 3 | | | 103 | | | | | | 106 | | |
| Transfer on exercise of options | | | | 8 | | | (8) | | | | | |
| Hedge reserve released to income statement | | | | | | | | (2) | | (2) | | |
| Gain from cash flow hedges | | | | | | | | 4 | | 4 | | |
| Recognition of share-based payment | | | | | | | 22 | | | 22 | | |
| Net profit | | | | | | | | | 636 | 636 | | |
| Dividends paid | | | | | | | | | (506) | (506) | | |
| **Balance at 31 December 2006** | 107 | | | 932 | | 29 | 42 | 4 | 2 185 | 3 299 | | |
| Share capital issued | 1 | 10 | 25 | 1 079 | | | | | | 1 115 | | |
| Repurchase of ordinary shares | (5) | | | | | | | | (445) | (450) | | |
| Share issue expenses | | | | (9) | | | | | | (9) | | |
| Transfer on exercise of options | | | | 9 | | | (9) | | | | | |
| Share-based payment charge | | | | | | | 374 | | | 374 | | |
| Settlement of share-based payment awards | | | | | | | (75) | | | (75) | | |
| Hulamin unbundling | | | | (494) | | | (12) | | (3 348) | (3 854) | | |
| Net profit | | | | | | | | | 3 241 | 3 241 | | |
| Dividends paid | | | | | | | | | (582) | (582) | | |
| **Balance at 31 December 2007** | 103 | 10 | 25 | 1 517 | | 29 | 320 | 4 | 1 051 | 3 059 | | |

The annual financial statements are prepared in accordance with the accounting policies which fully comply with International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous year. The adoption in 2007 of IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements resulted in additional disclosures in the Annual Report.

**BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the company and of its subsidiaries, except those foreign subsidiaries and associates where the assessment of effective operational and financial control does not meet the criteria for consolidation in terms of IAS 27 Consolidated and Separate Financial Statements, principally as it relates to Triangle Sugar Limited in Zimbabwe. The interest in such foreign subsidiaries is included at cost less provisions and amounts written off, and results are accounted for in operating profit only to the extent that dividends, net of any withholding taxes, are received. The results of all other subsidiaries are included from the date effective control was acquired and up to the date effective control ceased. Investments in joint ventures are accounted for on the proportionate consolidation method from the effective date of acquisition and up to the effective date of disposal. All material inter-company balances and transactions are eliminated. Special purpose entities which were established in a black economic empowerment transaction have been and will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from Tongaat Hulett's equity therein. The interests of minority shareholders is initially measured at the date of acquisition at the minority's proportion of the net fair value of the assets and liabilities consolidated and thereafter, the minority's share of changes in equity since the date of acquisition. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of Tongaat Hulett except to the extent that the minority has a binding obligation and the financial ability to cover such losses.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost, including refurbishment, less accumulated depreciation and impairment. Cost includes the estimated cost of dismantling and removing the assets. Interest and other costs incurred on major capital projects are capitalised until all the activities necessary to prepare assets for their intended use are substantially complete.

Assets held under finance lease agreements are capitalised at fair value and the corresponding liabilities to the lessor are raised. Lease finance charges are charged to earnings over the term of the relevant lease using the effective interest rate method. Land and capital work in progress are not depreciated. All other fixed assets, including major factory overhaul costs, are depreciated and charged to profit or loss over their expected useful lives to estimated residual values at rates appropriate to their use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

During the year under review, property, plant and equipment were depreciated on the straight line basis using the rates set out below:

| | |
|---|---|
| Buildings | 30 to 50 years |
| Plant and equipment | 4 to 40 years |
| Vehicles | 4 to 12 years |
| Furniture and equipment | 3 to 10 years |

On the disposal or scrapping of property, plant and equipment, the gain or loss arising thereon is recognised in profit or loss.

**INTANGIBLE ASSETS**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured initially at cost. After initial recognition, an intangible asset is measured at cost less accumulated amortisation. An intangible asset with a finite useful life is amortised on the straight line basis over its expected useful life, which in the case of software is 3 to 5 years. An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is recognised in profit or loss.

**GROWING CROPS**

Growing crops comprise roots and standing cane. The carrying value is determined as follows:

- Roots at current replacement cost of planting and establishment and subsequently reduced in value over the period of its productive life;
- Standing cane at the estimated sucrose content less harvesting, transport and over the weighbridge costs.

**GOODWILL**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over Tongaat Hulett's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost. It is subsequently measured at cost less any accumulated impairment losses and is not amortised.

**ASSOCIATE COMPANIES**

Associates are those companies, which are not subsidiaries or joint ventures, over which Tongaat Hulett exercises significant influence. Results of associates are equity accounted. Any losses of associates are brought to account until the investment in, and loans to, such associates are written down to a nominal amount. Thereafter losses are accounted for only insofar as Tongaat Hulett is committed to providing financial support to such associates.

The carrying value of investments in associates represents the cost of each investment including goodwill, the share of post acquisition retained income or losses and other movements in reserves.

**INVENTORIES**

Inventories are valued at the lower of cost and net realisable value determined in general on the first-in-first-out and average methods. The cost of finished goods and work in progress comprises direct materials, labour and appropriate overhead costs. Progress payments are deducted from work in progress where applicable. Development properties comprise land valued at cost and development expenditure attributable to unsold properties. Obsolete and slow moving inventories are identified and suitable reductions in value are made where necessary.

**MAIZE PURCHASE CONSTRUCTIVE OBLIGATIONS**

Certain maize purchase commitments are recognised as constructive obligations. Maize that relates to such a constructive obligation is recognised as inventory, the related liability is recognised as a current liability and to the extent that the final purchase price includes a financing element, this is recognised as interest over the period of the obligation.

**DEFERRED TAX**

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction, which does not affect either taxable profit or accounting profit.

**IMPAIRMENT**

At each balance sheet date, Tongaat Hulett reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset, being the higher of its net selling price and its value in use, is assessed in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately and are treated as exceptional items.

**RESEARCH AND DEVELOPMENT**

Expenditure on research is charged to profit or loss in the year in which it is incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. The amount of development cost recognised as an asset is amortised over the estimated useful life of the related development but not exceeding five years.

**REVENUE**

Revenue comprises sales arising from normal trading activities excluding intra-group transactions and is recognised when the significant risks and rewards of the goods are transferred to the buyer. In respect of the sale of township properties, sales are recognised when the relevant agreements are unconditional and binding on the purchaser, the purchaser has paid a meaningful deposit or has made arrangements to secure payment of the purchase price, zoning and final conditions of establishment have been obtained and servicing arrangements and costs are substantially finalised. In the determination of revenue, cash and settlement discounts, rebates and VAT are excluded.

**FOREIGN CURRENCIES**

The functional currency of each entity within Tongaat Hulett is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the balance sheet date.

Gains and losses arising on exchange differences are recognised in profit or loss.

The financial statements of entities whose functional currencies are different to Tongaat Hulett's presentation currency which, because of its primary operating activities, is South African Rand, are translated as follows:

- Assets, including goodwill, and liabilities at exchange rates ruling on the balance sheet date;
- Income and expense items at the average exchange rates for the period; and

- Equity items at the exchange rate ruling when they arose.

Resulting exchange differences are classified as a foreign currency translation reserve and recognised directly in equity. On disposal of such an entity, this reserve is recognised in profit or loss.

## FINANCIAL INSTRUMENTS

### Recognition

A financial asset or financial liability is recognised on the balance sheet for as long as Tongaat Hulett is a party to the contractual provisions of the instrument. Purchases of derivatives are recognised on trade date and sales are recognised on settlement date. Gains or losses on derecognition of financial assets or liabilities are recognised in profit or loss.

### Measurement

Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as follows:

- Trade and other receivables originated by Tongaat Hulett are held at amortised cost, using the effective interest rate method, after deducting accumulated impairment losses. Receivables with no fixed maturity are held at cost.
- Held-for-trading, available for sale and cash equivalent investments are held at fair value.
- Held-to-maturity investments are held at amortised cost using the effective interest rate method after deducting accumulated impairment losses.
- Financial liabilities are measured at amortised cost, except for held-for-trading financial liabilities and derivatives, which are held at fair value.
- Unlisted investments are recorded at cost.

### Gains or losses on subsequent measurement

Gains or losses on subsequent measurement of financial instruments that are carried at fair value, and are not part of a hedging relationship, are accounted for as follows:

- Held-for-trading financial assets are recognised in profit or loss for the year.
- Available for sale and cash equivalent investments are taken to equity until the financial asset is disposed of, or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the year.

For the purposes of hedge accounting, hedges are classified into two categories:

- Fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset, liability or firm commitment; and
- Cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised in profit or loss for the period. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in profit or loss for the period.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity and the ineffective portion is recognised in profit or loss for the period. For cash flow hedges affecting future transactions, the gains or losses, which are recognised in shareholders' equity, are transferred to profit or loss in the same period in which the hedged transaction affects profit or loss. Where the hedged transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognised, the associated gain or loss that had previously been recognised in shareholders' equity is included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

### Set-off

Where the redemption of debt, raised for major capital projects, is provided for by sinking funds or financial instruments which allow for the legal right of set-off against the debt on the repayment date, and it is expected that the debt will be settled in this way, the related income statement, cash flow statement and balance sheet items are set off.

### Financial guarantee contracts

Where financial guarantee contracts are entered into, these are regarded as insurance contracts and accounted for as insurance arrangements.

## GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. When the conditions attaching to government grants have been complied with they are recognised in profit or loss. When they are for expenses or losses already incurred, they are recognised immediately in profit or loss.

## EMPLOYEE BENEFITS

### Retirement Funds

The assets of the defined benefit scheme and defined contribution schemes are held separately from those of Tongaat Hulett and are administered and controlled by trustees.

The 2001 Surplus Apportionment Plan was approved by the Financial Services Board in May 2007. The manner in which the fund proceeds following the unbundling of Hulamin from Tongaat Hulett and the split between employers participating in the fund of the share of the actuarial surplus attributed to the employer surplus account has yet to be finalized. Accordingly, due to the uncertainty regarding the apportionment, no surplus has been recognised on the balance sheet.

Contributions to defined contribution schemes are charged to profit or loss when incurred.

### Post-retirement Medical Aid Benefits and Retirement Gratuities

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. Actuarial gains and losses are amortised over ten years beginning in the year that the actuarial gain or loss arises.

## SHARE-BASED PAYMENTS

The company 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 by 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.

## CORPORATE TRANSACTIONS CONCLUDED IN 2007

The following corporate transactions were concluded by Tongaat Hulett in 2007:

### Unbundling of Hulamin

Pursuant to the listing and unbundling of Hulamin, Tongaat Hulett's 50% share in Hulamin was valued through the income statement by R3,348 billion in June 2007 and thereafter unbundled as a distribution in specie to Tongaat Hulett shareholders, by way of a reduction of share premium and retained income. Hulamin's net profit (which does not include the valuation gain) for the period up to the unbundling is reflected as a discontinued operation.

### Share Repurchase

The share buy-back in terms of a section 311 scheme of arrangement, totalling R506 million including STC, was implemented in July 2007. The premium over the par value of the shares acquired was paid out of retained income and the STC was charged through the income statement.

### 25% BEE Equity Participation Transactions

Broad based 18% interest held by strategic partners, cane and infrastructure communities:

The broad based BEE equity participation of 18%, involving strategic partners, cane and infrastructure communities, is held by two SPV's - the Infrastructure SPV (10%) and the yoMoba SPV (8%).

The cost related to this 18% broad based BEE equity participation was measured and recognised at the grant date in June 2007, resulting in a once-off IFRS 2 cost of R320 million being charged to the income statement.

The BEE Infrastructure SPV participation interest of R1,289 billion was funded through a combination of notional vendor financing (R821 million), preference share funding (R458 million) and equity and shareholders' loans of R10 million. The BEE yoMoba SPV participation interest of R1,031 billion was funded through a combination of notional vendor financing (R657 million), preference share funding (R367 million) and equity and shareholders' loans of R8 million. The SPV's participation interests are in the form of preferred ordinary shares which are entitled to receive a fixed coupon every year for a period of seven years. After seven years the preferred ordinary shares will cease to receive preferred ordinary dividends. Tongaat Hulett has therefore committed to pay a fixed coupon on these preferred ordinary shares of R100 million in aggregate on an annual basis and the preferred ordinary shares will not receive any ordinary dividends for the duration of the seven year period. In terms of the notional vendor finance arrangement between the respective SPVs and Tongaat Hulett (R821 milion in respect of the BEE Infrastructure SPV and R657 million in respect of the BEE yoMoba SPV), Tongaat Hulett will be entitled to repurchase, at a price of R0,01 per share, such number of shares as determined in accordance with a repurchase formula, subject to the external funding claims in the SPV. The number of shares repurchased will be a function of the value of the shares subscribed for at par, the notional return required by Tongaat Hulett and the success of the earn-in initiatives by the respective BEE partners. In compliance with IFRS, the two BEE SPVs are consolidated by Tongaat Hulett and consequently the preferred ordinary shares are not reflected as currently being 'in issue' in the consolidated financial statements, but are taken into account when calculating diluted earnings per share. The external debt of the SPVs (amounting to R825 million in aggregate) is thus reflected on the consolidated balance sheet and the funding charge incurred by the SPV is reflected in the consolidated income statement. This BEE debt does not have recourse to Tongaat Hulett and will effectively be equity settled. After seven years the preferred ordinary shares will convert into Tongaat Hulett listed ordinary shares.

**BEE 7% employee interest**

The 7% BEE employee transaction comprises the Employee Share Ownership Plan (ESOP) and the Management Share Ownership Plan (MSOP). The ESOP scheme consists of a share appreciation right scheme and participants share in 50% of the dividend payable to ordinary shareholders. The MSOP scheme consists of two components namely a share appreciation right scheme and a share grant scheme. The ESOP Trust and MSOP Trust were established to acquire and hold Tongaat Hulett Limited shares for the benefit of designated employees. These shares have specific repurchase terms at maturity (five years from grant). They are a separate class of restricted shares which, other than for the repurchase terms, rank pari passu with ordinary shares and become ordinary shares on maturity.

The IFRS 2 costs relating to the 7% BEE employee transaction is amortised over five years, commencing in the second half of 2007.

The BEE employee equity participation trusts' subscription consideration for the new class of share ("B ordinary shares") was funded through contributions by the respective operating entities in Tongaat Hulett and the notional vendor finance provided to the employees, which will be recovered at the maturity of the scheme through the repurchase by Tongaat Hulett of so many B ordinary shares as equate in value to the amount of the outstanding notional vendor funding. The repurchase formulae take into account a notional funding requirement based, inter alia, on the ordinary dividend declared each year.

In accordance with IFRS, the ESOP Share Trust and MSOP Share Trust are consolidated by Tongaat Hulett and consequently the B ordinary shares are not reflected as currently being 'in issue' in the consolidated financial statements, but are taken into account when calculating diluted earnings per share.

**JUDGMENTS MADE BY MANAGEMENT**

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving complex or subjective judgments or assessments. The items for consideration have been identified as follows:

- **Non-consolidation of Zimbabwean subsidiaries:**
  The appropriate accounting treatment of the Zimbabwean subsidiaries, in terms of IAS 27 Consolidated and Separate Financial Statements, is reviewed on an ongoing basis in the light of the prevailing situation in Zimbabwe.

- **Growing crop valuation:**
  Growing crops are required to be measured at fair value less harvesting, transport and over the weighbridge costs. In determining fair value an estimate is made of the yield of the standing cane. This estimate can vary from the actual yield when the cane is harvested.

- **Future development expenditure provision/ accrual at Tongaat Hulett Developments:**
  Judgment is applied in determining total project costs, which are supported by estimates from professional consultants and consulting engineers for services infrastructure. These costs are reviewed by management three to four times a year during the forecasting process, and if necessary estimates are revised accordingly.

- **Asset lives and residual lives:**
  Property, plant and equipment are depreciated over their useful lives taking into account residual values. The actual lives of the assets and residual values are assessed annually and are influenced by factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

- **Impairment of assets:**
  Ongoing assessments are made regarding any potential impairment of assets across Tongaat Hulett, using valuation models prescribed under IFRS.

- **Decommissioning and rehabilitation obligations in respect of the environment:**
  Tongaat Hulett monitors and assesses its obligations arising from decommissioning of plant and rehabilitation of the environment on an ongoing basis.

- **Post-retirement benefit 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.

- **Valuation of financial instruments:**
  The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

**KEY SOURCES OF ESTIMATION UNCERTAINTY**

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year, other than in respect of The Tongaat-Hulett Pension Fund, as described under Employee Benefits on page 61.

**NEW OR REVISED IFRS STANDARDS APPLICABLE TO FUTURE PERIODS**

IAS 19 Employee Benefits, which was amended in 2004, provides an option, which entities may elect to adopt either now or at a later date, that allows for the accounting of actuarial gains/losses, either by recognising them through the income statement over the expected remaining lives of participants, or outside the income statement in a statement titled "Statement of Recognised Income and Expense". The statement covers pension fund accounting and the provisions for post-retirement medical costs and retirement gratuities. This alternate accounting treatment of actuarial gains/losses will be assessed once decisions have been made on the manner in which the fund proceeds following the unbundling of Hulamin from Tongaat Hulett and the split between employers participating in the fund of the share of the actuarial surplus attributed to the employer surplus account. The impact of the adoption of the amendments to IAS 19 as it relates to the provisions for post-retirement medical costs and retirement gratuities is relatively immaterial.

The following new standards and interpretations were also in issue but not effective for 2007. Tongaat Hulett is in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on Tongaat Hulett's results and disclosures:

| | |
|---|---|
| IAS 1 | Presentation of Financial Statements |
| IAS 23 | Borrowing Costs |
| IFRS 8 | Operating Segments |
| IFRIC 11 | IFRS 2 - Group and Treasury Share Transactions |
| IFRIC 12 | Service Concession Arrangements |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 14 | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

1. **PROPERTY, PLANT AND EQUIPMENT** (Rmillion)

| **Consolidated** | Total | Land and buildings | Plant and equipment | Vehicles and other | Capitalised leased plant and vehicles | Capital work in progress |
|---|---|---|---|---|---|---|
| Carrying value at beginning of year | 4 270 | 632 | 3 058 | 182 | 69 | 329 |
| Subsidiaries acquired | 316 | 71 | 167 | 69 | | 9 |
| Hulamin unbundling | (1 970) | (246) | (1 569) | (17) | | (138) |
| Additions | 755 | 40 | 206 | 60 | 3 | 446 |
| Disposals | (10) | (7) | (2) | (1) | | |
| Depreciation | (222) | (9) | (182) | (29) | (2) | |
| Transfers | | 4 | 51 | 7 | (4) | (58) |
| Currency alignment | 71 | 13 | 21 | 8 | 7 | 22 |
| Carrying value at end of year | 3 210 | 498 | 1 750 | 279 | 73 | 610 |
| Comprising: | | | | | | |
| **2007** | | | | | | |
| At cost | 4 976 | 674 | 3 018 | 582 | 92 | 610 |
| Accumulated depreciation | 1 766 | 176 | 1 268 | 303 | 19 | |
| | 3 210 | 498 | 1 750 | 279 | 73 | 610 |
| **2006** | | | | | | |
| At cost | 6 134 | 773 | 4 494 | 426 | 112 | 329 |
| Accumulated depreciation | 1 864 | 141 | 1 436 | 244 | 43 | |
| | 4 270 | 632 | 3 058 | 182 | 69 | 329 |

| **Company** | Total | Land and buildings | Plant and equipment | Vehicles and other | Capitalised leased plant and vehicles | Capital work in progress |
|---|---|---|---|---|---|---|
| Carrying value at beginning of year | 1 992 | 284 | 1 427 | 109 | 5 | 167 |
| Additions | 334 | 27 | 163 | 21 | | 123 |
| Disposals | (9) | (7) | (2) | | | |
| Depreciation | (192) | (5) | (171) | (16) | | |
| Transfers | | 4 | 51 | 4 | (4) | (55) |
| Carrying value at end of year | 2 125 | 303 | 1 468 | 118 | 1 | 235 |
| Comprising: | | | | | | |
| **2007** | | | | | | |
| At cost | 3 528 | 377 | 2 617 | 298 | 1 | 235 |
| Accumulated depreciation | 1 403 | 74 | 1 149 | 180 | | |
| | 2 125 | 303 | 1 468 | 118 | 1 | 235 |
| **2006** | | | | | | |
| At cost | 3 267 | 353 | 2 438 | 279 | 30 | 167 |
| Accumulated depreciation | 1 275 | 69 | 1 011 | 170 | 25 | |
| | 1 992 | 284 | 1 427 | 109 | 5 | 167 |

Plant and machinery in Mozambique subsidiaries with a book value of R248 million (2006 - R88 million) are encumbered as security for certain short-term borrowings of R111 million (2006 - R50 million) and secured finance lease obligations.

The register of land and buildings is available for inspection at the company's registered office.

## 2. GROWING CROPS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Carrying value at beginning of year | **212** | 182 | 87 | 77 |
| Subsidiaries consolidated | **70** | | | |
| Gain arising from physical growth and price changes | **40** | 29 | 7 | 13 |
| Increase due to increased area under cane | **19** | 4 | 7 | |
| Decrease due to reduced area under cane | **(3)** | (3) | (3) | (3) |
| Currency alignment | **15** | | | |
| Carrying value at end of year | **353** | 212 | 98 | 87 |
| The carrying value comprises: | | | | |
| Roots | **201** | 116 | 58 | 46 |
| Standing cane | **152** | 96 | 40 | 41 |
| | **353** | 212 | 98 | 87 |
| Area under cane (hectares): | | | | |
| South Africa | **10 401** | 9 639 | 10 401 | 9 639 |
| Mozambique | **14 393** | 7 444 | | |
| Swaziland | **3 750** | 3 744 | | |
| | **28 544** | 20 827 | 10 401 | 9 639 |

## 3. LONG-TERM RECEIVABLE AND PREPAYMENT (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| **Long-term receivable** | | | | |
| Advances to an export partnership - at fair value | **203** | 203 | 203 | 203 |
| **Prepayment** | | | | |
| Contribution to the BEE Employee Share Ownership Plan | **136** | | 132 | |
| Contribution to the BEE Management Share Ownership Plan | **91** | | 78 | |
| | **227** | | 210 | |
| Less amortised | **(13)** | | (12) | |
| Less BEE share ownership plan consolidation shares | **(214)** | | | |
| | | | 198 | |
| Carrying value at end of year | **203** | 203 | 401 | 203 |

The prepayment relates to awards made in terms of the company's BEE employee share ownership plans, details of which are set out in note 34.

## 4. GOODWILL (Rmillion)

| | Consolidated | |
|---|---|---|
| | **2007** | 2006 |
| Carrying value at beginning of year | **21** | 21 |
| Subsidiaries consolidated | **20** | |
| Currency exchange rate changes | **1** | |
| Carrying value at end of year | **42** | 21 |

Goodwill is attributable to the Mozambique sugar operations. Goodwill is tested annually for impairment. The recoverable amount of goodwill was determined from the "value in use" discounted cash flow model. The value in use cash flow projections which cover a period of twenty years are based on the most recent budgets and forecasts approved by management and the extrapolation of cash flows which incorporate growth rates consistent with the average long term growth trends of the market. As at 31 December 2007, the carrying value of goodwill was considered not to require impairment.

## 5. INTANGIBLE ASSETS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Software at cost: | | | | |
| At beginning of year | **26** | 23 | 7 | 7 |
| Hulamin unbundling | **(14)** | | | |
| Additions | **4** | 3 | 4 | |
| At end of year | **16** | 26 | 11 | 7 |
| Accumulated amortisation: | | | | |
| At beginning of year | **12** | 11 | 7 | 7 |
| Hulamin unbundling | **(2)** | | | |
| Charge for the year | | 1 | | |
| At end of year | **10** | 12 | 7 | 7 |
| Carrying value at end of year | **6** | 14 | 4 | |

## 6. INVESTMENTS (Rmillion)

**Associate:**

The interest in Acucareira de Xinavane, SARL (Mozambique) was increased to 88% from 49% with effect from 1 January 2007, being the effective date from which this company has been consolidated.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| The carrying value of the 49% interest in Acucareira de Xinavane, SARL (Mozambique) for the prior year comprises: | | | | |
| Unlisted shares | | 128 | | |
| Loan | | 54 | | |
| Cumulative share of post-acquisition deficits | | (121) | | |
| Balance at beginning of year | | (117) | | |
| Loss for the year | | (4) | | |
| Book value | | 61 | | |
| Directors' valuation | | 61 | | |
| Summarised balance sheet: | | | | |
| Property, plant and equipment | | 306 | | |
| Growing crops | | 70 | | |
| Current assets | | 117 | | |
| Current liabilities | | (68) | | |
| Borrowings: | | | | |
| - External | | (280) | | |
| - Shareholders | | (192) | | |
| Net deficit | | (47) | | |
| Other shareholders' share of deficit | | 24 | | |
| Tongaat Hulett share of deficits (pre and post-acquisition) | | (23) | | |
| Summarised income statement: | | | | |
| Revenue | | 223 | | |
| Profit before depreciation | | 42 | | |
| Depreciation | | (16) | | |
| Foreign exchange loss | | (5) | | |
| Profit before financing costs | | 21 | | |
| Financing costs | | (29) | | |
| Loss after financing costs | | (8) | | |
| Other shareholders' interest | | 4 | | |
| Tongaat Hulett share of loss | | (4) | | |
| **Other investments :** | | | | |
| Unlisted shares at cost | **264** | 256 | 263 | |
| Loans | **3** | 3 | 2 | 2 |
| Book value | **267** | 259 | 265 | 2 |
| Carrying value of investments (Directors' valuation) | **267** | 320 | 265 | 2 |

A schedule of unlisted investments is available for inspection at the company's registered office.

## 7. **SUBSIDIARIES AND JOINT VENTURES** (Rmillion)

| | Company 2007 | Company 2006 |
|---|---|---|
| Shares at cost, less amounts written off | 556 | 853 |
| Indebtedness by | 908 | 1 107 |
| Indebtedness to | (326) | (126) |
| | 1 138 | 1 834 |

| | Consolidated **2007** | Consolidated 2006 |
|---|---|---|
| Tongaat Hulett's proportionate share of the assets, liabilities and post-acquisition reserves of joint ventures which are included in the consolidated financial statements, are set out below. The 2006 figures include Tongaat Hulett's share of Hulett Aluminium which was unbundled in 2007, as detailed in note 35. | | |
| Property, plant, equipment and investments | **7** | 1 982 |
| Current assets | **435** | 1 497 |
| Less: Current liabilities | **(170)** | (652) |
| Capital employed | **272** | 2 827 |
| Less: Borrowings | | (94) |
| Post-acquisition reserves | | (1 216) |
| Deferred tax and provisions | | (499) |
| Minority interest in subsidiary | | (19) |
| Interest in joint ventures | **272** | 999 |
| Tongaat Hulett's proportionate share of the trading results of the joint ventures is as follows: | | Restated |
| Revenue - continuing operations | **224** | 110 |
| Profit before tax | **125** | 57 |
| Tax | **(15)** | (16) |
| Net profit after tax | **110** | 41 |
| Minority interests | | (4) |
| Discontinued operation - Hulamin unbundling | **42** | 69 |
| | **152** | 106 |
| Tongaat Hulett's proportionate share of cash flows of the joint ventures is as follows: | | |
| Cash flows from operating activities | **69** | 53 |
| Net cash used in investing activities | **(19)** | 90 |
| Net movement in cash resources | **50** | 143 |

The original investment in Triangle Sugar is retained at a nominal value with the subsequent investment held at cost. Its unaudited assets, liabilities and results, which are not included in the consolidated financial which have not been adjusted for inflation, are translated at the official exporters Zimbabwe dollar exchange rate (2006 - official Zimbabwe dollar exchange rate) as follows:

| | 2007 | 2006 | | 2007 | 2006 |
|---|---|---|---|---|---|
| Equity | 541 | 668 | Property, plant and equipment # | 22 | 37 |
| Minority interests | 23 | 15 | Growing crops | 426 | 388 |
| Deferred tax | 119 | 123 | Investment in Hippo Valley + | 254 | 254 |
| Long-term borrowings | 3 | 4 | Current assets | 162 | 484 |
| | | | Current liabilities | (178) | (353) |
| | 686 | 810 | | 686 | 810 |
| Revenue | 598 | 1 547 | Net profit | 315 | 636 |

\# Property, plant and equipment have been accounted for in terms of the historical cost convention.
\+ Not consolidated.

## 8. INVENTORIES (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Raw materials | **206** | 323 | 206 | 132 |
| Work in progress | **15** | 180 | 15 | 10 |
| Finished goods | **737** | 785 | 721 | 692 |
| Consumable stores | **142** | 146 | 90 | 77 |
| Development properties | **231** | 161 | | |
| | **1 331** | 1 595 | 1 032 | 911 |

Included in raw materials is an amount of R155 million (2006 - R127 million) that relates to the constructive obligation that has been recognised on maize procurement contracts.

## 9. DERIVATIVE INSTRUMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| The fair value of derivative instruments at year end was: | | | | |
| Forward exchange contracts - hedge accounted | **8** | 9 | 8 | 4 |
| Forward exchange contracts - not hedge accounted | **(1)** | 7 | (1) | |
| Futures contracts - hedge accounted | **3** | 10 | 3 | (3) |
| Futures contracts - not hedge accounted | | (9) | | |
| | **10** | 17 | 10 | 1 |
| Summarised as: | | | | |
| Derivative assets | **12** | 33 | 12 | 6 |
| Derivative liabilities | **(2)** | (16) | (2) | (5) |
| | **10** | 17 | 10 | 1 |

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

## 10. CASH AND CASH EQUIVALENTS

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

## 11. SHARE CAPITAL (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Authorised: | | | | |
| 150 000 000 ordinary shares of R1,00 each | **150** | 150 | 150 | 150 |
| 30 000 000 A preferred ordinary shares of R1,00 each | **30** | | 30 | |
| 6 000 000 B1 ordinary shares of R1,00 each | **6** | | 6 | |
| 10 500 000 B2 ordinary shares of R1,00 each | **11** | | 11 | |
| 3 200 000 B3 ordinary shares of R1,00 each | **3** | | 3 | |
| 10 redeemable preference shares of R1,00 each | | | | |
| | **200** | 150 | 200 | 150 |
| Issued and fully paid: | | | | |
| 103 005 455 (2006 - 106 591 252) ordinary shares of R1,00 each | **103** | 107 | 103 | 107 |
| 25 104 976 (2006 - nil) A preferred ordinary shares of R1,00 each | **25** | | 25 | |
| 5 422 829 (2006 - nil) B1 ordinary shares of R1,00 each | **6** | | 6 | |
| 3 296 657 (2006 - nil) B2 ordinary shares of R1,00 each | **3** | | 3 | |
| 1 021 422 (2006 - nil) B3 ordinary shares of R1,00 each | **1** | | 1 | |
| | **138** | 107 | 138 | 107 |

Under control of the directors:
- for the purposes of the employee share option schemes 8 824 919 shares (2006 - 7 717 315 shares).
- in terms of a shareholders' resolution 5 330 818 shares (2006 - 5 254 684 shares).

Details of the employee share incentive schemes are set out in notes 33 and 34.

11. **SHARE CAPITAL** continued

As a result of the unbundling of Hulamin, the options granted to employees in terms of the original employee share option schemes which had not been exercised at the unbundling date were converted into two components, a Tongaat Hulett Limited component and a Hulamin Limited component. The obligation to settle these share schemes is in accordance with the following principles, which are in accordance with the Unbundling Agreement and in terms of the scheme rules. Tongaat Hulett is obliged to settle all benefits under these share schemes for its own employees only, using Tongaat Hulett shares. It will settle the outstanding share scheme instruments that arise after the award adjustments for its own employees, by purchasing Tongaat Hulett shares in the market, or issuing Tongaat Hulett shares. The benefit for the Hulamin component will be determined with reference to the Hulamin share price, and the Tongaat Hulett component with respect to the Tongaat Hulett share price, however, benefits arising from the Hulamin component will be settled using Tongaat Hulett shares. At 31 December 2007 employees have an option to subscribe for 1 315 150 shares at an average price of R31,98 per share in respect of the Tongaat Hulett component and the equivalent of approximately 161 000 shares in respect of the Hulamin component (2006 - 2 941 810 shares at R41,23 per share in The Tongaat-Hulett Group Limited).

The original share option schemes were replaced in 2005 with a new share incentive scheme comprising the Share Appreciation Right Scheme 2005, the Long Term Incentive Plan 2005 and the Deferred Bonus Plan 2005.

The primary intention of these new schemes is to settle awards through acquiring shares in the market and delivering them to the employee and consequently no dilution of equity is expected.

12. **BEE HELD CONSOLIDATION SHARES** (Rmillion)

| | Consolidated | |
|---|---|---|
| | **2007** | 2006 |
| 25 104 976 (2006 - nil) A preferred ordinary shares of R1,00 each | **839** | |
| 5 422 829 (2006 - nil) B1 ordinary shares of R1,00 each | **136** | |
| 3 296 657 (2006 - nil) B2 ordinary shares of R1,00 each | **46** | |
| 1 021 422 (2006 - nil) B3 ordinary shares of R1,00 each | **45** | |
| | **1 066** | - |
| Less amortisation of IFRS 2 charge on shares relating to the employee share ownership plans (notes 3 and 34) | **(13)** | |
| | **1 053** | - |

13. **DEFERRED TAX** (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 Restated | 2007 | 2006 |
| Balance at beginning of year | **1 055** | 936 | 472 | 357 |
| Subsidiaries consolidated | **4** | | | |
| Hulamin unbundling | **(450)** | (16) | | |
| Accounted for in equity | **1** | 2 | | 1 |
| Current year income statement charge/(relief) on: | | | | |
| Earnings before exceptional items | **68** | 140 | 13 | 121 |
| Exceptional items | | 6 | | 6 |
| Prior years' charge | **(5)** | (13) | 2 | (13) |
| Balance at end of year | **673** | 1 055 | 487 | 472 |
| Comprising temporary differences relative to : | | | | |
| Property, plant and equipment | **395** | 855 | 372 | 363 |
| Growing crops | **47** | 40 | 28 | 25 |
| Export partnership | **203** | 203 | 203 | 203 |
| Current assets | **63** | 36 | 2 | 2 |
| Current liabilities | **(99)** | (115) | (98) | (93) |
| Tax losses | **(12)** | (16) | (11) | (16) |
| Other | **76** | 52 | (9) | (12) |
| | **673** | 1 055 | 487 | 472 |

## 14. BORROWINGS (Rmillion)

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | **2007** | 2006 | 2007 | 2006 |
| Long-term | | **410** | 49 | 351 | |
| Short-term and bank overdraft | | **977** | 1 174 | 918 | 1 039 |
| | | **1 387** | 1 223 | 1 269 | 1 039 |
| Long-term borrowings comprise: | | | | | |
| | Effective interest rate (%) | | | | |
| Secured: | | | | | |
| SA Rand | | | | | |
| Repayable 2008/2011 | 6,3 | **28** | | | |
| Finance leases (refer to note 28) | 12,5 | **1** | 3 | 1 | |
| Foreign | | | | | |
| Repayable 2008/2012 | 14,9 | **31** | | | |
| | | **60** | 3 | 1 | |
| Unsecured: | | | | | |
| SA Rand | | | | | |
| Repayable 2014 | 3 months JIBAR + 1,35% | **350** | | 350 | |
| Foreign | | | | | |
| Hulamin unbundling | | | 81 | | |
| | | **350** | 81 | 350 | |
| Long-term borrowings | | **410** | 84 | 351 | |
| Less: Current portion included in short-term borrowings | | | 35 | | |
| | | **410** | 49 | 351 | |

Plant and machinery in Mozambique subsidiaries with a book value of R248 million (2006 - R88 million) are encumbered as security for certain short-term borrowings of R111 million (2006 - R50 million) and secured finance lease obligations.

Short-term borrowings comprise call loans and bank overdrafts with various South African financial institutions at interest rates linked to the prime overdraft rate as well as short-term borrowings in Mozambique equivalent to R111 million (2006 - R50 million).

Summary of future loan repayments by financial year:

| Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| Rmillion | 18 | 18 | 18 | 6 | 0 | 350 |

In terms of the company's articles of association the borrowing powers of Tongaat Hulett are limited to R4,4 billion.

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

The non-recourse equity-settled BEE borrowings comprise:

| | Effective interest rate (%) | Consolidated 2007 | Consolidated 2006 |
|---|---|---|---|
| 4 122 000 Class A redeemable preference shares | 8,486 nacs | **412** | |
| 4 122 000 Class B redeemable preference shares | 10,873 nacs | **413** | |
| Accrued dividends | | **40** | |
| | | **865** | - |
| Less: BEE cash resources | | **53** | |
| | | **812** | **-** |

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

The preference shares are redeemable by no later than 30 June 2014 and have a fixed coupon payable semi-annually on 2 January and 1 July each year. The total debt due will be settled by the SPV's utilising preferred ordinary dividends received from Tongaat Hulett and by the shares that they hold in Tongaat Hulett and will have no further impact on the cash flows of Tongaat Hulett. These SPV's will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

## 16. **PROVISIONS** (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Post-retirement medical aid obligations (note 31) | **209** | 241 | 209 | 198 |
| Retirement gratuity obligations (note 31) | **51** | 55 | 51 | 48 |
| Other | **1** | 1 | 1 | 1 |
| | **261** | 297 | 261 | 247 |

## 17. **TRADE AND OTHER PAYABLES** (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Accounts payable | **1 331** | 1 258 | 473 | 420 |
| Maize obligation - interest bearing | **163** | 130 | 163 | 130 |
| | **1 494** | 1 388 | 636 | 550 |

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

## 18. **OPERATING PROFIT** (Rmillion)

| | Consolidated 2007 | Consolidated 2006 Restated | Company 2007 | Company 2006 |
|---|---|---|---|---|
| Revenue | **6 395** | 5 110 | 4 762 | 4 194 |
| Cost of sales | **(5 072)** | (3 992) | (4 063) | (3 481) |
| Administration expenses | **(589)** | (483) | (419) | (359) |
| Marketing and selling expenses | **(159)** | (108) | (122) | (95) |
| Other income | **263** | 199 | 357 | 229 |
| **Profit from Tongaat Hulett operations** | **838** | 726 | 515 | 488 |
| Capital profit from land (refer to note 19) | **48** | 26 | 1 | 290 |
| BEE IFRS 2 charge and transaction costs | **(383)** | | (379) | |
| Exchange rate translation (loss)/gain | **(1)** | 57 | | |
| Fair value adjustment of investment in Hulamin | **3 348** | | 3 348 | |
| **Operating profit after corporate transactions** | **3 850** | 809 | 3 485 | 778 |
| Disclosable items included in operating profit: | | | | |
| Dividends received from subsidiaries: | | | | |
| Triangle Sugar | **53** | 61 | 53 | |
| Other subsidiaries | | | 247 | |
| Income from unlisted investments | | 3 | | |
| (Loss)/surplus on disposal of plant and equipment | | 1 | (1) | |
| Amortisation of intangible assets | | 1 | | |
| Depreciation charged: | | | | |
| Buildings | **9** | 7 | 5 | 5 |
| Plant and equipment | **182** | 158 | 171 | 157 |
| Vehicles and other | **31** | 21 | 16 | 14 |
| Management fees paid to subsidiaries | | | 1 | 1 |
| Management fees paid to third parties | **4** | 5 | | |
| Technical fees paid | **16** | 12 | 16 | 12 |
| Operating lease charges (property, plant and vehicles) | **11** | 10 | 9 | 9 |
| Share-based payments: | | | | |
| IFRS 2 charge on share options, SARS, LTIP and DBP | **42** | 20 | 39 | 20 |
| BEE IFRS 2 charge | **333** | | 332 | |
| Auditors' remuneration: | | | | |
| Fees | **5** | 5 | 3 | 3 |
| Other services | **1** | 1 | 1 | |
| Net (losses)/gains on: | | | | |
| Loans and receivables designated at fair value through profit or loss | **(6)** | (4) | | |
| Fair value hedges, losses on the hedging instrument | **(17)** | (103) | (17) | (103) |
| Fair value hedges, gains on the hedged item | **17** | 103 | 17 | 103 |
| Valuation adjustments on financial instruments and other items: | | | | |
| Foreign currency gains/(losses): | | | | |
| Translation of foreign cash holdings | **(1)** | 57 | | |
| Other | **32** | (3) | | |
| Other financial instruments | **2** | 1 | | |

## 19. **CAPITAL PROFIT FROM LAND** (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Comprises: | | | | |
| Surplus on sale of property | **48** | 27 | 1 | 291 |
| Estate closure costs | | (1) | | (1) |
| Capital profit before tax | **48** | 26 | 1 | 290 |
| Tax (refer note 21) | | (6) | | (6) |
| Capital profit after tax | **48** | 20 | 1 | 284 |

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 Restated | 2007 | 2006 |
| Net financing costs comprise: | | | | |
| Interest paid - external | **(208)** | (38) | (139) | (67) |
| Interest capitalised | **15** | | | |
| Interest paid - subsidiaries | | | (12) | (6) |
| Financing costs | **(193)** | (38) | (151) | (73) |
| Financial instrument income | | 104 | | 104 |
| Interest received - external | **74** | 22 | 49 | 4 |
| Finance income | **74** | 126 | 49 | 108 |
| Net financing (costs)/income | **(119)** | 88 | (102) | 35 |

## 21. **TAX** (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 Restated | 2007 | 2006 |
| Earnings before exceptional items: | | | | |
| Current | **96** | 44 | | |
| Deferred | **68** | 140 | 13 | 121 |
| Secondary tax on companies | **127** | 63 | 127 | 63 |
| Prior years | **(3)** | (15) | 2 | (13) |
| | **288** | 232 | 142 | 171 |
| Exceptional items: | | | | |
| Deferred | | 6 | | 6 |
| Tax for the year | **288** | 238 | 142 | 177 |
| Foreign tax included above | **12** | 9 | | |

## 21. TAX (Rmillion) continued

| | Consolidated 2007 | Consolidated 2006 Restated | Company 2007 | Company 2006 |
|---|---|---|---|---|
| Tax charge at normal rate of South African tax | **1 082** | 259 | 981 | 236 |
| Adjusted for: | | | | |
| Non-taxable income | **(65)** | (90) | (100) | (123) |
| Fair value adjustment of investment in Hulamin | **(971)** | | (971) | |
| Assessed losses of foreign subsidiaries | **(2)** | 4 | | |
| Share of associate company's loss | | 1 | | |
| Non-allowable expenditure | **115** | 7 | 102 | 4 |
| Secondary tax on companies | **127** | 63 | 127 | 63 |
| Capital gains | **5** | 10 | 1 | 10 |
| Prior years | **(3)** | (16) | 2 | (13) |
| Tax charge | **288** | 238 | 142 | 177 |
| Normal rate of South African tax | **29,0%** | 29,0% | 29,0% | 29,0% |
| Adjusted for: | | | | |
| Non-taxable income | **(1,7)** | (9,9) | (2,9) | (15,1) |
| Fair value adjustment of investment in Hulamin | **(26,0)** | | (28,7) | |
| Assessed losses of foreign subsidiaries | **(0,1)** | 0,5 | | |
| Non-allowable expenditure | **3,1** | 0,6 | 3,0 | 0,5 |
| Secondary tax on companies | **3,4** | 7,1 | 3,7 | 7,8 |
| Capital gains | **0,1** | 1,1 | | 1,2 |
| Prior years | **(0,1)** | (1,8) | 0,1 | (1,6) |
| Effective rate of tax | **7,7%** | 26,6% | 4,2% | 21,8% |

Normal tax losses of R37 million (2006 - R54 million) have been utilised to reduce deferred tax. No deferred tax asset has been raised in respect of the tax losses of foreign subsidiaries that may not be utilised in the short term or may expire in terms of applicable tax legislation.

## 22. HEADLINE EARNINGS (Rmillion)

| | Consolidated 2007 | Consolidated 2006 |
|---|---|---|
| Profit attributable to shareholders | **3 457** | 723 |
| Less after tax effect of surplus on sale of property | **(48)** | (20) |
| Capital profit on sale of property | **(48)** | (26) |
| Tax | | 6 |
| Reversal of fair value adjustment of Hulamin | **(3 348)** | |
| Headline earnings | **61** | 703 |
| Headline earnings per share (cents) | | |
| Basic | **58,1** | 666,4 |
| Diluted | **56,8** | 649,4 |

## 23. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of relevant ordinary shares and qualifying preferred ordinary shares in issue during the year. In the case of basic earnings per share the weighted average number of shares in issue during the year is 104 986 732 (2006 - 105 496 879). In respect of diluted earnings per share the weighted average number of shares is 107 336 780 (2006 - 108 260 821).

## 24. DIVIDENDS (Rmillion)

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|---|---|---|---|
| Paid: | | | | |
| Ordinary share capital | | | | |
| Final for previous year, paid 22 March 2007 - 350 cents (2006 - 280 cents) | **373** | 212 | 373 | 212 |
| Interim for current year, paid 30 August 2007 - 150 cents (2006 - 200 cents) | **155** | 294 | 155 | 294 |
| B ordinary share capital | | | | |
| Interim for current year, paid 30 August 2007 - 150 cents (2006 - nil) | **15** | | 15 | |
| A preferred ordinary share capital | | | | |
| Final for current year, paid 31 December 2007 - 203 cents (2006 - nil) | **51** | | 51 | |
| | **594** | 506 | 594 | 506 |
| Less dividends relating to BEE treasury shares | **(63)** | | (12) | |
| | **531** | 506 | 582 | 506 |

The final ordinary dividend for the year ended 31 December 2007 of 160 cents per share declared on 21 February 2008 and payable on 27 March 2008 has not been accrued.

## 25. **FINANCIAL RISK MANAGEMENT** (Rmillion)

Financial instruments consist primarily of cash deposits with banks, unlisted investments, derivatives, accounts receivable and payable, and loans to and from associates and others. Financial instruments, with the exception of investments in Zimbabwean entities, are carried at fair value or amounts that approximate fair value.

| **Categories of financial instruments** | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| **Financial assets** | | | | |
| At fair value through profit or loss - held for trading (Hulamin) | | 7 | | |
| Derivative instruments in designated hedge accounting relationships | **12** | 26 | 12 | 6 |
| Unlisted shares at cost | **267** | 320 | 265 | 2 |
| Loans and receivables at amortised cost | **2 404** | 2 591 | 1 039 | 781 |
| | **2 683** | 2 944 | 1 316 | 789 |
| **Financial liabilities** | | | | |
| At fair value through profit or loss - held for trading (Hulamin | | 9 | | |
| Derivative instruments in designated hedge accounting relationships | **2** | 7 | 2 | 5 |
| Financial liabilities at amortised cost | **2 867** | 2 593 | 1 857 | 1 544 |
| Non-recourse equity-settled BEE borrowings | **812** | | | |
| | **3 681** | 2 609 | 1 859 | 1 549 |
| **Loans and receivables designated as at fair value through profit or loss** | | | | |
| Carrying amount of these loans | **887** | 485 | | |
| Cumulative changes in fair value attributable to changes in credit risk | **(12)** | (6) | | |
| Changes in fair value attributable to changes in credit risk recognised in period | **6** | 4 | | |
| **Financial liabilities designated as at fair value through profit or loss** | | | | |
| Financial liabilities at fair value | **10** | 9 | | |
| Amount payable at maturity | **11** | 11 | | |
| Difference between carrying amount and maturity amount | **1** | 2 | | |

Risk management is recognised as being dynamic, evolving and integrated into the core of running the business. The approach to risk management in Tongaat Hulett includes being able to identify and describe/analyse risks at all levels throughout the organisation, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored at a Tongaat Hulett risk committee level. Risks and mitigating actions are given relevant visibility at various appropriate forums throughout the organisation.

In the normal course of its operations, Tongaat Hulett is inter alia exposed to capital, credit, foreign currency, interest, liquidity and commodity price risks. In order to manage these risks, Tongaat Hulett may enter into transactions, which make use of derivatives. They include forward exchange contracts (FEC's) and options, interest rate swaps and commodity futures and options. Separate committees are used to manage risks and hedging activities. Tongaat Hulett does not speculate in or engage in the trading of derivative instruments. Since derivative instruments are utilised for risk management, market risk relating to derivative instruments will be offset by changes in the valuation of the underlying assets, liabilities or transactions being hedged. The overall risk strategy remains unchanged from 2006.

**Capital risk management**

Tongaat Hulett's overall strategy around capital structure remains unchanged from 2006. Tongaat Hulett manages its capital to ensure that its operations are able to continue as a going concern while maximising the return to stakeholders through an appropriate debt and equity balance. The capital structure of Tongaat Hulett consists of debt, which includes borrowings, cash and cash equivalents and equity. It was reviewed in detail by the board in the corporate restructure process in 2007.

**Credit risk**

Financial instruments do not represent a concentration of credit risk. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are a variety of major banks with high credit ratings assigned by international credit-rating agencies. Accounts receivable and loans are spread among a number of major industries, customers and geographic areas. In addition, appropriate credit committees review significant credit transactions before consummation. Where considered appropriate, use is made of credit guarantee insurance. A suitable provision is made for doubtful debts. Financial guarantee contracts are accounted for as insurance arrangements.

25. **FINANCIAL RISK MANAGEMENT** (Rmillion) continued

**Past due trade receivables**

Included in trade receivables are debtors which are past the original expected collection date (past due) at the reporting date, mainly due to delays in the property transfer process and no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. A summarised age analysis of past due debtors is set out below.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Less than 1 month | **74** | 113 | 16 | 21 |
| Between 1 to 2 months | **12** | 91 | 11 | 6 |
| Between 2 to 3 months | **24** | 12 | 2 | 2 |
| Greater than 3 months | **115** | 112 | 2 | 2 |
| Total past due | **225** | 328 | 31 | 31 |
| **Provision for doubtful debts** | | | | |
| Set out below is a summary of the movement in the provision for doubtful debts for the year: | | | | |
| Balance at beginning of year | **11** | 13 | 6 | 7 |
| Amounts written off during the year | **(4)** | (2) | (4) | |
| Increase/(decrease) in allowance recognised in profit or loss | **1** | | 1 | (1) |
| Balance at end of year | **8** | 11 | 3 | 6 |

**Foreign currency risk**

In the normal course of business, Tongaat Hulett enters into transactions denominated in foreign currencies. As a result, Tongaat Hulett is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. A variety of instruments is used to minimise foreign currency exchange rate risk in terms of Tongaat Hulett's risk management policy. In principle it is the policy to cover foreign currency exposure in respect of liabilities and purchase commitments and an appropriate portion of foreign currency exposure on receivables. There were no speculative positions in foreign currencies at year end. All foreign exchange contracts are supported by underlying transactions. Tongaat Hulett is not reliant on imported raw materials to any significant extent.

Forward exchange contracts that constitute designated hedges of currency risk at year end are summarised as follows:

| | Consolidated | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Average contract rate | Commitment (Rmillion) | **2007 Fair value of FEC (Rmillion)** | 2006 Fair value of FEC (Rmillion) | Average contract rate | Commitment (Rmillion) | 2007 Fair value of FEC (Rmillion) | 2006 Fair value of FEC (Rmillion) |
| **Imports** | | | | | | | | |
| US dollars | 6,95 | 14 | | (2) | 6,95 | 14 | | |
| Euro | 9,71 | 2 | | | 9,71 | 2 | | |
| | | 16 | | (2) | | 16 | | |
| **Exports** | | | | | | | | |
| US dollars | 7,30 | 145 | **8** | 10 | 7,30 | 145 | 8 | 4 |
| Euro | | | | 1 | | | | |
| | | 145 | **8** | 11 | | 145 | 8 | 4 |
| Net total | | 161 | **8** | 9 | | 161 | 8 | 4 |

The hedges in respect of imports and exports are expected to mature within approximately one year.

The fair value is the estimated amount that would be paid or received to terminate the forward exchange contracts in arm's length transactions at the balance sheet date.

## 25. **FINANCIAL RISK MANAGEMENT** (Rmillion) continued

Forward exchange contracts that do not constitute designated hedges of currency risk at year end are summarised as follows:

| | Consolidated | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Average contract rate | Commitment (Rmillion) | **2007 Fair value of FEC (Rmillion)** | 2006 Fair value of FEC (Rmillion) | Average contract rate | Commitment (Rmillion) | 2007 Fair value of FEC (Rmillion) | 2006 Fair value of FEC (Rmillion) |
| **Imports** | | | | | | | | |
| US dollars | 7,21 | 33 | **(1)** | | 7,17 | 28 | (1) | |
| Euro | 10,25 | 4 | | | 10,25 | 4 | | |
| | | 37 | **(1)** | | | 32 | (1) | |
| **Exports** | | | | | | | | |
| US dollars | | | | 6 | | | | |
| **Loan capital payments and interest** | | | | 1 | | | | |
| US dollars | | | | | | | | |
| Net total | | 37 | **(1)** | 7 | | 32 | (1) | |

Although not designated as a hedge for accounting purposes, these forward exchange contracts represent cover of existing foreign currency exposure.

Tongaat Hulett has the following uncovered foreign receivables:

| | Consolidated | | | Company | | |
|---|---|---|---|---|---|---|
| | Foreign Amount (million) | **2007 (Rmillion)** | 2006 (Rmillion) | Foreign Amount (million) | 2007 (Rmillion) | 2006 (Rmillion) |
| US dollars | 4 | **30** | 45 | 4 | 30 | 9 |
| UK pounds | | | 6 | | | |
| Euro | | | 5 | | | |
| | | **30** | 56 | | 30 | 9 |

The impact of a 10% strengthening or weakening of the Rand on the uncovered US dollar receivable will have a R4 million impact on profit or loss and a R3 million impact on equity.

**Commodity price risk**

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the prices of commodities. To hedge prices for Tongaat Hulett's substantial commodity requirements, commodity futures and options are used, including fixed and spot-defined forward sales contracts and call and put options.

Tongaat Hulett Sugar secures the premium on refined sugar exports from fluctuating international prices by using commodity futures.

Tongaat Hulett Starch has secured its maize requirements for the current maize season to 31 May 2008 and a significant portion of its requirements for the year ending 31 May 2009 by means of unpriced procurement contracts and futures.

At the year end the commodity futures contracts were:

| | Consolidated | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Tons | Contract value (Rmillion) | **2007 Fair value (Rmillion)** | 2006 Fair value (Rmillion) | Tons | Contract value (Rmillion) | 2007 Fair value (Rmillion) | 2006 Fair value (Rmillion) |
| **Futures - hedge accounted:** | | | | | | | | |
| Raw sugar futures purchased | 26 626 | 42 | **(3)** | 1 | 26 626 | 42 | (3) | 1 |
| Raw sugar futures sold | 29 949 | 60 | **1** | 1 | 29 949 | 60 | 1 | 1 |
| Maize futures sold | 85 800 | 137 | **5** | (1) | 85 800 | 137 | 5 | (1) |
| Maize futures purchased | | | | (4) | | | | (4) |
| Aluminium futures purchased | | | | 13 | | | | |
| | | | **3** | 10 | | | 3 | (3) |
| **Futures - not hedge accounted:** | | | | | | | | |
| Aluminium futures sold | | | | (9) | | | | |
| Period when cash flow expected to occur | | | **2008** | 2007 | | | 2008 | 2007 |
| When expected to effect profit | | | **2008** | 2007 | | | 2008 | 2007 |
| Amount recognised in equity during the period | | | **6** | 5 | | | 6 | 5 |
| Amount transferred from equity and recognised in profit or loss | | | **(3)** | (1) | | | (3) | (1) |

25. **FINANCIAL RISK MANAGEMENT** (Rmillion) continued

**Interest rate risk**

Tongaat Hulett is exposed to interest rate risk on its fixed rate loan liabilities and accounts receivable and payable, which can impact on the fair value of these instruments. Tongaat Hulett is also exposed to interest rate cash flow risk in respect of its variable rate loans and short-term cash investments, which can impact on the cash flows of these instruments. The exposure to interest rate risk is managed through the cash management system which enables Tongaat Hulett to maximise returns while minimising risks. The impact of a 50 basis point move in interest rates will have a R8 million effect on profit or loss and a R5 million impact on equity.

**Liquidity risk**

Tongaat Hulett manages its liquidity risk by monitoring forecast cash flows on a weekly basis. There are unutilised committed banking facilities of R2,2 billion (2006 - R1,0 billion).

Borrowings inclusive of interest projected at current interest rates:

| **2007** Consolidated | Weighted average effective interest rate | Due within 1 year | 1 to 2 years | 2 to 5 years | After 5 years | Interest adjustment | Total |
|---|---|---|---|---|---|---|---|
| Bank loans | 12,2 | 943 | 59 | 158 | 438 | (361) | 1 237 |
| Foreign loans | 18,0 | 114 | 10 | 31 | | (26) | 129 |
| Other borrowings | 12,1 | 178 | | | | (8) | 170 |
| Financial lease liability | 12,5 | | 1 | 1 | | (1) | 1 |
| Other non-interest bearing liabilities | | 1 330 | | | | | 1 330 |
| Net settled derivatives | | 2 | | | | | 2 |
| Total for Tongaat Hulett | | 2 567 | 70 | 190 | 438 | (396) | 2 869 |
| Non-recourse equity-settled BEE borrowings | | 65 | 102 | 304 | 616 | (275) | 812 |
| Total including SPV debt | | 2 632 | 172 | 494 | 1 054 | (671) | 3 681 |

| **2006** Consolidated | Weighted average effective interest rate | Due within 1 year | 1 to 2 years | 2 to 5 years | After 5 years | Interest adjustment | Total |
|---|---|---|---|---|---|---|---|
| Bank loans | 9,5 | 1 154 | | | | (107) | 1 047 |
| Foreign loans | Libor +0,6 | 96 | 39 | 17 | | (21) | 131 |
| Other borrowings | 9,5 | 188 | | | | (16) | 172 |
| Financial lease liability | 11,3 | 1 | 1 | 2 | | (1) | 3 |
| Other non-interest bearing liabilities | | 1 238 | | | | | 1 238 |
| Net settled derivatives | | 16 | | | | | 16 |
| Total | | 2 693 | 40 | 19 | | (145) | 2 607 |

## 26. **PRINCIPAL SUBSIDIARY COMPANIES AND JOINT VENTURES** (Rmillion)

| | Interest of Holding Company: Shares 2007 | Shares 2006 | Indebtedness 2007 | Indebtedness 2006 |
|---|---|---|---|---|
| Tongaat Hulett Starch (Pty) Limited | **15** | 15 | (2) | (15) |
| # Hulett Aluminium (Pty) Limited (50%) | | 297 | | 840 |
| Hulett Hydro Extrusions (Pty) Limited (35%) | | | | |
| Tongaat Hulett Developments (Pty) Limited | | | (248) | (16) |
| Tongaat Hulett Estates (Pty) Limited | | | | |
| Tongaat Hulett Sugar Limited | **487** | 487 | 897 | 215 |
| Tambankulu Estates Limited (Swaziland) | | | | |
| Acucareira de Mocambique, SARL (Mozambique) (75%) | | | | |
| Acucareira de Xinavane, SARL (Mozambique) (88%) | | | | |
| + Triangle Sugar Corporation Limited (Zimbabwe) | | | | |
| + Hippo Valley Estates Limited (Zimbabwe) (50,35%) | | | | |
| The Tongaat Group Limited | **54** | 54 | (65) | (43) |
| | **556** | 853 | 582 | 981 |

# Joint venture, unbundled during the year
+ Not consolidated

Except where otherwise indicated, effective participation is 100 percent.
A full list of all subsidiaries and joint ventures is available from the company secretary on request.

## 27. **GUARANTEES AND CONTINGENT LIABILITIES** (Rmillion)

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|---|---|---|---|
| Guarantees in respect of obligations of Tongaat Hulett and third parties | **9** | 57 | 21 | 21 |
| Contingent liabilities | **26** | 22 | 24 | 4 |
| | **35** | 79 | 45 | 25 |

## 28. **LEASES** (Rmillion)

| | Consolidated 2007 | Consolidated 2006 | Company 2007 | Company 2006 |
|---|---|---|---|---|
| **Amounts payable under finance leases** | | | | |
| Minimum lease payments due: | | | | |
| Not later than one year | **1** | 1 | 1 | |
| Later than one year and not later than five years | **1** | 2 | 1 | |
| Later than five years | | 1 | | |
| | **2** | 4 | 2 | |
| Less: future finance charges | **(1)** | (1) | (1) | |
| Present value of lease obligations | **1** | 3 | 1 | |
| Payable: | | | | |
| Not later than one year | | 1 | | |
| Later than one year and not later than five years | **1** | 2 | 1 | |
| | **1** | 3 | 1 | |
| **Operating lease commitments, amounts due:** | | | | |
| Not later than one year | **9** | 13 | 8 | 8 |
| Later than one year and not later than five years | **14** | 29 | 8 | 18 |
| Later than five years | | 3 | | |
| | **23** | 45 | 16 | 26 |
| In respect of: | | | | |
| Property | **12** | 28 | 5 | 16 |
| Plant and machinery | **8** | 11 | 8 | 5 |
| Other | **3** | 6 | 3 | 5 |
| | **23** | 45 | 16 | 26 |

## 29. CAPITAL EXPENDITURE COMMITMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Contracted | **539** | 169 | 44 | 77 |
| Approved but not contracted | **796** | 640 | 239 | 125 |
| | **1 335** | 809 | 283 | 202 |

Funds to meet future capital expenditure will be provided from retained net cash flows and debt financing.

## 30. RELATED PARTY TRANSACTIONS (Rmillion)

During the year Tongaat Hulett, 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 are eliminated on consolidation.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| Goods and services: | | | | |
| Transacted between operating entities within the company | | | 5 | |
| Between the company and its subsidiaries | | | 11 | |
| Transacted between subsidiaries within Tongaat Hulett | **93** | 10 | | |
| Transacted with/between joint ventures within Tongaat Hulett | | 38 | | 3 |
| Transacted with associate companies | | 79 | | |
| Sales to external related parties | **141** | 108 | 141 | 108 |
| Paid to the Tongaat-Hulett Pension Fund | **26** | 31 | 24 | 23 |
| Transacted with directors of the company | | 7 | | |
| Administration fees and other income: | | | | |
| Transacted between operating entities within the company | | | 5 | 2 |
| Between the company and its subsidiaries | | | 32 | 34 |
| Transacted between subsidiaries within Tongaat Hulett | **42** | 22 | | |
| Transacted with/between joint ventures within Tongaat Hulett | **57** | 305 | | 2 |
| Transacted with associate companies | | 20 | | |
| Paid to external related parties | **3** | 4 | | |
| Interest paid: | | | | |
| Transacted between operating entities within the company | | | 27 | 23 |
| Between the company and its subsidiaries | | | 4 | 2 |
| Transacted with/between joint ventures within Tongaat Hulett | **6** | 11 | | |
| Interest received: | | | | |
| Transacted between operating entities within the company | | | 189 | 112 |
| Between the company and its subsidiaries | | | 18 | |
| Transacted between subsidiaries within Tongaat Hulett | **26** | 22 | | |
| Transacted with/between joint ventures within Tongaat Hulett | **3** | 12 | | 43 |
| Transacted with associate companies | | 1 | | |
| Sales of fixed assets: | | | | |
| Between the company and its subsidiaries | | | | 314 |
| Transacted between subsidiaries within Tongaat Hulett | | 9 | | |
| Loan balances: | | | | |
| Transacted between operating entities within the company | | | 2 340 | 1 296 |
| Between the company and its subsidiaries | | | 582 | 141 |
| Transacted with/between joint ventures within Tongaat Hulett | | 329 | | 840 |
| With the holding company | | 12 | | |
| External related parties | **12** | 8 | 12 | 8 |
| Dividends received: | | | | |
| Between the company and its subsidiaries | | | 300 | |
| Transacted between subsidiaries within Tongaat Hulett | **64** | 61 | | |

Other related party information:

Export partnership - refer to note 3
Total dividends paid - refer to note 24
Directors - refer to note 32
Tongaat Hulett Developments is a guarantor on Tongaat Hulett Limited's South African long-term unsecured loan facility

31. **RETIREMENT BENEFITS**

**Pension and Provident Fund Schemes**

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

**Defined Contribution Pension and Provident Schemes**

There are three defined contribution schemes, one of which is located in Swaziland. The latest audited financial statements of these schemes all reflect a satisfactory state of affairs. Contributions of R18 million were expensed during the year (2006 - R16 million).

**Defined Benefit Pension Scheme**

There is one defined benefit scheme, The Tongaat-Hulett Pension Fund (the Fund), for employees including those of the Hulett Aluminium Joint Venture. The Fund is actuarially valued at intervals of not more than three years using the projected unit credit method. In the statutory actuarial valuation of the scheme as at 31 December 2001 the Fund was certified by the reporting actuary to be in a sound financial position. With effect from 7 December 2001 the Pension Funds Second Amendment Act was promulgated. This Act required the Fund to submit a plan for the apportionment on a fair basis to the employer and past and current members of the Fund of the actuarial surplus as at 31 December 2001. The 2001 apportionment plan was approved by the Financial Services Board in May 2007. The manner in which the Fund proceeds following the unbundling of Hulamin from Tongaat Hulett and the split between the employers participating in the Fund of the share of the actuarial surplus attributed to the employer surplus account has yet to be finalised. Accordingly, due to the uncertainty regarding the apportionment, no surplus has been recognised on the balance sheet.

An actuarial valuation of liabilities, based on the existing benefits, carried out as at 31 December 2007 in accordance with IAS 19 showed the present value of obligations to be adequately covered by the fair value of the scheme assets.

| | **2007 Rmillion** | 2006 Rmillion |
|---|---|---|
| **Details of the valuation of the Fund (100%) are as follows:** | | |
| **Fair value of plan assets** | | |
| Balance at beginning of year | **5 945** | 4 554 |
| Expected return on scheme assets | **460** | 348 |
| Employer contributions | **45** | 39 |
| Members' contributions | **36** | 31 |
| Benefits paid | **(457)** | (181) |
| Net member transfers | **(15)** | (9) |
| Actuarial gain | **530** | 1 163 |
| Balance at end of year | **6 544** | 5 945 |
| **Present value of defined benefit obligation** | | |
| Balance at beginning of year | **4 202** | 3 465 |
| Current service cost | **97** | 81 |
| Interest cost | **322** | 265 |
| Members' contributions | **36** | 31 |
| Benefits paid | **(457)** | (181) |
| Net member transfers | **(15)** | (9) |
| Actuarial loss | **259** | 550 |
| Balance at end of year | **4 444** | 4 202 |
| **Fund assets less member liabilities, before reserves** | **2 100** | 1 743 |

31. **RETIREMENT BENEFITS** continued

| **Defined Benefit Pension Scheme** continued | **2007 Rmillion** | 2006 Rmillion |
|---|---|---|
| **Asset information:** | | |
| Equities | **3 896** | 4 624 |
| Fixed interest bonds | **647** | 804 |
| Property | **151** | 8 |
| Cash | **1 850** | 509 |
| | **6 544** | 5 945 |
| Included in the assets of the scheme are ordinary shares held in Tongaat Hulett Limited, stated at fair value | **136** | 212 |
| Actual return on scheme assets | **990** | 1 511 |
| **The principal actuarial assumptions are:** | | |
| Discount rate | **8,25%** | 8,00% |
| Salary cost and pension increase | **5,25%** | 4,75% |
| Expected rate of return on assets | **8,00%** | 8,00% |
| **Experience gains and (losses) on:** | | |
| Plan liabilities | **(137)** | (429) |
| Percentage of the present value of the plan liabilities | **3,1%** | 10,2% |
| Plan assets | **530** | 1 163 |
| Percentage of plan assets | **8,1%** | 19,6% |
| **Estimated contributions payable in the next financial year** | **48** | 43 |

**Basis used to determine the rate of return on assets**
The expected rate of return on assets has been set equal to the discount rate used to value the liabilities of the Fund on the projected unit credit method. This is a reasonably conservative approach, adopted on the basis that the additional returns anticipated on certain other asset classes in which the Fund is invested (e.g. equities) can only be achieved with increased risk.

**Post-Retirement Medical Aid Benefits**
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. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit for current employees is dependent upon the employee remaining in service until retirement and completing a minimum service period of ten years. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007 (Rmillion)** | 2006 (Rmillion) | 2007 (Rmillion) | 2006 (Rmillion) |
| **Amounts recognised in the balance sheet:** | | | | |
| Present value of unfunded obligations | **246** | 277 | 246 | 230 |
| Unrecognised actuarial losses | **(37)** | (36) | (37) | (32) |
| Net liability in balance sheet | **209** | 241 | 209 | 198 |
| **The liability is reconciled as follows:** | | | | |
| Net liability at beginning of year | **241** | 230 | 198 | 190 |
| Hulamin unbundling | **(43)** | | | |
| Net expense recognised in income statement | **26** | 27 | 26 | 22 |
| Contributions | **(15)** | (16) | (15) | (14) |
| Net liability at end of year | **209** | 241 | 209 | 198 |
| **Amounts recognised in the income statement:** | | | | |
| Service costs | **3** | 3 | 3 | 2 |
| Interest costs | **18** | 19 | 18 | 16 |
| Net actuarial losses recognised | **5** | 5 | 5 | 4 |
| | **26** | 27 | 26 | 22 |
| **The principal actuarial assumptions applied are:** | | | | |
| Discount rate | **8,25%** | 8,00% | 8,25% | 8,00% |
| Health care cost inflation rate | **5,75%** | 5,25% | 5,75% | 5,25% |

31. **RETIREMENT BENEFITS** continued

**Post-Retirement Medical Aid Benefits** continued

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | 2007 | 2006 |
| **Sensitivity of healthcare cost trend rates** | | | | |
| 1% increase in trend rate - effect on the aggregate of the service and interest costs | **3** | 4 | 3 | 3 |
| 1% increase in trend rate - effect on the obligation | **29** | 34 | 29 | 27 |
| 1% decrease in trend rate - effect on the aggregate of the service and interest costs | **2** | 4 | 2 | 3 |
| 1% decrease in trend rate - effect on the obligation | **24** | 29 | 24 | 23 |
| **Estimated contributions payable in the next financial year** | **16** | 17 | 16 | 15 |
| **Experience losses:** | | | | |
| On plan liabilities | **11** | 22 | 11 | 18 |
| Percentage of the present value of the plan liabilities | **4,47%** | 7,94% | 4,47% | 7,83% |

**Retirement Gratuities**

Tongaat Hulett has in the past made payments, on retirement, to eligible employees who have remained in service until retirement, and have completed a minimum service period of ten years. The unfunded liability for retirement gratuities which is determined actuarially each year comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2007 (Rmillion)** | 2006 (Rmillion) | 2007 (Rmillion) | 2006 (Rmillion) |
| **Amounts recognised in the balance sheet:** | | | | |
| Present value of unfunded obligations | **56** | 59 | 56 | 51 |
| Unrecognised actuarial losses | **(5)** | (4) | (5) | (3) |
| Net liability in balance sheet | **51** | 55 | 51 | 48 |
| **The liability is reconciled as follows:** | | | | |
| Net liability at beginning of year | **55** | 52 | 48 | 46 |
| Hulamin unbundling | **(7)** | | | |
| Net expense recognised in income statement | **8** | 7 | 8 | 6 |
| Payments made | **(5)** | (4) | (5) | (4) |
| Net liability at end of year | **51** | 55 | 51 | 48 |
| **Amounts recognised in the income statement:** | | | | |
| Service costs | **3** | 3 | 3 | 2 |
| Interest costs | **4** | 4 | 4 | 4 |
| Net actuarial losses recognised | **1** | | 1 | |
| | **8** | 7 | 8 | 6 |
| **The principal actuarial assumptions applied are:** | | | | |
| Discount rate | **8,25%** | 8,00% | 8,25% | 8,00% |
| Salary inflation rate | **5,75%** | 5,25% | 5,75% | 5,25% |
| **Estimated contributions payable in the next financial year** | **5** | 5 | 5 | 5 |
| **Experience losses:** | | | | |
| On plan liabilities | **3** | 7 | 3 | 6 |
| Percentage of the present value of the plan liabilities | **5,36%** | 11,86% | 5,36% | 11,76% |

## 32. DIRECTORS' EMOLUMENTS AND INTERESTS

**Directors' remuneration** (R000)

The directors' remuneration for the year ended 31 December 2007 was as follows:

| Name | Cash Package | Bonus | Retirement and medical contributions | Total |
|---|---|---|---|---|
| Executive directors: | | | | |
| B G Dunlop | 2 341 | 808 | 282 | 3 431 |
| A Fourie (to 29 June 2007) | 1 113 | | 126 | 1 239 |
| G R Hibbert (to 29 June 2007) | 955 | | 111 | 1 066 |
| G P N Kruger (to 29 June 2007) | 1 070 | | 136 | 1 206 |
| M H Munro | 2 036 | 987 | 242 | 3 265 |
| S J Saunders (to 29 June 2007) | 1 070 | | 126 | 1 196 |
| M Serfontein (to 29 June 2007) | 862 | | 102 | 964 |
| P H Staude | 4 053 | 2 553 | 434 | 7 040 |
| | 13 500 | 4 348 | 1 559 | 19 407 |

Bonuses are reported to match the amount payable to the applicable financial year.

The directors' remuneration for the year ended 31 December 2006 was as follows:

| Name | Cash Package | Bonus | Retirement and medical contributions | Total |
|---|---|---|---|---|
| Executive directors: | | | | |
| B G Dunlop | 2 168 | 1 010 | 256 | 3 434 |
| A Fourie | 2 043 | 882 | 234 | 3 159 |
| G R Hibbert | 1 752 | 824 | 203 | 2 779 |
| G P N Kruger | 2 009 | 629 | 252 | 2 890 |
| M H Munro | 1 810 | 869 | 216 | 2 895 |
| S J Saunders | 2 010 | 907 | 235 | 3 152 |
| M Serfontein | 1 618 | 746 | 190 | 2 554 |
| P H Staude | 3 718 | 1 785 | 397 | 5 900 |
| | 17 128 | 7 652 | 1 983 | 26 763 |

Bonuses are reported to match the amount payable to the applicable financial year.

**Share incentive gains**

Following the approval by shareholders of the split of the Tongaat-Hulett Group into two separate listed entities, Tongaat Hulett and Hulamin and with the circular to shareholders relating to the corporate transactions including detail on the approach to the share incentive schemes, certain share incentive scheme transactions, prior to the corporate restructuring, were concluded. These transactions are included in the share incentive gains set out below and were settled by the delivery of shares, some of which were sold, inter alia to meet tax payments, with the remainder being held in shares in Tongaat Hulett.

| | **2007** | 2006 |
|---|---|---|
| Executive directors: | | |
| B G Dunlop | **5 641** | 7 506 |
| A Fourie (to 29 June 2007) | **5 425** | 2 408 |
| G R Hibbert (to 29 June 2007) | **7 577** | 2 957 |
| G P N Kruger (to 29 June 2007) | **9 264** | 4 380 |
| M H Munro | **8 212** | 820 |
| S J Saunders (to 29 June 2007) | **3 276** | |
| M Serfontein (to 29 June 2007) | **8 487** | 2 486 |
| P H Staude | **17 861** | 6 257 |
| | **65 743** | 26 814 |

32. **DIRECTORS' EMOLUMENTS AND INTERESTS** continued

**Tongaat-Hulett Group Limited incentive bonus on Hulamin unbundling and introduction of BEE**

In June 2006 the Tongaat-Hulett Group board introduced an incentive plan whereby the executive directors and the chief executive officer could earn a maximum potential payment ranging from 30% to 55% of cash package for the successful implementation of the Hulamin unbundling and the introduction of BEE equity participation in both Tongaat Hulett and Hulamin. Following the successful implementation of these transactions, the board approved the payment of the bonus, as set out below.

| | **2007** | 2006 |
|---|---|---|
| Executive directors: | | |
| B G Dunlop | **650** | |
| A Fourie (to 29 June 2007) | **1 021** | |
| G R Hibbert (to 29 June 2007) | **526** | |
| G P N Kruger (to 29 June 2007) | **603** | |
| M H Munro | **905** | |
| S J Saunders (to 29 June 2007) | **603** | |
| M Serfontein (to 29 June 2007) | **486** | |
| P H Staude | **2 045** | |
| | **6 839** | - |

**Non-executive directors' emoluments**

| | | **2007** | | | 2006 | |
|---|---|---|---|---|---|---|
| Name | **Fees** | **Other** | **Total** | Fees | Other | Total |
| Non-executive directors: | | | | | | |
| D D Barber (to 29 June 2007) | **75** | | **75** | 135 | | 135 |
| P M Baum | **150** | **60** | **210** | 135 | 125 | 260 |
| I Botha (to 9 October 2007) | **116** | **58** | **174** | 135 | 142 | 277 |
| L Boyd (to 25 April 2007) | **50** | **40** | **90** | 135 | 178 | 313 |
| E le R Bradley | **150** | **210** | **360** | 135 | 233 | 368 |
| B E Davison (to 29 June 2007) | **75** | | **75** | 135 | | 135 |
| J John (from 29 June 2007) | **75** | **38** | **113** | | | |
| M W King (to 25 April 2007) | **50** | **25** | **75** | 135 | 142 | 277 |
| J B Magwaza | **150** | **80** | **230** | 135 | 140 | 275 |
| M Mia | **150** | **195** | **345** | 135 | 123 | 258 |
| T H Nyasulu | **150** | | **150** | 135 | 32 | 167 |
| C M L Savage | **535** | **100** | **635** | 500 | 267 | 767 |
| C B Sibisi (from 29 June 2007) | **75** | | **75** | | | |
| R H J Stevens | **150** | **80** | **230** | 135 | 110 | 245 |
| A M Thompson (to 29 June 2007) | **75** | | **75** | 135 | 72 | 207 |
| J G Williams (from 10 October 2007) | **34** | | **34** | | | |
| | **2 060** | **886** | **2 946** | 2 120 | 1 564 | 3 684 |

**Declaration of full disclosure**

Other than that disclosed above, 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 December 2007.

**Interest of directors of the company in share capital**

The aggregate holdings as at 31 December 2007 of those directors of the company holding issued ordinary shares of the company are detailed below. Holdings are beneficial except where indicated otherwise. The comparative figures have been adjusted for the shareholding of those directors who retired during the year and for those directors who came off the board following the corporate restructuring and the unbundling of Hulamin.

| | **2007** | | 2006 | |
|---|---|---|---|---|
| Name | **Direct shares** | **Indirect shares** | Direct shares | Indirect shares |
| Executive directors: | | | | |
| B G Dunlop | **14 654** | | 7 394 | |
| M H Munro | **12 171** | | 6 263 | |
| P H Staude | **55 868** | | 40 085 | |
| Other directors at 31 December 2006 * | | | 46 299 | 1 257 008 |
| | **82 693** | | 100 041 | 1 257 008 |
| Non-executive directors: | | | | |
| E le R Bradley | | **94 847** | | 99 316 |
| E le R Bradley (non-beneficial) | | **24 647** | | 25 809 |
| J B Magwaza | **5 501** | | 5 760 | |
| C M L Savage | **22 923** | **69 930** | 24 003 | 73 225 |
| R H J Stevens | **590** | | 618 | |
| Other directors at 31 December 2006 | | | 500 | |
| | **29 014** | **189 424** | 30 881 | 198 350 |

* These are directors who came off the Board following the corporate restructuring transactions in 2007 and the change in the composition of the Board with effect from 29 June 2007.

33. **EMPLOYEE SHARE INCENTIVE SCHEMES**

The adoption of IFRS 2 Share-based Payment (IFRS 2) in 2005 required that all awards made after 7 November 2002 be accounted for in the financial statements of the company. IFRS 2 has therefore been applied to The Tongaat-Hulett Group Limited 2001 Share Option Scheme in respect of the awards made on 14 April 2003, 1 October 2003 and 21 April 2004 and to the new share incentive scheme comprising the Share Appreciation Right Scheme 2005 (SARS), the Long Term Incentive Plan 2005 (LTIP) and the Deferred Bonus Plan 2005 (DBP).

**Details of awards in terms of the company's share incentive schemes are as follows:**

As a result of the unbundling of Hulamin, participants in these share schemes who had not exercised their rights at the unbundling date converted their existing Tongaat-Hulett Group Limited instruments into two components, a Tongaat Hulett Limited component and a Hulamin Limited component. The obligation to settle these share schemes is in accordance with the following principles, which are in accordance with the Unbundling Agreement. Tongaat Hulett is obliged to settle all benefits under these share schemes for its own employees only, using Tongaat Hulett shares. It will settle the outstanding share scheme instruments that arise after the award adjustments for its own employees, by purchasing Tongaat Hulett shares in the market, or issuing Tongaat Hulett shares. The benefit for the Hulamin component will be determined with reference to the Hulamin share price, and the Tongaat Hulett component with respect to the Tongaat Hulett share price, however, benefits arising from the Hulamin component will be settled using Tongaat Hulett shares.

**The Tongaat-Hulett Employees Share Incentive Scheme and The Tongaat-Hulett Group Limited 2001 Share Option Scheme (the Original Share Option Schemes)**

Under the original share option schemes, participating employees were awarded share options in the company. On vesting, the employee is entitled to purchase shares in the company and immediately sell the shares at the market price, thereby benefiting from the appreciation in the share price.

The original strike price of each Tongaat-Hulett Group Limited option was apportioned between the Tongaat Hulett and Hulamin components with reference to the volume weighted average prices of both companies for the first 22 trading days after the unbundling. The VWAP was R93,89 and R29,04 respectively, with the expiry date being the same as that of the original options.

| Expiring ten years from | Original option price (Rand) | Number of THG options at 31 Dec 2006 | THG options exercised to 30 June 2007 | THG options forfeited to 30 June 2007 | Unbundling of Hulamin | Number of THG options at 30 June 2007 | Refer to the next page for the continuation of this table after the unbundling of Hulamin |
|---|---|---|---|---|---|---|---|
| 4 November 1998 | 33,25 | 22 000 | 8 000 | | 4 000 | 10 000 | |
| 5 March 1999 | 32,90 | 244 000 | 84 900 | | 19 000 | 140 100 | |
| 7 May 1999 | 40,10 | 168 860 | 65 220 | | 11 600 | 92 040 | |
| 19 May 2000 | 30,00 | 33 800 | 15 800 | | 900 | 17 100 | |
| 26 July 2000 | 29,40 | 1 500 | 1 500 | | | | |
| 12 January 2001 | 39,85 | 36 700 | 16 400 | | | 20 300 | |
| 16 May 2001 | 40,00 | 307 900 | 135 800 | | 35 400 | 136 700 | |
| 15 August 2001 | 42,00 | 3 500 | | | | 3 500 | |
| 13 May 2002 | 49,60 | 491 350 | 213 700 | 900 | 71 800 | 204 950 | |
| 14 April 2003 | 31,90 | 654 500 | 388 000 | 1 600 | 59 500 | 205 400 | |
| 1 October 2003 | 34,50 | 34 500 | | | 4 500 | 30 000 | |
| 21 April 2004 | 47,00 | 943 200 | 268 600 | 11 500 | 151 900 | 511 200 | |
| | | 2 941 810 | 1 197 920 | 14 000 | 358 600 | 1 371 290 | |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

The option price and number of unexercised options after the unbundling of Hulamin at the end of 30 June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| Expiring ten years from | Option price (Rand) Apportioned | | Number following unbundling | | Options exercised 1 July to 31 Dec 2007 | | Options forfeited 1 July to 31 Dec 2007 | | Number of options at 31 December 2007 | | Options time constrained at 31 December 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| 4 November 1998 | 25,40 | 7,85 | 10 000 | 10 000 | 2 000 | 2 000 | | | 8 000 | 8 000 | | |
| 5 March 1999 | 25,13 | 7,77 | 140 100 | 140 100 | 11 800 | 10 800 | | | 128 300 | 129 300 | | |
| 7 May 1999 | 30,63 | 9,47 | 92 040 | 92 040 | 2 240 | 2 240 | | | 89 800 | 89 800 | | |
| 19 May 2000 | 22,91 | 7,09 | 17 100 | 17 100 | | | | | 17 100 | 17 100 | | |
| 12 January 2001 | 30,44 | 9,41 | 20 300 | 20 300 | | | | | 20 300 | 20 300 | | |
| 16 May 2001 | 30,55 | 9,45 | 136 700 | 136 700 | 2 700 | | | | 134 000 | 136 700 | | |
| 15 August 2001 | 32,08 | 9,92 | 3 500 | 3 500 | | | | | 3 500 | 3 500 | | |
| 13 May 2002 | 37,88 | 11,72 | 204 950 | 204 950 | 7 750 | 4 250 | | | 197 200 | 200 700 | | |
| 14 April 2003 | 24,37 | 7,53 | 205 400 | 205 400 | 10 150 | 8 550 | | | 195 250 | 196 850 | | |
| 1 October 2003 | 26,35 | 8,15 | 30 000 | 30 000 | | | | | 30 000 | 30 000 | | |
| 21 April 2004 | 35,90 | 11,10 | 511 200 | 511 200 | 18 400 | 7 600 | 1 100 | 1 100 | 491 700 | 502 500 | 255 810 | 255 810 |
| | | | 1 371 290 | 1 371 290 | 55 040 | 35 440 | 1 100 | 1 100 | 1 315 150 | 1 334 750 | 255 810 | 255 810 |

The weighted average fair value costing of the combined Tongaat Hulett and Hulamin components of the outstanding share options granted in 2003 and 2004, determined using the binomial tree valuation model, was R11,14 per share and R16,08 per share respectively (2006 - R11,12 and R15,28). No awards were made in 2007 (2006 - nil) under the original share option schemes.

The significant inputs into the model for the 2003/4 awards of the original share option schemes were:

| | |
|---|---|
| Share price at grant date | The share option price at grant date is the share price at the date on which the share option is issued, as noted above. |
| Exercise price | The exercise price is the share price at grant date, as noted above. |
| Expected option life | 114 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | 9,84% |
| Expected volatility | Expected volatility of 35% is based on historical volatility determined by the statistical analysis of daily share price movements over the past three years. |
| Expected dividends | The measurement of the fair value of the share option did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 3,9% was used. |
| Weighted average share price | Tongaat Hulett component: R31,98 and Hulamin component R9,90 (2006 - R41,23). |
| Expected early exercise | Early exercise is taken into account on an expectation basis. |
| 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. |

| | |
|---|---|
| Weighted average remaining life: | |
| - Expected | 55 months (2006 - 67 months) |
| - Contractual | 120 months |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Details of awards in terms of the company's share incentive schemes are as follows:** continued

**Share Appreciation Right Scheme 2005**

Under the share appreciation right scheme, 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 after tax share price appreciation in the company. The vesting of the right is conditional on the achievement of Tongaat Hulett performance levels over a performance period.

In advance of the unbundling of Hulamin, partial accelerated vesting was permitted on the early vesting date based on full attainment of the performance conditions. The headline earnings per share (HEPS) performance to date relative to the HEPS performance condition applicable to the 2005 and 2006 award was tested on the early test date and this performance condition was fully met in respect of both the 2005 and 2006 awards. Vesting of the SARs was pro-rated with reference to the proportion of the performance period that had been served by participants up to the unbundling date. This pro-rata portion of the SARs was allowed to be exercised from the early vesting date up to the day before the unbundling date.

Following on the unbundling of Hulamin, participants in the share appreciation right scheme who had not exercised their rights at the unbundling date or whose rights had not vested, converted their existing Tongaat-Hulett Group Limited rights into two components, a Tongaat Hulett Limited component and a Hulamin Limited component with adjusted strike prices. The original strike price of each Tongaat-Hulett Group Limited right was apportioned between the Tongaat Hulett and Hulamin components with reference to the volume weighted average prices of both companies for the first 22 trading days after the unbundling. The VWAP was R93,89 and R29,04 respectively. Replacement SARs will not be subject to any performance conditions other than the passage of time. The vesting and lapse dates of both new SARs will be the same as that of the original SARs.

| Expiring seven years from | Original grant price (Rand) | Number of THG rights at 31 Dec 2006 | THG rights exercised to 30 June 2007 | THG rights forfeited to 30 June 2007 | Unbundling of Hulamin | Number of THG rights at 30 June 2007 | Refer below for the continuation of this table after the unbundling of Hulamin |
|---|---|---|---|---|---|---|---|
| 10 May 2005 | 57,58 | 1 342 868 | 373 395 | 18 837 | 205 716 | 744 920 | |
| 25 April 2006 | 96,09 | 1 311 726 | 191 121 | 13 542 | 269 589 | 837 474 | |
| | | 2 654 594 | 564 516 | 32 379 | 475 305 | 1 582 394 | |

The grant price and number of unexercised rights after the unbundling of Hulamin at the end of June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| | Grant price (Rand) Apportioned | | Number following unbundling | | Rights granted in 2007 | Rights exercised 1 July to 31 Dec 2007 | | Rights forfeited 1 July to 31 Dec 2007 | | Number of rights at 31 December 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Expiring seven years from | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| 10 May 2005 | 43,98 | 13,60 | 744 920 | 744 920 | | 31 256 | 15 136 | 1 146 | 1 146 | 712 518 | 728 638 |
| 25 April 2006 | 73,39 | 22,70 | 837 474 | 837 474 | | 5 838 | | 1 964 | 1 964 | 829 672 | 835 510 |
| 20 August 2007 | 88,84 | | | | 1 189 012 | | | 3 162 | | 1 185 850 | |
| | | | 1 582 394 | 1 582 394 | 1 189 012 | 37 094 | 15 136 | 6 272 | 3 110 | 2 728 040 | 1 564 148 |

The estimated fair value costing of these outstanding share appreciation rights was determined using the binomial tree valuation model and non-market performance conditions, based on the following significant inputs:

| | |
|---|---|
| Share price at grant date | The grant price at which the share appreciation right is issued, as noted above. |
| Exercise price | The share price at grant date, as noted above in respect of the 2007 award and apportioned for the Tongaat Hulett and Hulamin components for the 2006 and 2005 awards. |
| Expected option life | 80 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | 2007 award : 8,11% (2006 award : 7,22% and 2005 award : 8,09%). |
| Expected volatility | Expected volatility of 27% ( 2006 and 2005 : 35%) is based on historical volatility determined by the statistical analysis of daily share price movements over the past three years. |
| Expected dividends | The measurement of the fair value of the share appreciation rights did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 3,44% was used for the 2007 award (2006 award : 4,0% and 2005 award : 3,9%). |
| Weighted average share price | As above. |
| Expected early exercise | Early exercise is taken into account on an expectation basis. |
| Time constraints | Three years from grant date. |
| Performance (vesting) conditions | An increase in headline earnings per ordinary share as determined by the Remuneration Committee. Retesting of the performance condition is allowed. |
| Non-market performance conditions | Growth in headline earnings per share. |
| Market performance conditions | No market conditions. |
| Estimated fair value per right at grant date | 2007 award: R15,97 (the combined Tongaat Hulett and Hulamin components: 2006 award : R18,11 and 2005 award: R13,88). |
| Weighted average remaining life: | |
| - Expected | 2007 award : 80 months (2006 award : 64 months and 2005 award : 52 months) |
| - Contractual | 84 months |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Details of awards in terms of the company's share incentive schemes are as follows:** continued

**Long Term Incentive Plan 2005**

Under the long term incentive plan, participating employees are granted conditional awards. These awards are converted into shares on the achievement of performance conditions over a performance period.

In advance of the unbundling of Hulamin, partial accelerated vesting was permitted based on the attainment of the performance conditions. In respect of both the 2005 and the 2006 awards, 50% of the award is subject to the TSR condition and 50% is subject to the ROCE condition. Both the TSR and ROCE performance to date relative to the TSR and ROCE performance condition applicable to the 2005 and 2006 awards were tested on the early test date. Both these performance conditions had been fully met in respect of both the 2005 and 2006 awards. Vesting of the conditional awards was pro-rated with reference to the proportion of the performance period that had been served by participants up to the unbundling date. This pro-rata portion of the conditional awards vested on the early vesting date and was settled with shares in The Tongaat-Hulett Group Limited.

Following upon the unbundling of Hulamin, that portion of The Tongaat-Hulett Group Limited conditional awards that did not vest early were converted into two components, a Tongaat Hulett Limited component and a Hulamin Limited component with adjusted strike prices. The original strike price of each Tongaat-Hulett Group Limited conditional awards was apportioned between the Tongaat Hulett and Hulamin components with reference to the volume weighted average prices of both companies for the first 22 trading days after the unbundling. The VWAP was R93,89 and R29,04 respectively. The replacement conditional awards will not be subject to new performance conditions and will be subject to the original vesting dates.

| Expiring three years from | Original issue price (Rand) | Number of THG conditional awards at 31 Dec 2006 | THG conditional awards settled to 30 June 2007 | THG conditional awards forfeited to 30 June 2007 | Unbundling of Hulamin | Number of THG conditional awards at 30 June 2007 | Refer below for the continuation of this table after the unbundling of Hulamin |
|---|---|---|---|---|---|---|---|
| 10 May 2005 | 57,58 | 336 725 | 230 849 | 4 995 | 24 488 | 76 393 | |
| 25 April 2006 | 96,09 | 182 300 | 67 951 | 3 014 | 28 009 | 83 326 | |
| | | 519 025 | 298 800 | 8 009 | 52 497 | 159 719 | |

The issue price and number of unexercised conditional awards after the unbundling of Hulamin at the end of June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| | Issue price (Rand) Apportioned | | Number following unbundling | | Conditional awards granted 1 July to 31 Dec | No. of conditional awards at 31 Dec 2007 | |
|---|---|---|---|---|---|---|---|
| Expiring three years from | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Tongaat Hulettt | Hulamin |
| 10 May 2005 | 43,98 | 13,60 | 76 393 | 76 393 | | 76 393 | 76 393 |
| 25 April 2006 | 73,39 | 22,70 | 83 326 | 83 326 | | 83 326 | 83 326 |
| 20 August 2007 | 88,84 | | | | 136 467 | 136 467 | |
| | | | 159 719 | 159 719 | 136 467 | 296 186 | 159 719 |

The estimated fair value costing of these outstanding conditional share awards was determined using the Monte Carlo Simulation model and non-market performance conditions, based on the following significant inputs:

| | |
|---|---|
| Share price at grant date | The grant price at which the conditional share award is issued, as noted above. |
| Exercise price | The share price at grant date, as noted above in respect of the 2007 award and apportioned for the Tongaat Hulett and Hulamin components for the 2006 and 2005 awards. |
| Expected option life | 34 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | 2007 award : 8,8% (2006 award : 7,01% and 2005 award : 7,44%). |
| Expected volatility | Expected volatility of 23,98% for the 2007 award (2006 award : 25,60% and 2005 award : 27,02%) is based on historical volatility determined by the statistical analysis of daily share price movements over the past three years. |
| Expected dividends | The measurement of the fair value of the conditional share awards did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 3,6% was used for the 2007 award (2006 award : 3,8% and 2005 award : 3,9%). |
| Weighted average share price | As above. |
| Expected early exercise | Early exercise is taken into account on an expectation basis. |
| Time constraints | Three years from grant date. |
| Performance (vesting) conditions | 50% of the LTIP award will be subject to the TSR condition and 50% will be subject to the ROCE condition. No retesting of the performance condition is allowed. |
| Non-market performance conditions | Return on capital employed (ROCE). |
| Market performance conditions | Total shareholder return (TSR). |
| Estimated fair value per conditional award at grant date | 2007 award: R46,28 (the combined Tongaat Hulett and Hulamin components: 2006 award: R39,78 and 2005 award: R24,96) |
| Weighted average remaining life: | |
| - Expected | 2007 award : 32 months (2006 award : 16 months and 2005 award : 4 months) |
| - Contractual | 36 months |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Details of awards in terms of the company's share incentive schemes are as follows:** continued

**Deferred Bonus Plan 2005**

Under the deferred bonus plan, 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 period, after which the company awards the employee a number of shares in the company which matches those pledged shares released from the trust.

The full matching award based on the number of shares pledged in 2005 and 2006, and retained until the early vesting date, vested on the early vesting date and an appropriate number of Tongaat-Hulett Group Limited shares were delivered to each of the participants prior to the unbundling date.

| Expiring three years from | Issue price Rand | Number of conditional awards at 31 Dec 2006 | Conditional awards granted in 2007 | Conditional awards settled in 2007 | Number of conditional awards at 31 Dec 2007 |
|---|---|---|---|---|---|
| 4 May 2005 | 57,76 | 35 094 | | 35 094 | |
| 3 March 2006 | 91,86 | 25 831 | | 25 831 | |
| 27 July 2007 | 90,27 | | 24 274 | | 24 274 |
| | | 60 925 | 24 274 | 60 925 | 24 274 |

The estimated fair value costing of the outstanding deferred bonus share awards was based on the following significant inputs:

| | |
|---|---|
| Share price at grant date | The price at which the deferred bonus share is issued, as noted above. |
| Exercise price | The grant share price at grant date, as noted above. |
| Expected option life | 34 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | Not applicable. |
| Expected volatility | Not applicable. |
| Expected dividends | The measurement of the fair value of the deferred bonus shares did not take into account dividends, as no dividend payment was expected. |
| Weighted average share price | 2007 award : R90,27 |
| Expected early exercise | Early exercise is taken into account on an expectation basis. |
| Time constraints | Three years from grant date. |
| 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. |
| Estimated fair value per deferred bonus share at grant date | 2007 award : R67,53 |
| Weighted average remaining life: | |
| - Expected | 2007 award : 31 months (2006 and 2005 awards : nil) |
| - Contractual | 36 months |

The deferred bonus shares were purchased by the participating employees on 3 August 2007 in respect of the 2007 award. (2006 award : purchased on 2 March 2006 and 2005 award : purchased over the period from 4 May 2005 to 10 May 2005).

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Interest of directors of the company in share-based instruments**

The interest of the directors in share options of the company are shown in the table below:

**The Original Share Option Schemes**

| Name | Expiring ten years from | Option price Rand | Number of options at 31 Dec 2006 | Options exercised to 30 June 2007 | Number of options at 30 June 2007 | Refer to the next page for the continuation of this table after the unbundling of Hulamin |
|---|---|---|---|---|---|---|
| **Executive director:** | | | | | | |
| B G Dunlop | 13 May 2002 | 49,60 | 7 000 | 7 000 | | |
| | 14 April 2003 | 31,90 | 9 400 | 9 400 | | |
| | 21 April 2004 | 47,00 | 3 600 | 2 500 | 1 100 | |
| | | | 20 000 | 18 900 | 1 100 | |
| M H Munro | | | | | | |
| | 4 November 1998 | 33,25 | 4 000 | 4 000 | | |
| | 7 May 1999 | 40,10 | 5 800 | 5 800 | | |
| | 19 May 2000 | 30,00 | 3 800 | 3 800 | | |
| | 12 January 2001 | 39,85 | 2 400 | 2 400 | | |
| | 16 May 2001 | 40,00 | 9 000 | 9 000 | | |
| | 13 May 2002 | 49,60 | 11 500 | 11 500 | | |
| | 14 April 2003 | 31,90 | 12 400 | 7 500 | 4 900 | |
| | 1 October 2003 | 34,50 | 30 000 | | 30 000 | |
| | 21 April 2004 | 47,00 | 32 000 | | 32 000 | |
| | | | 110 900 | 44 000 | 66 900 | |
| P H Staude | 16 May 2001 | 40,00 | 10 000 | 10 000 | | |
| | 13 May 2002 | 49,60 | 65 000 | 48 000 | 17 000 | |
| | 14 April 2003 | 31,90 | 30 000 | 30 000 | | |
| | 21 April 2004 | 47,00 | 28 000 | | 28 000 | |
| | | | 133 000 | 88 000 | 45 000 | |
| **Non-executive director:** * | | | | | | |
| J B Magwaza | 19 May 2000 | 30,00 | 2 000 | | 2 000 | |
| | 12 January 2001 | 39,85 | 1 600 | | 1 600 | |
| | 16 May 2001 | 40,00 | 6 000 | | 6 000 | |
| | 13 May 2002 | 49,60 | 6 000 | | 6 000 | |
| | | | 15 600 | | 15 600 | |
| C M L Savage | 5 March 1999 | 32,90 | 60 000 | | 60 000 | |
| | 7 May 1999 | 40,10 | 50 000 | | 50 000 | |
| | 12 January 2001 | 39,85 | 8 000 | | 8 000 | |
| | 16 May 2001 | 40,00 | 22 000 | | 22 000 | |
| | | | 140 000 | | 140 000 | |
| **Total** | | | 419 500 | 150 900 | 268 600 | |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Interest of directors of the company in share-based instruments** continued

The interest of the directors in share options of the company are shown in the table below:

**The Original Share Option Schemes** continued

The option price and number of unexercised options after the unbundling of Hulamin at the end of June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| | | Option price (Rand) Apportioned | | Number following unbundling No. of options at 31 Dec 2007 | | Options time constrained at 31 December 2007 | |
|---|---|---|---|---|---|---|---|
| Name | Expiring ten years from | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| **Executive director:** | | | | | | | |
| B G Dunlop | 21 April 2004 | 35,90 | 11,10 | 1 100 | 1 100 | 1 080 | 1 080 |
| M H Munro | 14 April 2003 | 24,37 | 7,53 | 4 900 | 4 900 | | |
| | 1 October 2003 | 26,35 | 8,15 | 30 000 | 30 000 | | |
| | 21 April 2004 | 35,90 | 11,10 | 32 000 | 32 000 | 9 600 | 9 600 |
| | | | | 66 900 | 66 900 | 9 600 | 9 600 |
| P H Staude | 3 May 2002 | 37,88 | 11,72 | 17 000 | 17 000 | | |
| | 21 April 2004 | 35,90 | 11,10 | 28 000 | 28 000 | 8 400 | 8 400 |
| | | | | 45 000 | 45 000 | 8 400 | 8 400 |
| **Non-executive director:** * | | | | | | | |
| J B Magwaza | 19 May 2000 | 22,91 | 7,09 | 2 000 | 2 000 | | |
| | 12 January 2001 | 30,44 | 9,41 | 1 600 | 1 600 | | |
| | 16 May 2001 | 30,55 | 9,45 | 6 000 | 6 000 | | |
| | 13 May 2002 | 37,88 | 11,72 | 6 000 | 6 000 | | |
| | | | | 15 600 | 15 600 | | |
| C M L Savage | 5 March 1999 | 25,13 | 7,77 | 60 000 | 60 000 | | |
| | 7 May 1999 | 30,63 | 9,47 | 50 000 | 50 000 | | |
| | 12 January 2001 | 30,44 | 9,41 | 8 000 | 8 000 | | |
| | 16 May 2001 | 30,55 | 9,45 | 22 000 | 22 000 | | |
| | | | | 140 000 | 140 000 | | |
| Total | | | | 268 600 | 268 600 | 19 080 | 19 080 |

* The non-executive directors' share options were awarded when they were executive directors.

463 600 options relating to directors who resigned during the year are excluded from the opening balance.

## 33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

### **Interest of directors of the company in share-based instruments** continued

The interest of the directors in other share-based instruments of the company are shown in the table below:

### Share Appreciation Right Scheme 2005

| Name of executive director | Expiring seven years from | Original Grant price (Rand) | Number of rights at 31 Dec 2006 | Rights exercised to 30 June 2007 | Number of rights at 30 June 2007 |
|---|---|---|---|---|---|
| B G Dunlop | 10 May 2005 | 57,58 | 40 597 | | 40 597 |
| | 25 April 2006 | 96,09 | 23 737 | | 23 737 |
| | | | 64 334 | | 64 334 |
| M H Munro | 10 May 2005 | 57,58 | 32 185 | 11 000 | 21 185 |
| | 25 April 2006 | 96,09 | 20 472 | | 20 472 |
| | | | 52 657 | 11 000 | 41 657 |
| P H Staude | 10 May 2005 | 57,58 | 92 810 | | 92 810 |
| | 25 April 2006 | 96,09 | 62 082 | | 62 082 |
| | | | 154 892 | | 154 892 |

Refer below for the continuation of this table after the unbundling of Hulamin

The grant price and number of unexercised rights after the unbundlingof Hulamin at the end of June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| Name of executive director | Expiring seven years from | Grant price (Rand) Apportioned Tongaat Hulett | Grant price (Rand) Apportioned Hulamin | Number following unbundling Tongaat Hulett | Number following unbundling Hulamin | Rights granted in 2007 Tongaat Hulett | Number of rights at 31 December 2007 Tongaat Hulett | Number of rights at 31 December 2007 Hulamin | Rights time constrained Tongaat Hulett | Rights time constrained Hulamin |
|---|---|---|---|---|---|---|---|---|---|---|
| B G Dunlop | 10 May 2005 | 43,98 | 13,60 | 40 597 | 40 597 | | 40 597 | 40 597 | 12 346 | 12 346 |
| | 25 April 2006 | 73,39 | 22,70 | 23 737 | 23 737 | | 23 737 | 23 737 | 14 741 | 14 741 |
| | 20 August 2007 | 88,84 | | | | 25 382 | 25 382 | | 25 382 | |
| | | | | 64 334 | 64 334 | 25 382 | 89 716 | 64 334 | 52 469 | 27 087 |
| M H Munro | 10 May 2005 | 43,98 | 13,60 | 21 185 | 21 185 | | 21 185 | 21 185 | 9 787 | 9 787 |
| | 25 April 2006 | 73,39 | 22,70 | 20 472 | 20 472 | | 20 472 | 20 472 | 12 713 | 12 713 |
| | 20 August 2007 | 88,84 | | | | 23 830 | 23 830 | | 23 830 | |
| | | | | 41 657 | 41 657 | 23 830 | 65 487 | 41 657 | 46 330 | 22 500 |
| P H Staude | 10 May 2005 | 43,98 | 13,60 | 92 810 | 92 810 | | 92 810 | 92 810 | 28 224 | 28 224 |
| | 25 April 2006 | 73,39 | 22,70 | 62 082 | 62 082 | | 62 082 | 62 082 | 38 553 | 38 553 |
| | 20 August 2007 | 88,84 | | | | 71 073 | 71 073 | | 71 073 | |
| | | | | 154 892 | 154 892 | 71 073 | 225 965 | 154 892 | 137 850 | 66 777 |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Interest of directors of the company in share-based instruments** continued

The interest of the directors in other share-based instruments of the company are shown in the table below:

**Long Term Incentive Plan**

| Name of executive director | Expiring three years from | Original Issue price (Rand) | Number of Conditional awards att 31 Dec 2006 | Conditional Awards settled to 30 June 2007 | Number of Conditional awards at 30 June 2007 |
|---|---|---|---|---|---|
| B G Dunlop | 10 May 2005 | 57,58 | 20 126 | 14 006 | 6 120 |
| | 25 April 2006 | 96,09 | 10 117 | 3 834 | 6 283 |
| | | | 30 243 | 17 840 | 12 403 |
| M H Munro | 10 May 2005 | 57,58 | 15 955 | 11 104 | 4 851 |
| | 25 April 2006 | 96,09 | 8 725 | 3 306 | 5 419 |
| | | | 24 680 | 14 410 | 10 270 |
| P H Staude | 10 May 2005 | 57,58 | 50 720 | 35 296 | 15 424 |
| | 25 April 2006 | 96,09 | 26 459 | 10 028 | 16 431 |
| | | | 77 179 | 45 324 | 31 855 |

Refer below for the continuation of this table after the unbundling of Hulamin

The issue price and number of unexercised conditional awards after the unbundling of Hulamin at the end of June 2007 were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as follows:

| | | Issue price (Rand) Apportioned | | Number following unbundling | | Conditional awards granted in 2007 | No. of conditional awards at 31 December 2007 | | Conditional awards time constrained | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of executive director | Expiring three years from | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| B G Dunlop | 10 May 2005 | 43,98 | 13,60 | 6 120 | 6 120 | | 6 120 | 6 120 | 6 120 | 6 120 |
| | 25 April 2006 | 73,39 | 22,70 | 6 283 | 6 283 | | 6 283 | 6 283 | 6 283 | 6 283 |
| | 20 August 2007 | 88,84 | | | | 8 503 | 8 503 | | 8 503 | |
| | | | | 12 403 | 12 403 | 8 503 | 20 906 | 12 403 | 20 906 | 12 403 |
| M H Munro | 10 May 2005 | 43,98 | 13,60 | 4 851 | 4 851 | | 4 851 | 4 851 | 4 851 | 4 851 |
| | 25 April 2006 | 73,39 | 22,70 | 5 419 | 5 419 | | 5 419 | 5 419 | 5 419 | 5 419 |
| | 20 August 2007 | 88,84 | | | | 7 991 | 7 991 | | 7 991 | |
| | | | | 10 270 | 10 270 | 7 991 | 18 261 | 10 270 | 18 261 | 10 270 |
| P H Staude | 10 May 2005 | 43,98 | 13,60 | 15 424 | 15 424 | | 15 424 | 15 424 | 15 424 | 15 424 |
| | 25 April 2006 | 73,39 | 22,70 | 16 431 | 16 431 | | 16 431 | 16 431 | 16 431 | 16 431 |
| | 20 August 2007 | 88,84 | | | | 23 834 | 23 834 | | 23 834 | |
| | | | | 31 855 | 31 855 | 23 834 | 55 689 | 31 855 | 55 689 | 31 855 |

33. **EMPLOYEE SHARE INCENTIVE SCHEMES** continued

**Interest of directors of the company in share-based instruments** continued

The interest of the directors in other share-based instruments of the company are shown in the table below:

**Deferred Bonus Plan 2005**

| Name of executive director | Expiring three years from | Original Issue price (Rand) | Number of conditional awards at 31 Dec 2006 | Conditional awards settled in 2007 | Conditional awards granted in 2007 | Number of conditional awards at 31 Dec 2007 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|
| B G Dunlop | 4 May 2005 | 57,76 | 4 210 | 4 210 | | | |
| | 3 March 2006 | 91,86 | 3 184 | 3 184 | | | |
| | 3 August 2007 | 90,27 | | | 3 357 | 3 357 | 3 357 |
| | | | 7 394 | 7 394 | 3 357 | 3 357 | 3 357 |
| M H Munro | 4 May 2005 | 57,76 | 3 204 | 3 204 | | | |
| | 3 March 2006 | 91,86 | 2 559 | 2 559 | | | |
| | 3 August 2007 | 90,27 | | | 2 887 | 2 887 | 2 887 |
| | | | 5 763 | 5 763 | 2 887 | 2 887 | 2 887 |
| P H Staude | 4 May 2005 | 57,76 | 10 081 | 10 081 | | | |
| | 3 March 2006 | 91,86 | 7 155 | 7 155 | | | |
| | 3 August 2007 | 90,27 | | | 7 711 | 7 711 | 7 711 |
| | | | 17 236 | 17 236 | 7 711 | 7 711 | 7 711 |

The deferred bonus shares were purchased by the participating employees on 3 August 2007 in respect of the 2007 award (2006 award : purchased on 2 March 2006 and 2005 award : purchased over the period from 4 May 2005 to 10 May 2005).

The share awards were made and exercised at various times and the average share price was R128,64 for Tongaat-Hulett Group Limited up to June 2007 and R93,39 for Tongaat Hulett for the remainder of the year.

The gains made by directors are reflected in note 32 under Directors' Emoluments and Interests.

The interests of those directors who resigned during the year have been excluded from the opening balances of directors interests.

## 34. BEE EMPLOYEE SHARE OWNERSHIP PLANS

The 7% BEE employee transaction comprises the Employee Share Ownership Plan (ESOP) and the Management Share Ownership Plan (MSOP).

The ESOP scheme consists of a share appreciation right scheme and participants share in 50% of the dividend payable to ordinary shareholders.The MSOP scheme consists of two components namely a share appreciation right scheme and a share grant scheme.

The ESOP Trust and MSOP Trust were established to acquire and hold Tongaat Hulett Limited shares for the benefit of designated employees. Tongaat Hulett Limited and its subsidiaries have made contributions to the MSOP Trust and the ESOP Trust (refer note 3). Due to these shares having specific repurchase rights at maturity (five years from grant), they are a separate class of restricted shares which, other than for the repurchase terms, rank paripassu with ordinary shares and become ordinary shares on repurchase.

The number of shares repurchased at maturity is calculated such that the market value of the repurchased shares will be equal to :
- The grant price of the shares allocated, plus the value of cash dividends paid to ESOP participants
- 80% of the market value (at the outset) of the shares issued in terms of the share appreciation right component of the MSOP
- Rnil in respect of the share grant component of the MSOP; and
- The Trusts will distribute the remaining Tongaat Hulett shares to the beneficiaries.

Under the share appreciation right scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price which will be equal to the grant price plus the aggregate of all cash dividends received (in the instance of the ESOP) and the market value at maturity of the scheme. The employee therefore participates in the share price appreciation in Tongaat Hulett. Under the share grant scheme, participating employees were granted the right to obtain ordinary shares in Tongaat Hulett on vesting.The value of both the MSOP share appreciation scheme and the MSOP share grant scheme are capped at a level of 10% compounded growth per year.

| Description of award | Grant date | Share price at grant date Rand | Number of shares issued in 2007 | Number of rights allocated in 2007 |
|---|---|---|---|---|
| Employee Share Ownership Plan - Share appreciation right scheme | 1 August 2007 | 92,90 | 5 422 829 | 4 408 235 |
| Management Share Ownership Plan - Share appreciation right scheme | 1 August 2007 | 92,90 | 3 296 657 | 1 546 630 |
| Management Share Ownership Plan - Share grant scheme | 1 August 2007 | 92,90 | 1 021 422 | 478 870 |
| | | | 9 740 908 | 6 433 735 |

The estimated fair value costing of these share appreciation rights and share grant rights was determined using option pricing methodology, based on the following significant inputs:

| | |
|---|---|
| Expected option life | 57 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | 8,45% |
| Expected volatility | Expected volatility of 27% is based on historical volatility determined by the statistical analysis of daily share price movements over the past three years. |
| Expected early exercise | n/a |
| Time constraints | Five years from grant date. |
| 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. |

In addition, the following data is specific to each of the above schemes:

| | |
|---|---|
| **Employee Share Ownership Plan - Share appreciation right scheme** | |
| Exercise price | R92,90 plus cash dividends to be received over the life of the scheme. |
| Expected dividends | A dividend yield of 4,6% was used. |
| Estimated fair value per right | R28,90 |
| **Management Share Ownership Plan - Share appreciation right scheme** | |
| Exercise price | R74,32 |
| Expected dividends | Nil |
| Estimated fair value per right | R19,80 |
| **Management Share Ownership Plan - Share grant scheme** | |
| Exercise price | Nil |
| Expected dividends | Nil |
| Estimated fair value per right | R64,00 |

35. **DISCONTINUED OPERATION** (Rmillion)

The discontinued operation relates to Hulett Aluminium (Pty) Limited which was listed on the JSE on 25 June 2007 as Hulamin Limited. Tongaat Hulett unbundled its 50% share holding in Hulamin as a distribution in specie at the end of June 2007.

The results of Hulamin up to the end of June 2007 and for the twelve months ended 31 December 2006 are as follows:

| | **6 months to 30 June 2007** | 12 months to 31 December 2006 |
|---|---|---|
| **Income statement** | | |
| Revenue | **1 648** | 2 738 |
| Operating profit | **83** | 211 |
| Net financing costs | **( 23)** | (111) |
| Profit before tax | **60** | 100 |
| Tax | **(18)** | (31) |
| Net profit after tax | **42** | 69 |
| Minority interest | | (4) |
| Net profit | **42** | 65 |
| **Cash flow statement** | | |
| Cash flows from operating activities | **53** | 56 |
| Net cash used in investing activities | **(90)** | 170 |
| Net movement in cash resources | **(37)** | 226 |
| **Balance sheet** | | |
| Property, plant and equipment | **2 013** | 1 970 |
| Intangible assets | **11** | 12 |
| Investments | **1** | 1 |
| Current assets | **1 093** | 1 397 |
| Current liabilities | **(450)** | (474) |
| Provisions | **(52)** | (50) |
| Borrowings | **(456)** | (724) |
| Deferred tax | **(443)** | (450) |
| Minority interest | **(19)** | (19) |
| Post acquisition reserves | **(1 204)** | (1 169) |
| Investment before revaluation | **494** | 494 |
| Revaluation upon unbundling | **3 348** | |
| Investment in Hulamin | **3 842** | 494 |

36. **SUBSIDIARIES DECONSOLIDATED/CONSOLIDATED** (Rmillion)

Details of subsidiaries deconsolidated and consolidated and their cash flow effects are summarised below.

| | 2007 |
|---|---|
| **Subsidiaries deconsolidated*** | |
| Property, plant, equipment and investments | **1 983** |
| Inventories | **494** |
| Trade and other receivables | **556** |
| Trade and other payables | **(474)** |
| Provisions | **(50)** |
| Deferred tax | **(450)** |
| Borrowings net of cash and cash equivalents | **(377)** |
| Minority interest | **(19)** |
| Post acquisition reserves | **(1 169)** |
| Investment before revaluation | **494** |
| Revaluation upon unbundling | **3 348** |
| Investment in Hulamin (note 35) | **3 842** |
| Less dividend in specie | **(3 842)** |
| Proceeds on unbundling | **-** |

*Values are as at 31 December 2006.

| | 2007 |
|---|---|
| **Subsidiaries consolidated** | |
| Property, plant, equipment and investments | **317** |
| Growing crops | **70** |
| Inventories | **19** |
| Trade and other receivables | **117** |
| Trade and other payables | **(97)** |
| Deferred tax | **(4)** |
| Borrowings net of cash and cash equivalents | **(250)** |
| Minority interest | **(129)** |
| Net assets consolidated | **43** |
| Goodwill arising on consolidation | **20** |
| | **63** |
| Less loans capitalised and investments consolidated | **(61)** |
| Investment in subsidiaries | **2** |