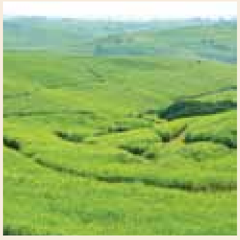
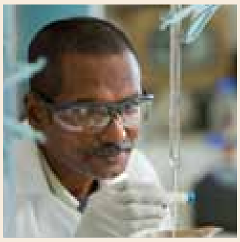
Tongaat Hulett

# Integrated Annual Report 2013

Year Ended 31 March


Umhlanga Ridge Town Centre/Cornubia

# CONTENTS OF THE INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2013



## SCOPE AND BOUNDARIES OF REPORT

This report covers Tongaat Hulett's strategy, governance, sustainability, operational and financial performance for the 12 months ended 31 March 2013 and comparable data for the prior period. It covers the starch, land conversion and developments, animal feeds and the sugar operations in Botswana, Mozambique, Namibia, South Africa, Swaziland and Zimbabwe.

# FOCUS AREAS TO FURTHER ENHANCE TONGAAT HULETT'S STRATEGIC POSITION

Evolving the starch and glucose operation's market mixes and new product portfolios in order to optimise earnings and increase capacity utilisation.

Reducing the unit cost of production.

- A fundamental review to re-examine all bought-in costs and services has been launched
- With a substantial part of the cost base being fixed, the unit cost of sugar production will continue to benefit from the growth in sugar volumes

Optimising revenue from sugarcane and progressing Tongaat Hulett's renewable energy initiatives to meet the SADC region's need for agricultural development, job creation and energy security.

Partnering with Governments and other key stakeholders to develop small-scale private farmers, thereby contributing to rural development and job creation around the business's areas of operation.

Prioritising the sustained increase of cane supplies to utilise the more than 850 000 tons of available unutilised milling capacity.

Developing innovative models to create successful and sustainable neighbourhoods for communities in the lower socio-economic spectrum.

Increasing the pace of land conversion while establishing, maintaining and entrenching appropriate value benchmarks.

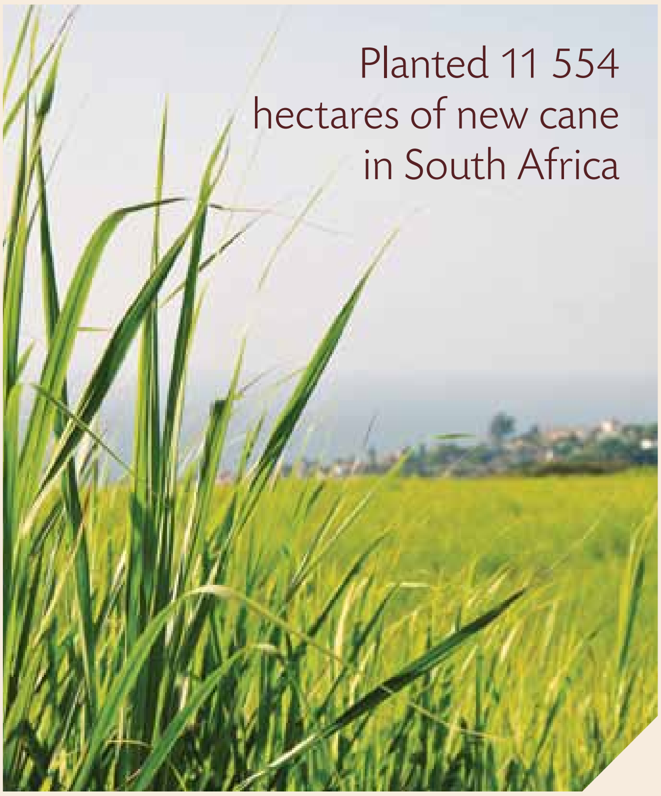
Maximising the benefit of owning the leading sugar brands and strong distribution networks in the SADC region.

Developing and building Tongaat Hulett's human capital, while meeting the business's internal transformation targets.

Continuing to make good progress in the areas of health and environmental management.

Maintaining and developing strong relationships with all of Tongaat Hulett's stakeholders.

Entrenching an "Organisational Safety Culture" with a zero harm approach.



Planted 11 554 hectares of new cane in South Africa

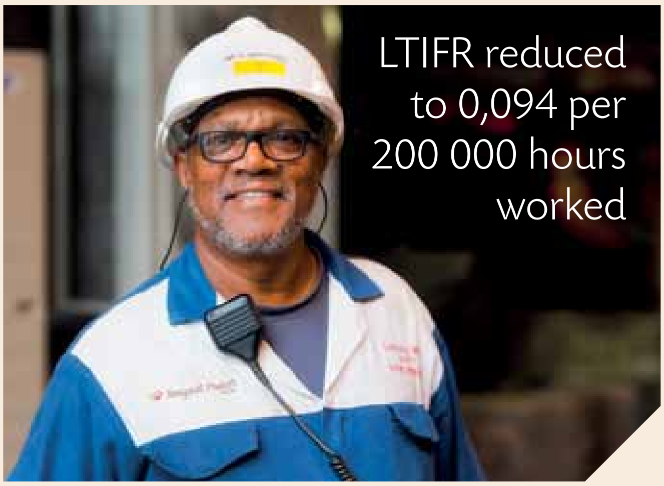
## FINANCIAL YEAR 2013

| | | |
|---|---|---|
| Revenue | ▲ 19,0% | R14,373 billion |
| Profit from Operations | ▲ 11,7% | R2,145 billion |
| Cash Flow from Operations | ▲ 56,0% | R2,126 billion |
| Headline Earnings | ▲ 18,7% | R1,058 billion |
| Annual Dividends | ▲ 17,2% | 340 cents per share |

Growth in sugar production of 104 000 tons to 1 254 000 tons

Zimbabwe sugar production increased by 28% with sugarcane supplies from private farmers growing by 60%

Accelerating the pace of land sales in Cornubia Industrial



LTIFR reduced to 0,094 per 200 000 hours worked

# TONGAAT HULETT AND ITS STRATEGIC POSITIONING

Tongaat Hulett is an agricultural and agri-processing business which includes integrated components of land management and property development. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugarcane and maize. Renewable energy, in the form of biofuel production and electricity generation, is of increasing importance to the business. The water-food-energy nexus is an evolving dynamic as the world contends with the growing impact of climate change. Tongaat Hulett balances the operational requirement for sugarcane supplies to its cane processing operations with other priority uses of agricultural land and its transition to higher value uses at the appropriate times. The current focus prioritises the business leveraging its asset base in six Southern African Development Community (SADC) countries. Tongaat Hulett is well placed to capitalise on the company's unconstrained access to sugar markets and its independent position and established business platform and size.

The business has, over the past century established a firm base with operations in six SADC countries, namely Botswana, Mozambique, Namibia, South Africa, Swaziland and Zimbabwe. A consequence of the agricultural seasonal nature of the business is that employment numbers fluctuate during the year, and from year to year. Tongaat Hulett normally employs more than 40 000 people and while it is difficult to estimate the exact number of people employed by private farmers who supply its starch and sugar operations, there is a high probability that this number exceeds the company's employee complement.

More than 300 000 hectares of land in the SADC region supply the business's sugar and starch operations. In South Africa, approximately 150 000 hectares of private land under maize, supply the four starch operations. In Mozambique, South Africa, Swaziland and Zimbabwe more than 150 000 hectares of land under sugarcane supply cane to eight Tongaat Hulett mills and two 3rd party mills in the case of Swaziland.

Tongaat Hulett's ability to engage innovatively with, and create stakeholder value within and from regional socio-economic dynamics and regulatory environments underpins its activities in the agriculture and agri-processing sectors. The growth and development of the company's operations, in the selected regions in which it operates, have involved establishing credible partnering relationships with farmers, local communities, governments and employees over many years. Tongaat Hulett's independent status and local ownership is important to the continuation of these relationships. The company is building on its existing relationships as Tongaat Hulett seeks to continue being viewed as the partner of choice to all of its stakeholders.

## SUGAR OPERATIONS

The global consumption of sugar for the 2012/13 year is scheduled to amount to 174 million tons. As global demand for sugar continues to grow at 2 percent per annum, this currently equates to an additional 3,5 million tons of sugar. Traditionally, this growing worldwide demand has been met by Brazil but this position has changed. The Brazilian dynamic has been a significant contributor to the general rise in sugar prices when compared to

Tongaat Hulett's sugar production grew by 248 000 tons in the past 2 years. To establish a 200 000 ton Greenfield operation in Africa (including infrastructure, agricultural assets and a sugar mill) will cost between R5 billion and R6 billion.

prices some 8-10 years ago. This has created opportunities for other regions including Sub-Saharan Africa, which has ample unutilised arable land and currently uses less than 10 percent of its available fresh water. The company's leading sugar brands and existing distribution networks will enable the business to benefit from the growing per capita consumption of sugar in the SADC region.

Tongaat Hulett is assisting with the development of small-scale private farmers in South Africa

Tongaat Hulett's strategy is to expedite an increase in sugarcane supplies to its operations in Mozambique, South Africa and Zimbabwe. Numerous cane supply initiatives that include the development of indigenous sugarcane farmers are underway in all the sugar operations. In the 2012/13 season Tongaat Hulett grew sugar production by 104 000 tons and produced 1,254 million tons raw sugar equivalent. This increase was preceded by growth of 144 000 sugar tons in the previous season. One of the key requirements to increase the quantum of sugarcane supplies to the mills is the replacement of old roots. This requirement, coupled with ongoing improvements in farming practice will have a significant impact on the sugarcane yields.

The increased sugar volumes will also lead to a substantial reduction in the unit cost of production, as the use of existing milling assets will be optimised. This strategy will include extending the milling season lengths, optimising cane supply logistics, sweating the mills to optimise up-time and minimising mill downtime and debottlenecking the mills at a moderate cost, by upgrading or installing plant to remove capacity bottlenecks. The high cost of establishing greenfield enterprises in Africa, which currently ranges between R5 billion to R6 billion (including infrastructure costs agricultural assets and a sugar mill) for 200 000 tons sugar production per annum, supports Tongaat Hulett's objective of maximising its sugar production through its existing asset base, as its continues to increase its sugarcane supplies.

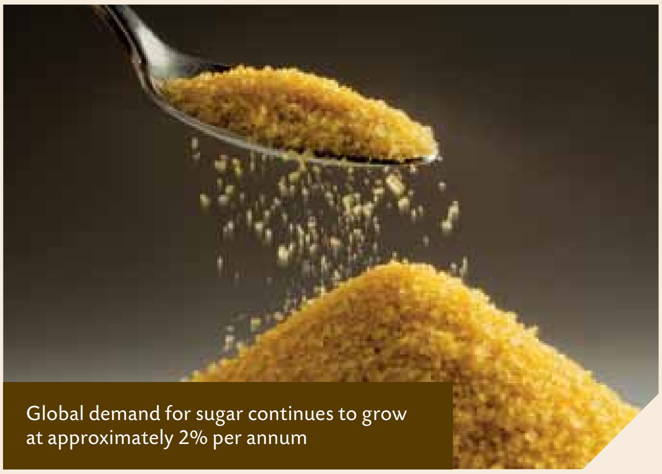
A fundamental review has been launched to re-examine all bought-in goods and services in the business. Included in this review is the company's approach to strategic procurement, which has been identified as having the potential to contribute to the reduction of costs. In addition, with between 80-85 percent of sugar milling costs being fixed, Tongaat Hulett will continue to benefit from the reduction of the unit cost of production as the business further benefits from its growing sugar production.

## MOZAMBIQUE

The Mozambique sugar operations consist of the expanded sugar mills and estates surrounding Xinavane and Mafambisse. As at 31 March 2013, 22 072 hectares of Tongaat Hulett miller cum planter was farmed under sugarcane with 5 752 hectares under private grower and community-based schemes. Sugar production capacity at the Xinavane mill is now more than 240 000 tons in a 32 week crushing season while the Mafambisse mill has an existing 90 000 tons of sugar production capacity. The two Mozambique operations have a combined installed milling capacity to produce in excess of 330 000 tons sugar per annum. The sugar estates are irrigated and are generally located in areas with favourable growing conditions, resulting in high cane and sucrose yields. These favourable agricultural conditions, close proximity to ports, and the technical support from South Africa, position the Mozambique operations well for further growth.

## SOUTH AFRICA

The company's South African sugar operations, on the KwaZulu-Natal north coast and in the Zululand region have four sugar mills at Maidstone, Darnall, Amatikulu and Felixton. These mills have an installed capacity to crush 8,5 million tons of cane per annum which is equivalent to approximately 1 million tons of raw sugar. The operation's central refinery at Durban produces some 600 000 tons of refined sugar per annum. The South African sugar product range offers a total sweetener solution including a range of high intensity sweeteners. The value of the company's Huletts® brand continues to be optimised in South Africa, the largest sugar market in the SADC region. The Huletts® brand remains the leading sugar brand in the South African direct consumer market.



Global demand for sugar continues to grow at approximately 2% per annum

## ZIMBABWE

The sugar operations in Zimbabwe consist of Triangle and a 50,3 percent stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of more than 640 000 tons. As at 31 March 2013, the Zimbabwe operations


Eshowe KZN

comprised 44 519 hectares of sugarcane land with a potential to produce in excess of 3,0 million tons of sugar cane. Private farmers were initially allocated 15 880 hectares of land through the SusCo project which is ongoing. Based on Tongaat Hulett's view of its existing mills, a further 600 farmers on 12 700 hectares could supply an additional 1,4 million tons of cane per annum. The Triangle and Hippo Valley Estate sugar mills have a combined annual milling capacity of about 4,8 million tons of cane. The total refined sugar installed capacity is 140 000 tons and the Triangle Estates ethanol plant has an installed capacity of 40 million litres over a 48 week production season. The lowveld in Zimbabwe, with excellent topography, climate and established water storage and conveyance infrastructures for irrigation, is recognised as a globally competitive sugar producer. While the macro-economic environment in Zimbabwe has settled significantly, the political environment remains turbulent as many political factions continue to compete for ascendency, which may impact operations.

## EU MARKET ACCESS

The Mozambique, Zimbabwe and Swaziland operations currently enjoy "duty and quota free" access into the EU, which is ongoing. The basis upon which sugar in the EU is managed in terms of beet quotas and reference pricing, amongst others is generally referred to as the "EU sugar regime", a component of the EU's much broader Common Agricultural Policy (CAP). The CAP is currently under review including the sugar regime, with the existing dispensation in respect of the latter in place until 30 September 2015.

The limiting of beet and iso-glucose production through quotas and the embedded domestic price support that this infers, means that any sugar production in excess of these quotas must be exported, but only to a maximum of 1,4 million tons in any year in terms of a WTO ruling. The ending of beet quotas is being considered as part of the review of the CAP, with September 2015, September 2017 and September 2020 being mooted by various institutions involved in the review. Whatever the outcome, the existing annual sugar consumption demand of some 17 million tons will need to be met and a number of high cost European sugar producers will not remain profitable close to the current world market price.

## SWAZILAND

Tongaat Hulett's sugarcane estate in Swaziland is situated in the north-east of the country and comprises 3 838 hectares of fully irrigated estates of which some 3 740 hectares is harvested annually. Tambankulu Estates is an agri-business based on two agricultural estates straddling the Umbuluzi River. The estate has consistently achieved excellent sucrose yields due to the good soils and growing conditions in the region and delivers its cane to the nearby Simunye and Mhlume sugar mills.

## BOTSWANA AND NAMIBIA

The Namibian operation has the capacity to pack and distribute 80 000 tons per annum using its market leading Marathon® brand. In Botswana, Tongaat Hulett has a 60 000 tons per annum packing and distribution operation and markets the leading Blue Crystal® sugar brand which continues to benefit from the growth in per capita consumption.

## STARCH OPERATIONS

Tongaat Hulett's wet-milling operation is the major producer of starch and glucose on the African continent. Established in 1919, the starch operation has grown to be an important supplier to a diverse range of South African and African industries. Operating four wet-milling plants, located in Kliprivier, Germiston and Meyerton in Gauteng and Bellville in the Western Cape, Tongaat Hulett converts more than 600 000 tons of maize per annum into starch and starch-based products. The business manufactures a wide range of products, from unmodified maize starch to highly refined glucose products, which are key ingredients for manufacturers of foodstuffs, beverages and a variety of industrial products. The company's Amryal corn starch, Hydex and Vaalgold Gluten 60, remain some of the leading starch, glucose and feed ingredient brands in South Africa. The business operates a dedicated Sorbitol facility which is located in Chloorkop in Gauteng and has distribution networks and facilities in Zimbabwe, Australasia and the Far East.

The expansion of the economically active population in South Africa is positive for the volume growth of these products and with the ability to increase production, from installed milling capacity the company is well placed to benefit from increased demand.

Kliprivier Mill

The world is continuing to evolve in terms of the selection of a feedstock for the production of sweeteners, with both maize and sugarcane being suitable alternatives. Tongaat Hulett's significant investments in the production of sweeteners using both feedstocks will ensure that the business is well positioned to benefit from global developments in this area.

The increased global demand for convenience food products has encouraged the development of modified waxy starch products and represents a growth opportunity for Tongaat Hulett. The starch operation is evolving its market mixes and is introducing new product portfolios which will assist in improving current capacity utilisation and provide an increase in the range of value added products. The commissioning of modified starches at the Meyerton facility and the increase of the enzyme syrup capacity for the coffee creamer sector are key projects to unlock improved capacity utilisation.

## ANIMAL FEEDS

The company's animal feeds operation, Voermol Feeds, is located at the Maidstone mill in Tongaat KwaZulu-Natal. Tongaat Hulett manufactures and markets a range of energy and supplementary feeds to the livestock farming community through its Voermol® brand. The production and marketing of high quality, cost effective products over the past 50 years, combined with the development of long-term relationships with farmers, agricultural companies and suppliers, has established Voermol Feeds as the market leader in the molasses and pith-based animal feeds industry in South Africa. The animal feeds manufacturing process is a cornerstone of the downstream value-added activities using both bagasse and molasses, and with the established platform that exists, there is potential to expand this footprint into the SADC region, with Zimbabwe being the first possible phase in this expansion.

The co-products that are produced during the starch and glucose manufacturing process in South Africa, supply feed into this industry.

## RENEWABLE ENERGY

The global sugar industry has seen a fundamental shift take place, as increasing quantities of sugarcane are directed at renewable electricity generation and ethanol production as an effective carbon dioxide ($CO_2$) mitigation strategy and an alternative to crude oil based fuels. The need to create jobs and the crisis in electricity supply in South Africa, together with the carbon mitigation drive, will continue to maintain the focus on the development of renewable energy.

The electricity planning of the South African Department of Energy focusses on the development of renewable electricity and energy efficiency such as cogeneration through Independent Power Producers (IPPs). No additional coal based power stations by ESKOM are included in the 2010 to 2030 plan. The electricity procurement through IPPs continues to gain momentum and is being aligned with the government objectives to grow the economy significantly and create the potential for job creation on the scale government is targeting. A further key component of the Renewable Energy Independent Power Producer Procurement Programme (RE IPPPP) and Green Economy is localisation of supply and the associated development and growth in the manufacturing sector of South Africa. The first round of 28 RE IPPPP projects generating 1 400 MW and valued at R47 billion was concluded in November 2012. The Ministerial Determination which accommodates power generation from sugarcane fibre was published in December 2012. It is likely that the Request for Bids is expected to be completed by the end of 2013.

In the medium term, ethanol is perhaps the largest expansion opportunity which the sugar industry in SADC faces. This offers governments of the region an excellent opportunity to create jobs and improve the lives of rural communities. If SADC were to follow the Brazilian model over the next 20 years, with 60 percent of petrol being derived from ethanol and all growth in demand captured by ethanol, it would require the construction of about 120 mills the size of the Felixton mill, create 1,8 million new direct jobs, and create at least as many indirect jobs. The associated power generation would be equal to Medupi and Kusile combined. For South Africa, it would provide between 13 and 25 percent of the required carbon footprint reduction needed to meet the target which South Africa has committed to.

Unlike electricity generation, which can be started from a South African perspective large scale ethanol production as described above requires a regional ethanol regime. Some 70 percent of the market for ethanol lies in South Africa, with the bulk of the production potential lying within other SADC countries such as Mozambique, Zimbabwe, Zambia and Angola. The starting point therefore is a biofuels strategy within South Africa which takes into account these dynamics. Tongaat Hulett is continuing to work with the South African Government to promote this regional strategy.

During 2012, the regulations for blending biofuels in South Africa where published, and it is planned that the support mechanisms for the South African market will be finalized and implemented by the end of 2013. Tongaat Hulett has continued to engage with various key government departments in terms of the design and implementation of the support mechanisms.

Ministerial Determination which accommodates power generation from sugarcane fibre was published in December 2012

Employees at Darnall Mill

The company's aspiration over some 10 years is to complete the construction and commissioning of a large scale electricity plant at each of its South African mills and to install at least one large scale bio-ethanol plant at one of its mills. Given the current anticipated program for procurement of electricity from sugarcane fibre, it is anticipated that Tongaat Hulett will commence investment in its first electricity plant in 2014/15.

## DEVELOPING PRIVATE FARMERS

Tongaat Hulett's land footprint in the region provides the business with an opportunity to interact and partner with governments and rural communities in the development of innovative practical approaches that transform society and the environment thereby uplifting communities. To date, these partnerships have seen the company working with governments and communities in Mozambique, South Africa and Zimbabwe in developing farming models with sugarcane as the primary crop and staple foods like maize and vegetables as secondary crops. The existing models include the provision of procurement support for key raw material inputs. As the company continues to work with its stakeholders in this area, further opportunities including the use of technology and improving the level of financial acumen of small-scale private farmers will be explored and progressed.

## LAND CONVERSION

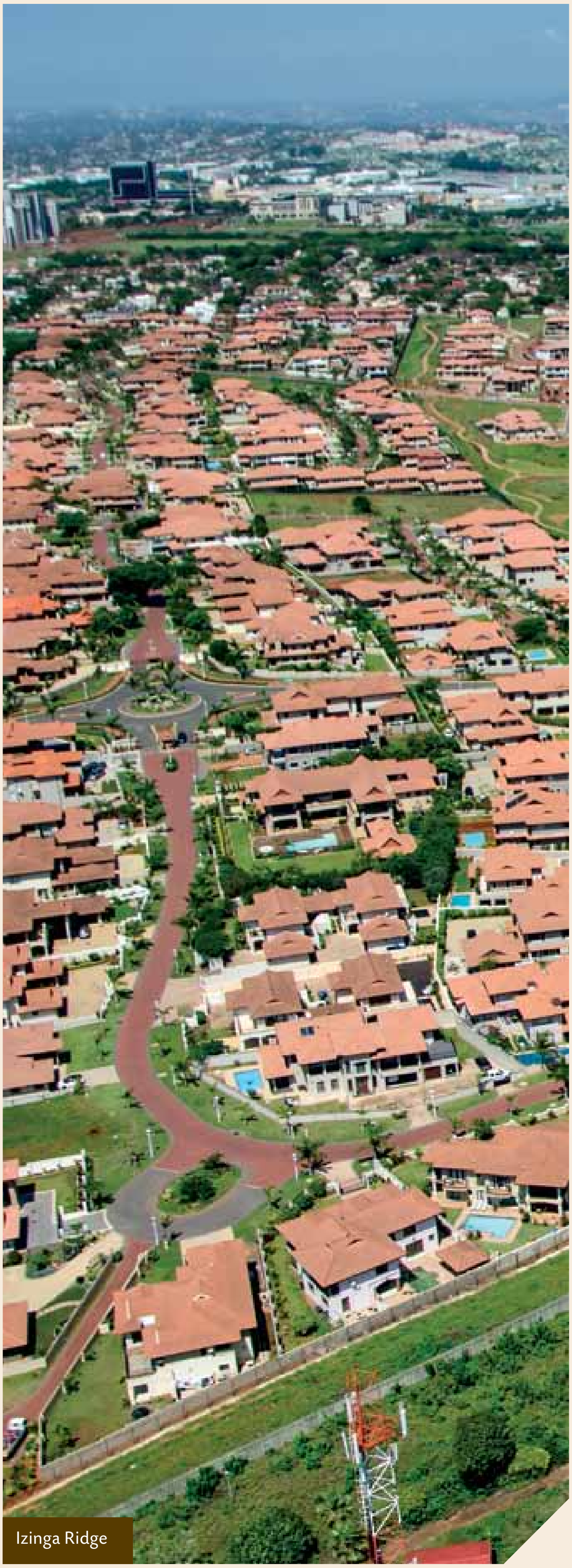
Tongaat Hulett has placed a major emphasis on the need to increase the pace of conversion while establishing, maintaining and entrenching appropriate value benchmarks and value contribution for all stakeholders. In South Africa, some 8 500 developable hectares (some 13 500 gross hectares) have been identified for conversion to other uses when conditions are appropriate. This conversion process takes place over a number of years and the land remains under sugarcane until the transition to development takes place. The company recognises the social, economic, ecological and political significance of this land to many stakeholders and hence is committed to ensuring that this land is optimally utilised as productively as possible and in accordance with the relevant local context.

The rising expectation for affordable housing in South Africa will continue to impact the business as it transitions from agricultural land with development potential to property development. Durban/eThekwini, South Africa's third largest city has a current population of approximately 3,5 million people and a housing backlog of some 400 000 units. These factors are contributing to ongoing expansion into Tongaat Hulett's land holdings both to the north and west. This creates opportunity within the eThekwini Municipality and surrounding local and district municipalities for the business to respond proactively within its land conversion portfolio in formulating and implementing responses that maximises delivery, in respect of the needs of communities of lower socio-economic status. The King Shaka International Airport, with its ability to attract direct international flights and the development of the surrounding Dube TradePort are providing further impetus for this growth.

Tongaat Hulett shares with Government, communities and other stakeholders a pressing need for an increased number of hectares to be available in an "active development" state, meaning that investment or building work could commence on such land with a high level of confidence and within a short timeframe ("shovel-ready"). Getting land to such a condition involves a number of overlapping processes involving local, provincial and national government departments and community stakeholders. A primary objective of the development operation is a significant increase in the number of hectares of land in such an "active development" state. The process employed consists of aligning planning with Government policies and objectives and community aspirations; achieving EIA approvals and release from agricultural and other restrictions over large land parcels; thereafter in a phased manner, obtaining final zoning and subdivisional approvals over portions of land in anticipation of projected demand for different land uses as informed by interface with market players. The extent and pace of these processes has increased substantially and it is anticipated that by December 2014, Tongaat Hulett will have more than 1 000 additional developable hectares of active development land (before land sales).

## SOCIAL SUSTAINABILITY AND INNOVATION

With a significant number of the business operations being located in rural communities including Mozambique, Zimbabwe and the north coast of KwaZulu-Natal, there is a strong focus on facilitating the development of successful indigenous private farmers. This process, which is ongoing, will ensure that private farmers receive the support required for them to be sustainable into the future and include actions related to unlocking land for sugarcane development and grant funding from Government. Tongaat Hulett is of the view that as the business continues to empower indigenous private farmers, it is positively impacting the communities that surround these cane growing operations.



Izinga Ridge


Developing innovative and practical models to transform society and uplift rural communities

In keeping with this objective, the company has already seen the benefit of partnering with private farmer communities and BancABC in developing indigenous sugarcane farmers through its SusCo project in Zimbabwe. The recent signing of a cooperation agreement between Tongaat Hulett and the Ingonyama Trust Board (ITB), which is the custodian of some 2,7 million hectares of communal land in KwaZulu-Natal, is an important indicator of the business's ongoing commitment to partnering with key stakeholders in the development of successful indigenous private farmers.

The evolution of Tongaat Hulett, in continuing to be regarded as a responsible corporate citizen, has over many years seen the business grow to the place where it embraces: Corporate Governance, through continuing to adhere to legal and accepted business practices as embodied in the principles of the King III corporate governance framework; Corporate social responsibility, through demonstrating responsibility to society by minimising any negative impacts and extending philanthropic and charitable inputs to the communities that the business operates in; and, Social sustainability and innovation, by developing innovative practical approaches to transform society and the environment, thereby uplifting communities. Tongaat Hulett follows a philosophy of creating value for stakeholders and continues to make good progress in entrenching and enhancing the various programmes and initiatives that it has in place in the areas of safety, health, environment, shareholder, farmer, community, government, employees and other relationships.

The business has made substantial progress from the time when every part of the company had their stand-alone initiatives in place to uplift business excellence. Tongaat Hulett will continue to build on the momentum that has been developed in this area. It has become evident that the company operates far more productively within a "one-company culture" as opposed to multiple operating companies. This has also been evident in relation to interchangeable products that are manufactured from sugarcane and maize. Capital structure (equity, debt and empowerment initiatives) continues to be developed and evaluated within the context of the "one-company culture".

The safety and the welfare of all employees remains a key priority, as the business strives towards establishing an organisational culture with a zero harm approach. Tongaat Hulett subscribes to principles of sustainable development, which encompasses safety, health and environment. The company's participation in various sustainability reporting initiatives, including the Carbon Disclosure Project (CDP), the CDP Water Disclosure Project, the Nedbank Green Fund and its listing on the JSE's Social Responsibility Investment index for the ninth consecutive year, is testimony to Tongaat Hulett's approach to sustainability and stakeholder value creation.


## OFFICES

1. Amanzimnyama
2. Land and Property Developments
3. Meadowdale
4. Tongaat Hulett Namibia (THN)

## STARCH

- Wet-milling operation
- Refines carbohydrates from maize
- The largest producer of starch and glucose on the African continent

**South Africa**
*Starch Mills*
5. Chloorkop
6. Germiston
7. Meyerton
8. Kliprivier
9. Bellville

## SUGAR OPERATIONS

- Sugarcane is grown and sourced from private farmers and processed through milling operations.

**Mozambique**
*Mill & Cane Estates*
10. Mafambisse
11. Xinavane

**South Africa**
*Sugar Mills*
12. Felixton Mill
13. Amatikulu Mill
14. Darnall Mill
15. Maidstone Mill

*Refinery*
16. South Coast Refinery

**Swaziland**
*Cane Estates*
17. Tambankulu

**Zimbabwe**
*Mill & Cane Estates*
18. Hippo Valley
19. Triangle

## SUGAR PACKING AND DISTRIBUTION

- Using existing distribution networks to ship sugar products.

**Botswana**
*Packing & Distribution*
20. Tongaat Hulett Botswana

**Namibia**
*Packing & Distribution*
21. THN - Tsumeb
22. THN - Walvis Bay


JB Magwaza, Chairman

## INTRODUCTION

The period under review was a positive one for Tongaat Hulett. Revenue, earnings and cash flow have grown compared to the previous year and significant progress was made with many activities that contribute to the creation of value for all stakeholders.

This integrated annual report provides an overview of the business environment, performance and strategic positioning, with all the relevant detail in the various sections of the report.

## SUSTAINABILITY

Tongaat Hulett's commitment to principles of business sustainability is entrenched in the organisation's activities and practices. It is evidenced in the organisation's deliberate efforts to conduct business in a responsible, ethical manner that acknowledges accountability and integrity, whilst creating value for its stakeholders. The sustainability report which commences on page 26 considers the key themes of Environmental Stewardship, Social Stewardship and Economic Sustainability, and demonstrates the various initiatives undertaken by the business.

Tongaat Hulett's corporate citizenship initiatives extend well beyond its own operations to the wider communities across the six SADC countries within which it operates. With some 40 000 employees (including seasonal employees) working with its customers, suppliers, partners, shareholders and other stakeholders, Tongaat Hulett takes great pride in sharing knowledge and expertise. The sustainability report and CEO's review provide more detail in the efforts undertaken by the company to advance the needs of various stakeholders including private farmers in the region.

The safety of employees across all operations continues to be an area of high priority, with the company currently having adopted a safety initiative termed "zero harm approach" to develop its workforce to the level that employees no longer solely depend on management support and systems, but rather individuals looking after each other to prevent injuries across the company. Despite all continued efforts to ensure the highest standards of safety and occupational health, regrettably there were three fatalities recorded during the year under review, which the CEO expands upon in his report. Our heartfelt condolences go out to all affected families, friends and colleagues. Management conducted an analysis of the fatalities that occurred across the organisation in the past five years, and the findings are articulated in the sustainability report on page 35.

As a proponent of environmental stewardship, Tongaat Hulett continues on the crucial journey of advancing various initiatives in this arena, which include renewable energy, carbon management, water resource management, effluent and waste management, climate change and promoting sustainable agriculture. The CEO's review highlights in detail the significant progress made on these and other key strategic thrusts for the year to 31 March 2013.

The board is confident of the company's ability to meet the many challenges and exciting opportunities in achieving its business sustainability objectives, given its clear strategic platform, sustainable agricultural and business practices and astute stakeholder engagement.

## DIVIDEND

A final dividend of 190 cents per share has been declared. The final dividend, together with the interim dividend of 150 cents per share, amounts to a total dividend of 340 cents per share for the financial year ended 31 March 2013, which compares with the 290 cents per share of the previous year, reflecting an increase of 17,2% .

## STAKEHOLDER ENGAGEMENT

Tongaat Hulett has an established history of maintaining constructive relationships with a wide range of stakeholders. The process to improve the company's understanding of its stakeholders is ongoing and includes various proactive engagements that are already in place as the business seeks to further strengthen and build on these existing relationships. Tongaat Hulett interfaces regularly, in an open and honest manner with the investment community, shareholders, governments, small-scale and commercial private farmers and their representative bodies, communities, employees and people impacted by company operations or expansion activities.

Through a structured and evolving approach to stakeholder engagement and using internal knowledge and expertise on stakeholder management, the business is able to prioritise the most important aspects which require management attention and focus.

## BOARD AND GOVERNANCE

Effective implementation of corporate governance principles and ethical leadership form part of the fabric of Tongaat Hulett. The board, as the custodian of corporate governance, continues to maintain its commitment to principles of corporate discipline, ethical leadership, transparency, integrity and accountability. The board confirms that it effectively applies the principles embodied in King III and its recommendations as appropriate for the business, as can be seen in the corporate governance section of this integrated report. The company complies with the listing requirements of the JSE, the Companies Act 2008 and other pertinent legislation by which it is bound.

At the last AGM held in 2012, my term of office was extended for a further period of two years, to lapse in July 2014 when I will retire from the board of directors. A succession process is well underway in terms of the board chairmanship and to add to the non-executive director skill-set on the board.

## APPRECIATION

Tongaat Hulett's shareholder base includes many Southern African and international long-term institutional investors, whose continued support to the business as it continues to deliver on its strategic objectives is greatly appreciated.

I conclude by recording my appreciation to the board for its continued guidance, support and wise counsel. To Peter Staude, the executive directors and executive team, the board joins me in thanking you for the sterling work in managing the business and positioning it for greater success now and into the future. Finally, I also wish to express our sincere appreciation to all our stakeholders for their continued support and commitment.

JBMagwaza

**J B MAGWAZA**

CHAIRMAN

Amanzimnyama

Tongaat, KwaZulu-Natal

23 May 2013

Tongaat Hulett CEO Peter Staude and Human Settlements Executive Karen Petersen at Cornubia

Tongaat Hulett's revenue grew by 19 percent to R14,373 billion for the 2012/13 year and headline earnings increased by 18,7 percent to R1,058 billion. Total sugar production increased by 104 000 tons (9 percent) to 1,254 million tons, after increasing by 144 000 tons (14 percent) in the prior year. The cane supplied to all the sugar mills grew to 10,3 million tons, with various on-going cane supply initiatives. The advantage of higher overall sugar production volumes with the related benefits in the unit costs of production, were offset partially by margin pressure in the relationship of selling price movements, versus higher input costs. The starch operations benefitted from higher co-product realisations and world competitive maize costs, particularly with the new season maize in the second half of the year. An increasing number of hectares of land are moving towards becoming active developments in the land conversion activities. Overall, Tongaat Hulett's profit from operations increased by 11,7 percent to R2,145 billion (2012: R1,921 billion), exceeding R2 billion for the first time.

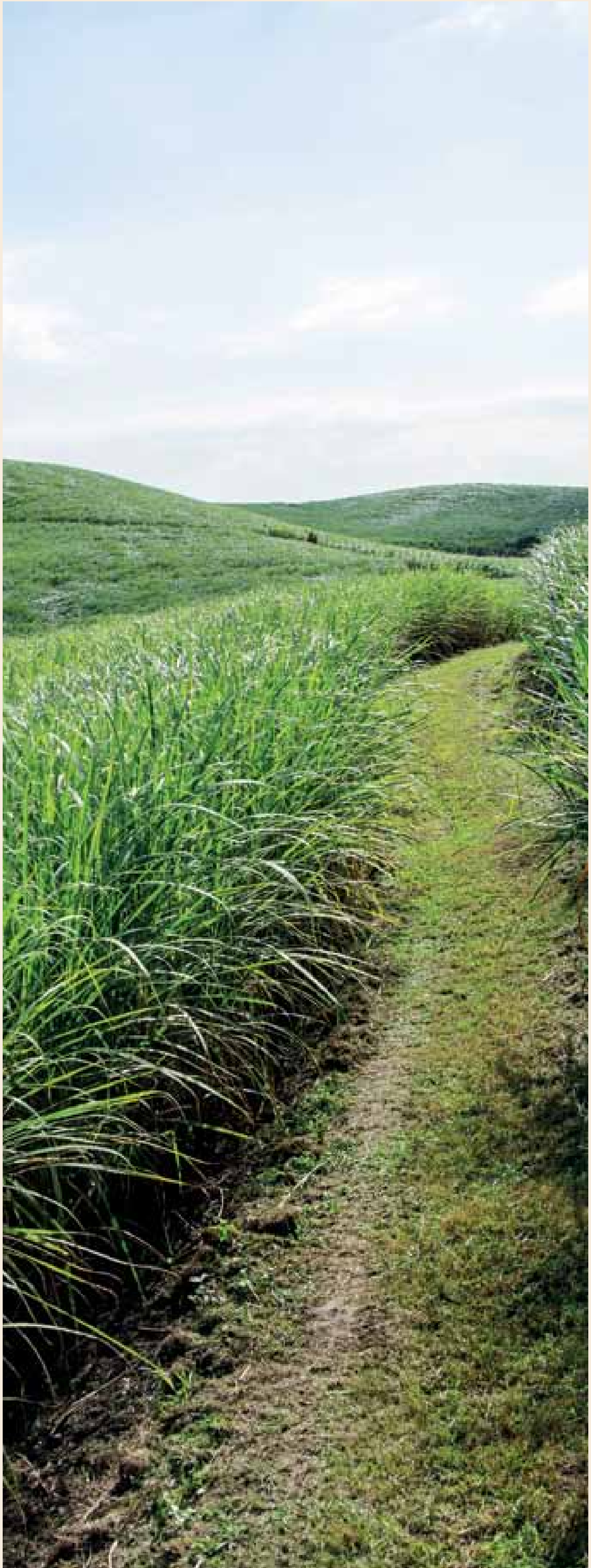
The company continued to make substantial further progress on a number of multiple focus areas during the year to 31 March 2013. Achievements in the recent past provide a strong indicator of the benefits that will flow to the business and its stakeholders, as it continues to enhance its strategic position:

**Prioritising the sustained increase of cane supplies to utilise the more than 850 000 tons of available unutilised milling capacity.**

- In the 2012/13 season Tongaat Hulett grew sugar production by 104 000 tons and produced 1,254 million tons raw sugar equivalent. This increase was preceded by growth of 144 000 sugar tons in the previous season.
- The Zimbabwean operations, with a 28 percent increase in sugar production, were the major contributors to the overall increase in sugar tons for the 2012/13 season. This increase follows the 42 percent growth in sugar production by the Mozambique operations in the 2011/12 season. It is anticipated that, for the 2013/14 season, the South African sugar operations will substantially grow sugar production.
- Sugar production growth of 100 000 tons per annum from the existing mills is equivalent to half a typically sized sugar mill, which costs, together with infrastructure and agricultural assets, between R5 billion to R6 billion. The replacement value of the available unutilised milling capacity of more than 850 000 tons is R13,6 billion for the milling assets alone.
- Tongaat Hulett's strategy is to facilitate an increase in cane supplies to grow sugar production. New plantings in the past year increased the area under cane by 14 103 hectares and the replanting of existing roots for the benefit of future milling seasons is ongoing, subject to suitable weather conditions prevailing. The early season forecast anticipates that these additional hectares, together with improvements in cane yields and the cane to sugar ratio, will assist the business to grow its sugar production by some 114 000 tons in the 2013/14 season.
- Weather conditions, specifically the availability of water in the Zimbabwe operations, negatively impacted on the planting of new roots and the replacement of existing roots in the 2012/13 season. The planting of cane will resume as soon as the water systems which supply these operations, including the Mutirikwi-Tokwe and the Manjirenji-Siya systems return to sustainable levels.
- The business is continuing to use emerging possibilities for cane development, to prioritise the establishment of indigenous black farmers, in collaboration with governments and other relevant stakeholders.
- In the South African sugar operations, there is a focused task to accurately map the actual area under cane supplying the four mills. To date, the process of flying over the cane supply area has been completed and the operations are in the process of verifying the information obtained with its small-scale and commercial private farmer community. This mapping process includes verifying hectares under cane, cane varieties used, land locations and private farmer details. The information will be used to populate a database that will be a reliable source of base data, for both Tongaat Hulett and the private farmers that supply its mills.
- The increase in revenue that will flow to private farmers as they increase the supply of sugarcane to Tongaat Hulett mills will continue to have a positive impact on the towns and communities that surround company operations. During the year to 31 March 2013, R2,5 billion was paid to private farmers who supplied the business's sugar operations with cane.
- The focus remains on increasing the sugar that is contained in and extracted from the cane stalk, through improved farming practices, suitable fertilizer application, appropriate irrigation of cane, harvesting of cane at the correct age which is normally every 12-13 months and better mill performance.

**Reducing the unit cost of production.**

- Generally 90 percent of overhead costs are fixed, between 80-85 percent of sugar milling costs are fixed and approximately 90 percent of on-farm agricultural costs are fixed or directly linked to the extent of hectares being farmed. The business will continue to ensure that it optimises the tons of cane per hectare (tcph) that is derived from land that is under sugarcane. Loading and transport costs vary depending on the distance to the sugar mill, and generally mills are



Optimising revenue from sugarcane

supplied by sugarcane that is farmed within a 100 kilometer radius. The growth in sugarcane supplies, and subsequently sugar production, will lead to a substantial reduction in the unit cost of production.

- A comprehensive process is underway to re-examine all bought-in costs and services, which currently amounts to more than R4 billion, excluding maize and cane purchases, per annum. This process will include an examination of the quantum, value add, in house or outsource and possible longer term procurement arrangements.

**Optimising revenue from sugarcane and progressing Tongaat Hulett's renewable energy initiatives to meet the SADC region's need for agricultural development, job creation and energy security.**

- Regulatory Frameworks that are conducive to sustainability and growth of the sugar industries in which the business operates are essential. Tongaat Hulett is continuing to promote regulatory changes that will benefit all industry stakeholders in the long-term.

- The Ministerial Determination published in South Africa in December 2012 does create space for electricity from sugarcane fibre. The South African Government has indicated its intention to set up a separate program for the Sugar Industry.

- Every 3,5 hectares of additional sugarcane planted typically creates one new job. This is an important consideration particularly when viewed within the context of the need for job creation and rural development.

- Obtaining an attractive capital return on an electricity plant and ensuring that bagasse is given the appropriate value, will contribute to an increase in the sugarcane price, which will positively impact sugarcane supplies and therefore sugar production.

- Progress is being made with the South African Government in terms of the procurement process for renewable electricity. Tongaat Hulett currently produces 52 MW at its four South African mills and this can be increased to between 320 MW - 360 MW. The capital cost of converting one sugar mill, together with making it energy efficient will currently cost some R4 billion and the coming year should see the company bid for its first 80 MW power station.

- In terms of the business's strategic approach to ethanol production in South Africa, Tongaat Hulett is advocating a framework which would see 4 to 5 of the industry's existing sugar mills attach a large scale ethanol plant to the back-end of the mill and possibly draw some sugar streams from other mills within close proximity. This would allow the industry to convert all export sugar to ethanol and would provide sufficient ethanol for approximately an E6 blend provided that all of South Africa's sugar mills are running at full capacity.

**Increasing the pace of land conversion while establishing, maintaining and entrenching appropriate value benchmarks.**

- Tongaat Hulett maximises the value of its landholdings to all stakeholders, by optimising land use between agriculture supplying its agri-processing operations and other uses through its property development activities, as competition for alternative land usage increases. The transition of prime land from agriculture to property development, with the established conversion platform and expertise, generates both capital and operating profits.
- This transition to other uses in the current year resulted in 65 hectares being sold for property development, while the business's South African sugar operations planted 11 554 new hectares to cane in the 2012/13 season.
- The business has some 8 500 developable hectares (13 500 gross hectares) in South Africa, that can be converted to other uses through sales, including bulk deals / partnerships / own developments and it is anticipated that this transition will take place over at least 20 years.
- The extent of active, "shovel ready" land will be substantially increased from the current base of 490 developable hectares, representing over R3 billion worth of profit potential, by the addition of at least a further 831 developable hectares by March 2014. This additional land brings into play a significantly wider portfolio in terms of land uses and geographic spread.
- Tongaat Hulett is actively seeking and is increasingly finding interest in bulk land sales and partnerships from entities whose interests in land are complementary to its own. The company has large, concentrated and high value landholdings around Durban and on the KwaZulu Natal coastline. Large scale, long-term strategies for these landholdings are increasingly supported and approved by key governmental and other stakeholders and there is a fundamental strategy to realise cash value from this land portfolio on an accelerated basis. The business does not undertake the development of buildings on this land, nor does it seek to develop a long term property portfolio. This positioning offers significant opportunities to entities whose profile is complementary to Tongaat Hulett's; namely entities that do not have a significant stake in land in South Africa, more specifically, near Durban and on the KwaZulu Natal coast; have little appetite or capacity to develop the methodologies and relationships required to evolve and acquire support for a long-term strategy for such landholdings, but who see value in having such a strategy in place prior to acquisition; who have a long-term investment view and seek to, over time, unlock real capital value appreciation, access to building development and investment opportunity and recurring future cash flows from property investment in this region.

Ingonyama Trust Board signing ceremony

- A key driver of demand north of Durban and around the airport specifically lies in the strong alignment that has been achieved with provincial, local and national Government on driving investment into the region immediately surrounding the airport. This is giving rise to interest in bulk sales and partnerships, infrastructure investment at scale and joint promotion of investment into the region.

**Evolving the starch and glucose operation's market mixes and new product portfolios in order to optimise earnings and increase capacity utilisation.**

- The increased global demand for convenience food products has encouraged the development of modified waxy starch products and represents a growth opportunity for Tongaat Hulett. The business will continue to focus on the selection of market mixes and the development of new product portfolios to maximise contribution and increase capacity utilisation. Production, from installed milling capacity, can be increased by a further 20 percent, creating opportunities for growth into Africa.
- The past year has seen the starch operation continue to capitalise on the improved competitiveness of South African maize, the key raw material for the operation.

**Partnering with Governments and other key stakeholders to develop small-scale private farmers, thereby contributing to rural development and job creation around the business's areas of operation.**

- Tongaat Hulett is continuing in its efforts to grow the number of indigenous sugarcane farmers. In Mozambique, some 1 947 indigenous private farmers on 3 900 private and leased hectares supplied sugarcane to Tongaat Hulett operations. The SusCo project in Zimbabwe is ongoing and currently, at least 670 of the 872 farmers that have been allocated land in terms of the project supplied some 850 000 tons of sugarcane to the mills in the 2012/13 season.
- The company is continuing with its efforts to increase the support that it provides to small-scale sugarcane private farmers in South Africa. The business's partnership through Operation Vuselela is an example of the model underway in

order to contribute to skills transfer and the development of previously unemployed rural community members.

**Maintaining and developing strong relationships with all of Tongaat Hulett's stakeholders.**

- Tongaat Hulett has a shareholder base that includes many Southern African and international long-term investors. The business has, over many years, established strong relationships with its shareholders and continues to participate in both local and international roadshows in order to ensure that both current and potential shareholders are kept informed of developments within the company.
- Assisting with the development of small-scale private farmers in rural communities is an important component of increasing sugarcane supplies to Tongaat Hulett's South African mills. The signing of a co-operation agreement between Tongaat Hulett and the Ingonyama Trust Board (ITB) has formalised a framework within which the respective parties can collaborate on the enhancement of the economic and social wellbeing of rural people residing on ITB land. Based on its sugar production in the current year, the South African operations would require at least an additional 46 000 hectares producing cane at reasonable yields, in order to utilise its existing 1 million tons of milling capacity. Early indications from high level agronomic assessments indicate that the land currently available under the control of the ITB far exceeds the land required by Tongaat Hulett to fill its mills, both in terms of its availability and suitability for cane farming.
- The commercial private farmers in South Africa currently account for 70 percent of the cane that is milled in these operations. A detailed review undertaken in conjunction with commercial farmers confirmed that transport logistics was a major input cost. Tongaat Hulett and its commercial farmers have identified that significant savings could be achieved, if transport logistics was streamlined. This process, together with a range of initiatives, including the seed cane subsidy, replant assistance scheme and ripening scheme are indicative of the activities that Tongaat Hulett is undertaking as it seeks to contribute to the sustainability of this important stakeholder.
- The business values the constructive relationships that it has developed with a range of trade unions that represents a significant component of its employees in the various countries of operation. The recent minimum wage increase in South Africa for agricultural employees, and the 18 percent increase in wages during the 2012/13 years for Zimbabwean agricultural employees is contributing to a reduction in the wage gap. The company has concluded its wage negotiations

Umhlanga Ridge Town Centre and Ridgeside Developments for the 2013/14 year with increases of 9,04 percent, 8,5 percent and 6,6 percent being concluded in Mozambique, South Africa (sugar milling operations) and Zimbabwe respectively.

- As part of the company's Broad Based Black Economic Empowerment deal in 2007, the Ayavuna and Sangena consortiums, rural communities via the Masithuthukisane and Mphakhathi trusts and company employees via the ESOP and MSOP trusts, became shareholders of Tongaat Hulett. The ESOP and MSOP trusts vested in August 2012, while vesting of the remaining trusts is scheduled for August 2014.

**Developing innovative models to create successful and sustainable neighbourhoods for communities in the lower socio-economic spectrum.**

- Tongaat Hulett acknowledges the urgency to create visible progress in the sustainable delivery of successful neighbourhoods for communities of lower socio-economic standing in South Africa. Presently, this is a stated priority of all spheres of government and the focus of numerous disparate initiatives throughout government and by many other role players; NGO's, businesses and civil society. The issues are complex and with many interrelationships requiring effective coordination between many stakeholders, interests and considerations. Frequently the issue is reduced to a need for housing however it is much broader than this, including housing as a source of shelter and wealth, access to education, transportation and linkage to economic opportunity, healthcare, security and other social services and effective community organisation.

- Tongaat Hulett has committed to making a significant impact in this area through its land conversion operations. The approach is firstly to build on relationships with a broad cross section of the role players in the key sectors that can have a significant impact on the issue - all spheres of government, the financial services industry, major employers, developers, the construction sector, property managers and key NGO's. In parallel with this, a portfolio of opportunities is being identified in the available landholdings.

- Acknowledging the complexity and the present lack of a working model for this delivery, the planned approach is one of implementing proof of concept pilot initiatives at appropriate scale to create symbolic and meaningful successes, while moving progressively towards improved models of integrated best practice for delivery.

- Early pilot phases are underway or being initiated in Cornubia, while other short term opportunities are being moved towards concept adoption around King Shaka International Airport and the greater Tongaat area. The aspiration is to move towards a portfolio of 1 000 hectares of development that could ultimately yield as much as 100 000 well located and serviced homes.

On-going management focus on manufacturing efficiency at the Starch operations

**Developing and building Tongaat Hulett's human capital, while meeting the business's internal transformation targets.**

- Building capacity and capability includes the continuous assessment of the capability profiles of teams and individuals against the required competencies, and appropriate action is taken to address the gaps that are identified. Interventions that have been implemented include the clarification of roles and responsibilities, making key appointments, leadership development, talent management, job rotation and encouraging employees to embark on self-directed structured development programmes.
- The company is seeing the benefit of its diverse employee base, with a number of Zimbabwean employees currently making a significant contribution to key areas across the business.
- Tongaat Hulett was noted as one of eight companies that were commended by the Department of Labour for surpassing its numerical targets and goals, thereby showing good progress towards achieving its approved Employment Equity Plan.

**Maximising the benefit of owning the leading sugar brands and strong distribution networks in the SADC region.**

- The South African sugar market is the largest in the Southern African Customs Union (SACU) and the per capita consumption of sugar in South Africa has grown by 14 percent since the 2007/08 season. Tongaat Hulett with its leading Huletts® brand is well positioned to continue benefiting from any further growth in domestic consumption.
- The company is poised to benefit from future growth in consumption in Botswana and Namibia with its leading Blue Crystal® and Marathon® brands.
- The Huletts Sunsweet® brand is the leading sugar brand in Zimbabwe, and is well positioned to benefit when domestic consumption levels return to rates seen prior to hyperinflation in the country.

Zero harm approach to safety

**Entrenching an "Organisational Safety Culture" with a zero harm approach.**

- The company is involved in an ongoing process, termed as a "zero harm approach", to develop its workforce to the level where employees are no longer solely dependent on management support and systems, but rather where individuals look after each other to prevent injuries across the company.
- In addition to the activities currently underway within the business, Tongaat Hulett is focusing more attention on unsafe behaviour in the communities around its operations, with a view to training and equipping these stakeholders and thereby improving safety levels.
- Tongaat Hulett achieved a Lost Time Injury Frequency (LTIFR) of 0,094 per 200 000 hours worked in 2012/13. This was the company's best safety performance since the formal introduction of SHE management systems.
- The ongoing progress in the area of safety was further demonstrated by the Xinavane Agricultural and Mafambisse operations which achieved 27 678 600 and 16 761 567 Lost Time Injury (LTI) free hours respectively by 31 March 2013.
- Regrettably three employees lost their lives in three separate work related accidents. Afonso Chipumbo, a mill workshop employee and Reinnicio Santos, who was employed as a security guard were killed in two separate incidents at the Xinavane operation. A third employee, Tamukaneyi Shumba, who was employed as a loading zone clerk at Hippo Valley Estates in Zimbabwe, succumbed to injuries sustained in a vehicle accident.

**Continuing to make good progress in the areas of health and environmental management.**

- The year to 31 March 2013 saw the company exceed its internal target of employees knowing their HIV status, with 83 percent of its headcount now knowing their status.
- Tongaat Hulett activities pertaining to water stewardship, were noted in a number of instances in the CDP Water Disclosure South Africa Report, which was released in April 2013.

## FINANCIAL AND OPERATIONS REVIEW

- **Revenue grew by 19 percent to R14,373 billion (2012: R12,081 billion) with improved sugar volumes and increased land conversion sales.**
- **Profit from operations increased by 11,7 percent to R2,145 billion (2012: R1,921 billion), reflecting an increase for the eighth time in the past nine years.**
- **Cash flow from operations, before tax, grew by 56 percent to R2,126 billion (2012: R1,363 billion) which is in line with operating profit.**
- **Headline earnings increased by 18,7 percent to R1,058 billion (2012: R891 million), exceeding the R1 billion level for the first time.**
- **Annual dividends per share totalled 340 cents per share (2012: 290 cents per share), an increase of 17,2 percent.**


Headline earnings exceeded R1 billion for the first time

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

The final maize crop for the 2011/12 season amounted to 12,1 million tons (2010/11: 10,4 million tons). The larger crop was attributable to increased plantings following higher international maize prices and global supply concerns. New season (2012/13) plantings increased to 2,78 million hectares (2011/12: 2,70 million hectares) as high international prices continued to encourage local market plantings. The expected crop for the current season of 11,6 million tons represents the sixth consecutive year in which local supplies are expected to exceed local demand. In international markets, the key US market is expected to see an increase in production for the current season despite planting delays due to wet weather. This has resulted in a reduction in international prices to US$210-US$220 per ton (2012: US$280-US$300 per ton). These local and international market conditions combined with a weaker currency are expected to continue to support South African maize production ensuring that local prices remain close to international prices.

Physical maize requirements of non-genetically modified maize for Tongaat Hulett continue to be secured through a combination of contracting directly with farmers and contracting for delivery with selected grain traders. Physical stock of maize for the remainder of the season to June 2013 is in place and the requirements for the period July 2013 to May 2014 have been contracted. Maize pricing is delinked from the physical supply utilising either a toll manufacturing arrangement or a back-to-back pricing approach. The use of a third pricing mechanism which secures the local price of maize at a level relative to the international price continues to be pursued. Utilising a combination of the three methods has resulted in the maize price, on approximately 72 percent of the 2013/14 financial period's maize requirements, being hedged at levels close to the international price of maize at March 2013. These maize prices combined with a weaker currency environment are expected to result in an improvement in margins during the first half of the 2013/14 year compared to the comparative prior period.

Commercialisation of modified food starch production for the domestic and export market is expected during the first half of the 2013/14 year allowing the starch operation to capture a share of these value added products. Following the growth in the coffee creamer sector plans to increase the supply of the existing enzyme and acid syrup capacity to support the coffee creamer sector are well advanced. This project is expected to be commissioned during the 2015 financial period.

On-going management focus in all areas of manufacturing efficiency yielded positive results and resulted in cost reductions, particularly in the area of feed and protein recoveries. The good progress made in the area of steam generation in the prior year experienced a setback during the current year following the commissioning of new coal fired boilers in Bellville and coal supply quality issues. Work on the benchmarking exercise that commenced during the prior year to highlight further opportunities is continuing.

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

Tongaat Hulett embarked on a comprehensive private farmer rehabilitation programme named Successful Rural Sugar Cane Farming Community Project (SusCo), a number of years ago, with the goal of rehabilitating private farmers, with the support and expertise of Tongaat Hulett, to increase their supply of sugarcane. The SusCo project will re-establish the private farmer sugarcane production area from just over 11 200 hectares at present, to 15 880 hectares, with the direct beneficiaries including hundreds of private sugarcane farmers from the Hippo Valley, Triangle and Mkwasine Mill Group areas.

The SusCo project will be followed by a number of private farmer development projects as the business progresses its objective of meaningful stakeholder value creation, while demonstrating the value that can be derived from partnering with governments, private funding institutions like BancABC and rural communities. Project Kilimanjaro (Phase 1) is the first private farmer development project and will entail the development of some 3 300 hectares of new sugarcane land in the Southern Lowveld region. The project will result in 165 new farmers employing some 1 600 employees. Based on the current cane price, this project will result in revenue of some US$18,5 million flowing into these private farmers and the surrounding rural communities.

At the current low dam levels, irrigation has been reduced and cane expansion and root replanting for both private farmers and Tongaat Hulett's estates have been curtailed, to be resumed once dam levels recover. The business remains optimistic that the water mitigation measures put in place and the likely completion of the Tokwe-Mukorsi dam in the latter part of 2013 will enable the Zimbabwe sugar operations to sustain current levels of production, with an early season estimate that 460 000 tons sugar will be produced in 2013/14.

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

The Mozambique operations had identified the need to make significant improvements in the agricultural performance of its operations and consequently it implemented "Agriculture Improvement Plans" at both Xinavane and Mafambisse. At Mafambisse these initiatives included inter alia, improving the bulk water supply from irrigation, converting the fields from 2 mm per day to 8 mm per day, improving field drainage and

Sweating the sugar mills to optimise capacity utilisation gapping up poorly germinated areas. The Xinavane initiatives included improvements in irrigation control and water application, addressing concerns around weed control and improvements to drainage on the estate fields. While some of these initiatives are still ongoing, a number of them have been completed and the operations are now beginning to see improvements in yields.

Following the progress made with the agriculture improvement plans, the operations will for the foreseeable future focus their attention on reducing costs. Initiatives to be implemented include enhancements in the procurement and the stocking of major supplies like herbicides, fertilizers and spares. Attention is also being directed to reducing fuel usage through the implementation of controlled refuelling. With between 80-85 percent of sugar milling costs being fixed, there will be a reduction in unit costs with the early season estimate that 245 000 tons sugar will be produced in 2013/14 compared to the 235 000 tons produced in the previous year.

Of the 5 752 privately farmed and leased hectares, 3 900 hectares are farmed by 1 947 small and medium scale farmers. To date, 151 hectares of food crops have been developed as part of the cane expansion initiatives in Xinavane. As part of its plans to increase cane supply at Xinavane, the estate intends to develop an additional 1 945 hectares of sugarcane. This will all be developed for small and medium scale private farmers as a way of economically empowering the local communities.

**Operating profit from the South African sugar operations including the downstream sugar value added activities amounted to R308 million (2012: R354 million). The agriculture, sugar milling and refining operations recorded operating profit of R52 million (2012: R93 million) and the various downstream sugar value added activities contributed R256 million (2012: R261 million).** The season concluded with sugar production of 486 000 tons which was unchanged from the prior year. Local market sales were 3% below last year and consequently lower value export sales increased accordingly. With increased cost pressures, margins were under pressure. Production was impacted by the national transport strike in South Africa followed by unusually heavy rains in the last three months of the crushing season. There has been an increased level of carry-over cane from the current season into the next season.

Since the 2009/10 season the South African operations have planted 29 937 hectares of new cane as the business sought to improve cane age and crop positioning for optimal harvesting, generate better yields and increase the crop's ability to withstand variable weather conditions. This progress was partially offset by the losses of cane to competitor mills, and using the 2007/08 season as a base, the cumulative impact of new cane planting versus cane losses will result in new plantings exceeding cane losses for the first time in the 2013/14 season. The ongoing focus on increasing sugarcane supplies to the mills will see sugar production grow by 24 percent, with an early season estimate that sugar production will reach 605 000 tons in 2013/14 year.

The operation's sugarcane planting interventions were primarily driven through planting initiatives on communal land that involved seed cane subsidies, Project Vuselela (revival in Zulu) as well as leases and farm management contracts on commercial farms. The company has identified additional expansions of the area under cane, with at least 10 500 hectares being planned for the 2013/14 planting period.

The achievement of the actions to increase cane planting requires effective stakeholder engagement and focus. The primary stakeholders are the existing and potential small-scale and commercial private farmers, rural communities, traditional authorities, development finance institutions and local and national Government. Tongaat Hulett, with an appropriately resourced team, is seeking to position itself through these initiatives as the partner of choice with these key stakeholders. Additionally the signed co-operation agreement with the Ingonyama Trust Board (ITB) which is the custodian of some 2,7 million hectares of communal land in KZN augurs well for the business's ability to execute its cane expansion activities.

Focus remains on developing and implementing models that ensure sustainability of the cane growth plans, particularly with respect to cane development in the communal areas. This requires direct Tongaat Hulett involvement in obtaining financing, transport, procurement of inputs and harvesting of cane from communal areas, together with corporate social and economic investment in these areas. Involvement on training and skills transfer lend further support to Government's objective of rural development and job creation.

Tongaat Hulett is continuing in its efforts to ensure the sustainability of its small-scale and commercial private farmers, through its support of the Sugar Industry's request to increase duty on imported sugar to the equivalent of 35 USc/lb.

**In Swaziland, the Tambankulu sugar estate's operating profit increased to R76 million (2012: R51 million).** Higher sucrose prices arose from a recovery in European Union realisations received by the Swaziland sugar industry. A raw sugar production equivalent of 58 000 tons was achieved for the year (2012: 59 000 tons). The early season estimate is that production (raw sugar equivalent) for the 2013/14 year will be 58 000 tons.

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

Fundamental drivers of land demand over the medium to longer term, including affordable housing backlogs, rising industrial land demand, major infrastructural initiatives such as the Durban Port and the King Shaka International airport and Dube TradePort, expanding tourism markets and the growing economy, continue to reinforce the transition from agricultural land to property development.

Tongaat Hulett has over an extended period of time developed the necessary skill and expertise required to enhance the value of land as it transitions from agricultural land to property development. Preparing agricultural land to becoming an active development requires a number of overlapping processes involving local, provincial and national government departments. These include strategic spatial planning by the local authorities, framework planning, environmental impact assessments, rezoning, release from agriculture and from mining, water licensing by the department of water affairs, confirmation of all necessary bulk infrastructure and sub-divisional approvals.

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

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

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

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

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

Blackburn Estate, KZN

## OUTLOOK AND CONCLUSION

### Focus Areas

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

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

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

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

A fundamental review has been launched to re-examine all bought-in goods and services, which currently total more than R4 billion per annum for Tongaat Hulett excluding cane and maize purchases. The review is, inter alia, examining the quantum, "value add", "in house or outsource" and possible longer term procurement arrangements. Generally 90 percent of overhead costs are fixed, between 80-85 percent of sugar milling costs are fixed and approximately 90 percent of on-farm agricultural costs are fixed or directly linked to the extent of hectares being farmed. Higher volumes and yield improvements will contribute to the reduction in the unit costs of sugar production.

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

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

### Financial Results - The Year Ahead

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

The results will benefit from the projected growth in sugar production. The early season forecast is for total sugar production to grow by some 114 000 tons, with the increase coming from South Africa in this year. With the low dam levels in Zimbabwe, irrigation levels have been reduced and cane expansion and root replanting for both private growers and own estates have been curtailed, to be resumed once the dam levels recover.

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

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

The starch operations remain well positioned. The current South African maize crop outlook of 11,4 million tons should result in another surplus production year and combined with a weakening in the currency will ensure that maize continues to be priced at levels close to international prices supporting margins in the business. Starch and glucose volumes are expected to show modest growth with depressed local market demand being offset by a growth in export volumes, with continued improvements in manufacturing performance.

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

## ACKNOWLEDGEMENTS

Tongaat Hulett's 27 sites in Botswana, Mozambique, Namibia, South Africa, Swaziland, and Zimbabwe have benefitted from the energy, effort, loyalty and commitment that its more than 40 000 employees contribute on a daily basis. I take this opportunity to acknowledge and commend you for all that you continue to do for the company as we progress delivery on our business objectives.

Being an agricultural and agri-processing business means that Tongaat Hulett has a significant footprint in the rural communities that surround its operations. The business is committed to working together with small-scale and commercial private farmers, rural communities and Governments to grow its contribution to rural development, job creation and skills transfer and, in so doing creating sustainable value for Tongaat Hulett stakeholders.

During the year, Menanteau Serfontein, the executive responsible for Human Resources, retired from the company after almost 30 years of dedicated service. Tongaat Hulett values the commitment and contribution that he made to the organisation during his career.

The business values the support that it has received from its existing long-term shareholders and endeavours to regularly update the investment community as it progresses delivery on its strategic objectives.

Tongaat Hulett has in its Chairman a leader whose calmness, strategic acumen and insight on, particularly, socio-economic-political matters, continues to highlight the contribution that he is making to the organisation. The ongoing support and guidance that we have received from the Board is highly valued.

**PETER STAUDE**
CHIEF EXECUTIVE OFFICER

Amanzimnyama
Tongaat, KwaZulu-Natal
23 May 2013


Entrance to Kliprivier Mill

## ACHIEVEMENTS

- The South African Department of Labour commended Tongaat Hulett for surpassing its numerical goals in terms of race and gender per its Employment Equity Plan
- The Product Water Footprint for 1kg of refined sugar in South African operations is lower than the global average
- Hippo Valley Estate's HIV/AIDS management program has been acknowledged as a globally commended program by the Global Business Coalition
- Achieved a Lost Time Injury Frequency Rate (LTIFR) of 0,094 per 200 000 hours worked
- Xinavane Agriculture operations, with an average of 6 590 employees, completed 27 678 600 lost time injury (LTI) free hours
- Mafambisse achieved 16 761 567 LTI free hours, surpassing the previous record of 10 million LTI free hours

## PRIORITIES

- Facilitating the development of successful indigenous sugarcane farmers and contributing to job creation and rural development in the regions which the company operates
- Working with indigenous private farmers to develop farming models that enable efficient sugarcane growing and meet the food security imperative
- Energy efficiency and reduction of GHG emissions
- Efficient water resources management
- Focus on safety improvement

## STRATEGY AND ANALYSIS

Tongaat Hulett has a significant presence in agriculture and agri-processing sectors in the Southern African Development Community (SADC). The business works with communities, Governments and other partners to meet some of SADC's pressing challenges: including job creation, food security, rural development and the provision of renewable energy. The company places value on being regarded as a responsible corporate citizen and therefore continues to strive towards creating value for its stakeholders in a responsible manner, that considers relevant legislation and key sustainability themes of safety, health and environment. Tongaat Hulett is of the view that good communication and open dialogue are vital components of understanding and meeting the expectations of the investment community, small-scale and commercial private farmers, local communities, governments, its employees and all other stakeholders. The business is committed to creating value for its stakeholders in an ethical manner, that takes cognisance of ongoing developments in its environment and therefore the organisation aims to report on its activities in a transparent way.

The company joined the United Nations (UN) Global Compact in 2012. This initiative was started in 1999 by the UN to promote good corporate citizenship and companies can, on a voluntary basis, comply and report on the principles published on the website of the UN Global Compact - www.unglobalcompact.org. The Compact comprises ten major principles from the areas of human rights, labor standards, environmental protection and measures to combat corruption. Tongaat Hulett is committed to implementing the principles embodied in the Global Compact into its operations. As such, part of the communication on progress is included in some of the elements in this integrated annual report.

The company is in its fourth year of focusing on the following key strategic sustainability related parameters:

- Contributing to the development of successful rural communities, including indigenous farmers of sugarcane and other staple food crops, within the areas that surround business operations.
- Training and support for private farmers on better farming practices and resourceful land use to ensure food security. This includes training youth from rural sugarcane communities on relevant agronomy techniques.

External recognition

- Effectively managing the opportunities and risks created by climate change and responsible carbon management.
- Ensuring that management is able to address sustainability in all areas of the business.
- Managing water resources and increasing resource efficiency in a responsible manner.
- Playing an active role in the renewable energy sector in the region.
- Ensuring that its products meet required food safety standards.
- Creating sustainable cities, towns and rural settlements.
- Creating operational efficiencies, cost management and effective strategic procurement.

The attainment of these parameters is underpinned by the company's employees who play a significant role in implementing various strategies over the medium term. In order to ensure that Tongaat Hulett delivers on its strategic objectives, the company will continue to create an enabling environment that allows high performing employees to excel, while offering equal opportunities for growth and development. The company is on an evolving journey to play a significant role in transforming the region and meeting future growth opportunities in a sustainable manner.

### Key Impacts, Risks and Opportunities

The current operating environment has many challenging and changing elements, especially in the context of the global economy, peculiar localised dynamics and evolving environmental and social factors. Maximising the emerging opportunities from these risks is possible once the appropriate risk mitigation strategies and processes have been developed and implemented. Further information regarding the business's approach to risk management has been included in the governance section of this integrated annual report.

### Reporting Boundaries

Following the previous integrated annual report, published for the period 1 April 2011 to 31 March 2012, this report covers all of Tongaat Hulett's operations in Botswana, Mozambique, Namibia, South Africa, Swaziland and Zimbabwe for the 12 months ended 31 March 2013. Tongaat Hulett's geographical presence is contained on page 11 of this integrated annual report.

The report has been prepared in accordance with the Global Reporting Initiative (GRI), and meets the requirements of their B+ reporting level and has been independently assured by Integrated Reporting & Assurance Services (IRAS). Tongaat Hulett is committed to the principles of sustainability which encompass the organisation doing business in a responsible manner that acknowledges accountability to its stakeholders. This report considers the key themes of Environmental Stewardship, Social Stewardship and Economic Sustainability.

There have been no re-statements of any data previously reported by Tongaat Hulett.

## Where We Operate

Botswana, Mozambique, Namibia, South Africa, Swaziland and Zimbabwe

## Leading Brands

Some of Tongaat Hulett's most popular brands are Amyral maize starch, Voermol, Hyclear glucose syrup, Zimbali, Izinga, Huletts, Blue Crystal, Marathon, Equisweet, SUGAlite and Sugar Joule.


## Organisational Profile

The company is an agricultural and agri-processing business, which includes integrated components of land management and property development. With its established and growing operations, it has considerable expertise in downstream agricultural products, biofuel production and electricity generation.

As at, 31 March 2013, Tongaat Hulett had 39 246 employees, working in 27 locations in 6 SADC countries, Botswana, Mozambique, Namibia, South Africa, Swaziland, and Zimbabwe. The water-food-energy nexus is an evolving dynamic that presents both opportunities and risks. The business is well positioned to deliver integrated solutions that will transform the way that sugarcane and maize is grown in the region, and extend its contribution beyond increased yields.

The company evolved from a diversified business, previously known as The Tongaat-Hulett Group Limited, to a focused business with the final step being the listing of Hulamin and the renaming to Tongaat Hulett Limited. The business was originally formed when the Tongaat Group Limited merged with the Huletts Corporation Limited. The Tongaat Group Limited evolved from a partnership between Edward Saunders and W J Mirrlees, which dates back to 1875, while the Huletts Corporation has its beginnings in the 1850's. Tongaat Hulett has a primary listing on the Johannesburg Stock Exchange, which dates back to 1952, and a secondary listing on the London Stock Exchange, which dates back to 1939.

## Value Chain

## Sustainability Indicators

| INDICATOR | 2010/11 (12 months) | 2011/12 (12 months) | 2012/13 (12 months) | Performance |
|---|---|---|---|---|
| Revenue | R9,681 bn | R12,081 bn | R14,373 bn | ↑ |
| Annual Dividend per share (cents) | 250 | 290 | 340 | ↑ |
| Number of employees at year end | 39 314 | 41 777 | 39 246 | ↓ |
| Fatalities | 4 | 2 | 3 | ↑ |
| LTIs | 50 | 61 | 56 | ↓ |
| Water used in manufacturing | - | 10 258 167 $m^3$ | 8 400 685 $m^3$ | ↓ |
| Carbon footprint (total tons of $CO_2$-e) | 1 120 634 | 1 027 569 | 1 246 234 | ↑ |

The business's key focus areas of sustainability include stakeholder value creation, safety, health, environment, developing successful indigenous farmers, broad-based black economic empowerment, human resources and skills development, talent management, employment equity, socio-economic development, stakeholder engagement and corporate governance.

The company is committed to ensuring the safety of its employees. In spite of this commitment, there were unfortunately three fatalities for the year ended 31 March 2013. Tongaat Hulett continues to roll out its safety plans, which focus on high risk areas, including the identification of high risk activities and additional interventions in order to minimise a recurrence of these types of incidents.

Tongaat Hulett's corporate office is located in Amanzimnyama, Tongaat, KwaZulu-Natal. During the reporting period there were no significant changes in the size, structure or ownership of the company and the business grew the extent of land under sugarcane supplying its mills and the number of people that it employs. There was a reduction of some one thousand four hundred seasonal and contract employees during the current period. In addition, changes in operational requirements resulted in the retrenchment of 43 employees.

## SUSTAINABLE PERFORMANCE BENCHMARKING

### External Recognition

- Tambankulu Estate, Swaziland and Voermol Feeds retained NOSCAR status rating in the NOSA based integrated occupational Health, Safety and Environment management systems.
- Tongaat Hulett Mozambique's agriculture operation was recommended for ISO14001 certification by a third party certifying body.
- The Investment Analysts Society of Southern Africa voted Tongaat Hulett as the winner of the Best Reporting and Communication Award in the Consumer Products category in 2012, for the fifth consecutive year.
- In 2012, Tongaat Hulett was included in the JSE's Socially Responsible Investment (SRI) Index for the ninth year in a row.
- Tongaat Hulett has been identified as one of the leading companies in surpassing targets for its Employment Equity Plans by the Department of Labour.

## ENVIRONMENTAL STEWARDSHIP

### Business Approach

Tongaat Hulett is dependent on constrained natural resources. It is therefore in its best interest to protect the environment for future generations. The business is improving its environmental efficiency and is involving its stakeholders in activities to optimise environmental performance along the value chain. The company's environmental approach is premised on the concept of building value for all stakeholders while working in harmony with nature. It works towards achieving integration between the environment and its agri-processing and property development operations. Research is regularly undertaken to measure and monitor the impact of operations on the environment and implement systems to ensure that resources are used in a sustainable manner.

Effectively dealing with the impacts that climate change and water security could have directly on Tongaat Hulett and indirectly, through its value chain, remains a key challenge. When viewed within the context of a growing and increasingly affluent global population that is consuming more natural resources and producing more waste, there is increasing pressure on the environment. Key potential impacts include ecosystem disruption, food scarcity and rising energy costs, which further highlights the need for the business to constructively engage with the relevant stakeholders to identify solutions to mitigate these risks.

Policies and practices are in place to ensure that operations are managed within the relevant statutory and legal parameters as a minimum and Tongaat Hulett's self-defined best practice requirements. The business continues to evaluate its carbon and water footprint and is identifying new approaches to understand and deal with potential opportunities and consequences of both climate change and constrained water supplies in the future.

### Climate Change

Climate change has the potential to impact on the availability of clean water and hence the long-term provision of continuous, safe, high-quality raw materials. Tongaat Hulett believes society must take measures to reduce air emissions and to adapt to climate change.

The company has identified potential risks and opportunities due to climate change and is taking action to mitigate and adapt to these risks whilst taking advantage of emerging opportunities. The business is committed to lowering the greenhouse gas (GHG) emissions associated with the production and distribution of its products. Tongaat Hulett is focused on working to improve the energy efficiency of its operations which includes switching to cleaner fuels, where necessary. The generation of renewable electricity from bagasse and the blending of biofuel with petrol and diesel will help consumers to lower their own GHG emissions. The business continues to work with private farmers to improve their resilience to climate change.

Tongaat Hulett's property development activities make use of both mitigation and adaptation measures towards proactively responding to climate change realities. These measures include appropriate and sensitive land use and spatial planning, compact city approach to density and intensity, appropriate stormwater management, extensive rehabilitated and managed natural habitat and water and energy demand management measures.

Tongaat Hulett's climate change policy recognises the importance of proactively managing the impacts of climate change, and positively commits the business to implementing both mitigation and adaptation programs where appropriate. The business is committed to reducing its greenhouse gas emissions by 5 percent per annum for the next 5 years and is targeting at least a 20 percent reduction by 2020 from a 2011 baseline.

## Carbon Management

Climate change is integrated into the business's company-wide risk management processes and a detailed discussion on this important topic is included in Tongaat Hulett's latest submission to the Carbon Disclosure Project (CDP). The CDP is an independent initiative encouraging transparency on all climate change related issues and providing details of emissions performance. As part of the CDP process, the company conducted its fourth carbon footprint analysis and the analysis was conducted according to the Greenhouse Gas Protocol, a widely used international accounting tool. Details of the company's actions underway are provided in the public response to the CDP (www.cdproject.net). Tongaat Hulett tracks and monitors its GHG emissions and will continue to improve the accuracy and reporting of its carbon footprint.

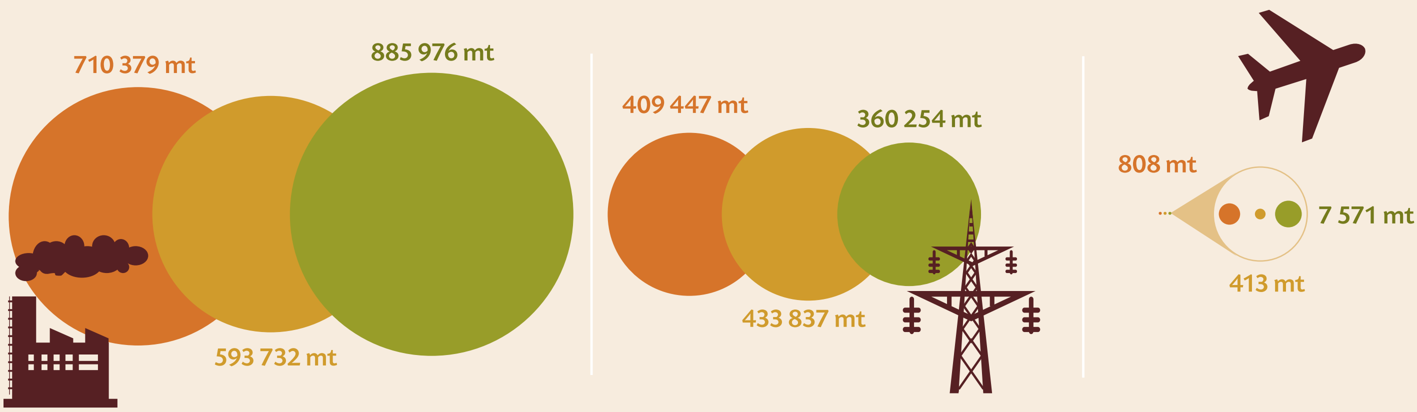
Direct or Scope 1 emissions are those arising directly from owned or company controlled sources. These include, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles and emissions from chemical production in owned or controlled process equipment. During the year, business operations emitted 885 976 tons $CO_2$ (Scope 1 emissions). Indirect, or Scope 2, emissions are those emissions from the generation of purchased electricity consumed by Tongaat Hulett. The company purchased electricity that emitted 360 258 tons of $CO_2$. Scope 3 covers all other indirect emissions that arise as a consequence of the business's activities. The total Scope 3 emissions were 7 571 tons $CO_2$ covering business travel, supply chain transport and distribution by third party companies. In the reporting period, employees booked nearly 3 219 business trips, flying more than 6 142 746 kilometers, resulting in 1 179 tons $CO_2$ being emitted from business travel. All 2012 Scope 3 emissions were offset with a project based in Durban. The total Scope 1 and Scope 2 $CO_2$ emissions for the period under review was 1 246 234 tons equivalent (-e) and the turnover was R 14,373 billion, which equates to 86 grams of $CO_2$ emitted per rand generated.

Carbon tax legislation in South Africa is currently evolving. The South African sugar operations could benefit from the carbon capture and storage of $CO_2$ in the growing of sugarcane. Consequently this part of the business should be well placed to offset a substantial part of its emissions on this basis.

Total South African emissions of 763 578 tons $CO_2$-e include emissions of 539 429 tons $CO_2$-e emanating from the South

## Carbon Footprint

2011 2012 2013




**SCOPE 1** Combustion Fuels

**SCOPE 2** Purchased Electricity

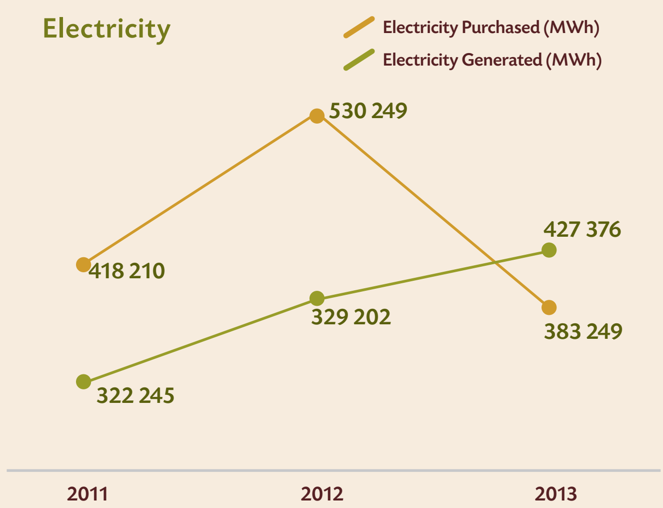
**SCOPE 3** Business Travel & Other

African sugar operations. In factoring carbon sequestration, a possible offset of 12 tons per hectare from sugarcane produced on 27 659 hectares (grown from Tongaat Hulett owned and leased land) equates to 207 521 tons $CO_2$-e. The GHG emissions have been verified by a third party service provider.

## Energy

Tongaat Hulett is continuously identifying and where appropriate, implementing opportunities to reduce the energy and water footprints in each of its operations, with its factory operations being prioritised. The imminent introduction of a suitable regulatory framework in South Africa will result in Tongaat Hulett expanding the business's ability to generate electricity from bagasse, a renewable resource produced as a co-product with sugar. As an integral part of these projects, the energy efficiency of the sugar mill which supplies the fuel to the electricity generating plant is targeted to be improved by some 30 percent. This energy efficiency improvement will be critical to enable full utilisation of the bagasse for electricity generation.

Sugarcane is a highly effective convertor of sunlight into biomass, and globally is a key raw material for a rapidly growing industry in biofuel and renewable electricity generation. Tongaat Hulett's mills have produced renewable electricity for the supply of power to run the mills for many years and have routinely supplied electricity into selected national grids, albeit on a small scale. In line with global trends, the focus is now on upgrading the generation of renewable electricity using highly efficient technology to produce substantially more electrical power from the same amount of fibre, thereby increasing the quantity of renewable electricity available to the national grid. The central sugar refinery uses coal, while the starch operation uses coal and gas to generate steam used in the production processes. Electricity is either purchased or generated for use in initiating production purposes and to supply power to offices and other support services. Energy efficiency projects include lighting, heating, variable speed drives, process efficiency improvements, ventilation and air conditioning. Motion sensors are installed in some administrative offices such as the Meadowdale office, resulting in a 20 percent saving on electricity costs.




For the period to 31 March 2013, Tongaat Hulett used 774 302 MWh of electricity in all its operations and offices. It generated 427 376 MWh from its sugar mills, predominantly from bagasse and sold 36 323 MWh. In the previous reporting period ended 31 March 2012, Tongaat Hulett used 530 249 MWh of electricity, generated 392 202 MWh and sold 29 223 MWh. Other sources of fuel that are used include coal, diesel, petrol, gas and wood.

## Air Quality

Since sugar mills primarily burn bagasse as a fuel, the flue gases from the boilers do not contain harmful levels of contaminants. Wet scrubbing technology is used to remove fly-ash from the flue gas to ensure that emissions meet the required standard. The recent South African legislative changes to air quality standards are far more stringent and present a challenge for the sugar industry as a whole and an appropriate action plan to ensure compliance with new standards has been formulated. The South African sugar operations have submitted applications for their air emission licenses, particularly in the context of the new standards.

Some sugar mills and in particular the central sugar refinery in the Durban South Industrial Basin burn coal as a boiler fuel and therefore have a greater challenge in terms of emission reduction, as required by the recent legislative amendments. The refinery is currently in negotiation with the authorities regarding revised emission targets in line with the development of innovative process technology, which will have significant energy efficiency benefits. An R18 million budget for a plant to test this technology has been approved and the project is targeted for commissioning in 2014.

At present, air quality is monitored on a daily basis at the refinery due to the significance of the emissions generated (sulphur dioxide ($SO_2$) and particulates), with all relevant stakeholders receiving access to regular performance reports, as well as an annual emissions report. Installation of on-line monitoring equipment to further enhance emission monitoring accuracy was completed during 2012.

## Biodiversity and Land Management

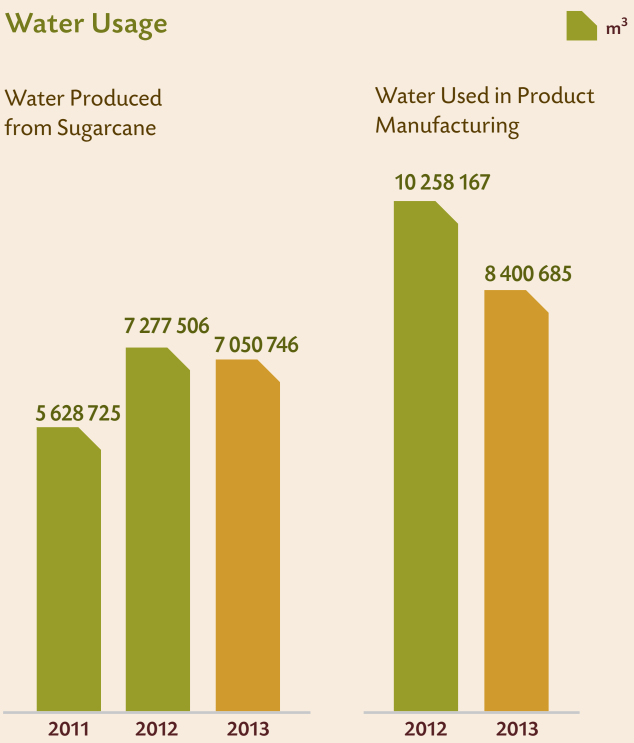
Tongaat Hulett controls over 20 000 gross hectares of land in South Africa of which some 13 500 hectares have been assessed as having high potential for conversion from agriculture to other uses at the appropriate time. This conversion is carefully managed in a coordinated and planned manner in line with broader Government objectives and spatial policies. At the same time the business continues to rehabilitate currently unproductive land to agriculture in support of government's agricultural and rural development goals and objectives, while also securing additional sugarcane supply to its mills.

These conversion activities are based fundamentally around sustainable development principles and will see over 5 000 hectares of land being rehabilitated into natural habitat, with formal management models being created to ensure the long term sustainable maintenance of these assets for the benefit of the broader region. In terms of the socio-economic

Improving enviromental performance metrics

legs of the sustainable development philosophy, conversion of this land will also see the creation of new employment, housing, social, recreational and commercial opportunities as well as the associated new capital investment. These development opportunities will be facilitated as an integral component of the growth of sustainable cities premised on appropriate densities, public transportation, mixed and multi uses and integration of surrounding communities.

The business continues to work closely with communities, authorities and Non-Government Organisations in its land management, planning and conversion activities towards facilitating the most appropriate activities and uses of its land in line with the region's needs and government's spatial planning policies and objectives.




## Water Resource Management

Tongaat Hulett continues to address water challenges with key partners that include private farmers, local communities and the relevant authorities. The business is a signatory of the UN Global Compact CEO Water Mandate and is committed to effective water resource management throughout its operations. A growing population in the SADC region, demographic shifts from rural areas to cities and the impacts of climate change are contributing to concerns related to fresh water availability. With two-thirds of all fresh water used in agriculture and demand for water set to rise by some 50% by the year 2030, water scarcity is a possible scenario for a third of the world's population.

The Water Policy which documents Tongaat Hulett's view on key elements include: prioritising sustainable management and effective use of water resources, local water resource optimisation and protection. It continues to identify opportunities for water recycling, efficient use and responsible waste water disposal. Tongaat Hulett's sugar operations are in various locations within the SADC region and different water techniques are applied across operations. As a result of the fact that the sugar cane plant comprises approximately 70 percent water, sugar mills in South Africa are net producers of water. Most of the sugarcane cultivated in South Africa is dependent on natural rainfall, while operations in Mozambique, Swaziland and Zimbabwe, practice large-scale irrigation via purpose-built canal systems with water being extracted from rivers. The management of these canals and irrigation systems is in keeping with the highest agronomy and safety standards.

During the reporting period, Tongaat Hulett completed the Product Water Footprint for 1kg of refined white sugar in South Africa using a global standard. This assessment was performed on behalf of the business by an external service provider and confirmed that the water required by Tongaat Hulett to produce 1kg of refined white sugar is lower than the global average as stated by the Water Footprint Network.

Tongaat Hulett reported its water usage in the product manufacturing process for the period under review as 8 400 685$m^3$, with a further 6 007 061$m^3$ being purified at various mills and supplied to local Municipalities as potable water. This metric, reported for the second time, provides a single, aggregated overview of water demand across company operations. The company continued its engagement with the Council for Scientific and Industrial Research (CSIR) to identify future rainfall patterns and water scarcity due to the evolving impact of climate change. In the previous year ended 31 March 2012, Tongaat Hulett used 10 258 000$m^3$ with a further 65 851 291$m^3$ sold to municipalities as potable water.


Fresh water is an important resource for Tongaat Hulett

## Effluent

Subsequent to the "zero effluent" philosophy that has been adopted by several operations to minimise the quantity of liquid effluent leaving each mill or plant, most of Tongaat Hulett's sugar mills recycle and re-use water within the factories, while the remaining effluent undergoes biological treatment (aerobic and anaerobic) to reduce its chemical oxygen demand to acceptable levels before being discharged in accordance with the relevant environmental requirements. The remaining mills are developing environmental management programmes to adopt best practices and ensure legal compliance as a minimum. Water that is produced as part of the sugar milling process is largely used for the irrigation of sugar cane on adjacent estates and effluent produced at the central sugar refinery is disposed of into the municipal sewer for treatment, and both the quantity and quality thereof is monitored to ensure compliance with the relevant specifications.

## Waste Management

Some company operations have re-engineered and refined services in order to reduce waste and increase resource productivity, and these initiatives have yielded savings through offering new revenue streams from the sale, exchange and recycling of waste products. A significant increase in recycle material volumes was noted for this reporting period.

The starch operations have contributed to the considerable increase in recycled waste volumes. Some of the new practices implemented included the recycling of coal ash into block making and the recycling of the fats and proteins generated from the glucose manufacturing process into farming material. In addition, the implementation of onsite separation of general waste into recyclable and non-recyclable waste has also contributed to the growth in this number.

In line with the legal requirements in Zimbabwe, boiler ash has been re-classified as hazardous waste, during the reporting period, thereby resulting in the growth of this number when compared to the prior period. Initiatives are continuing to improve the level of reporting.

## PROMOTING SUSTAINABLE AGRICULTURE

Tongaat Hulett is using sustainable sugarcane agriculture practice to promote and increase good practices that are environmentally sustainable. The practices seek to protect the natural resource base, prevent degradation of soil and water, conserve biodiversity, ensure a safe and high-quality supply of agricultural products and consequently safeguards the livelihood and wellbeing of agricultural private farmers, employees and their families.

To meet the needs of the growing population, agricultural production must double by 2050. This challenge is made even more daunting by the combined effect of climate change and increasing competition for land, water and energy sources. Tongaat Hulett supports a multi-stakeholder approach to sustainable agriculture that will help to protect its supply chain, as well as create successful farming communities. It has direct relationships with numerous private farmers in three countries to whom it provides agronomy support. This support includes providing quality seed cane as well as guidance on crop management, soil and water protection and environmental best practice. Where appropriate, the World Wildlife Fund standards are used to facilitate training of private farmers in order to ensure that sustainable principles are employed.

| Period | General Waste (tons) | Scrap Metal (tons) | Hazardous Waste (tons) | Recycled Waste (tons) |
|---|---|---|---|---|
| **2012** | 11 853 | 1 815 | 302 | 36 466 |
| **2013** | 11 436 | 4 152 | 3 084 | 53 694 |

There is ongoing interaction with the South African Sugar Association and South African Sugarcane Research Institute, to ensure that sustainable farming methods are practiced at Tongaat Hulett operations. Fertile soils are important for carbon storage and by employing good farming practices, soil erosion and greenhouse gas emissions are reduced. Through cropland management and modern soil conservation methods the agriculture department is able to ensure increased yields and the sustainable supply of sugarcane to its mills.

Promoting sustainable agriculture

The company practices different conservation methods, such as minimal tillage, implementing land use plans and every field that is planted is assessed to ensure that soil conservation structures are maintained in the field. In selected areas, depending on soil conditions and other agronomic influences, a range of cover crops are used to improve soil conditions at planting, provide assistance with the control of weeds and in certain cases improve nitrogen availability to the subsequent sugarcane crop. This results in improved cane yields and improved soil conditions in a sustainable fashion.

### Environmental Compliance

There were no material incidents, fines or non-monetary sanctions for non-compliance with applicable environmental regulations during the year under review. The established community liaison forums between Tongaat Hulett and interested parties continue to address environmental related complaints. Level 1 environmental complaints are those that are deemed 'minor' and refer to the number of times operational activities resulted in isolated public complaints. Although a response is triggered, Level 1 complaints do not require remediation plans. Level 2 complaints refer to operational activities that result in widespread public complaints or attention from media. Both a response and remediation plan is triggered in the event of a Level 2 complaint.

During the reporting period, Tongaat Hulett experienced 559 Level 1 complaints and two Level 2 complaints. One of the Level 2 complaints was received at the Maidstone Sugar Mill and another one was received at the Xinavane Sugar Mill. Incidents of illegal dumping at the South Africa agricultural operations remain the major contributor to Level 1 incidents.

The Maidstone complaint related to an irrigation pipe burst. The remedial actions implemented included clean-up and remediation of area affected, together with a repair of the pipeline. Implemented action plans were communicated to relevant authorities and stakeholders and a long term plan regarding the future of irrigation in this area is currently under review.

The second Level 2 complaint related to environmental issues raised through a media broadcast at the Xinavane operation. There were allegations regarding water pollution of the river system emanating from mill effluent discharge. Xinavane currently conducts regular water testing both upstream and downstream of the mill operations, as well as of some of the agricultural locations. The operation uses the services of an external third party laboratory, which has confirmed that the results of the water tests continue to fall within the business's minimum standards.

## THIRD PARTY CERTIFICATIONS

Tongaat Hulett subscribes to various management systems that are certified by third party certifying bodies with reputable accreditation in line with international standards. In this regard, annual targets have been set for third party audits and certifications associated with NOSA, OHSAS 18001, ISO 14001, ISO 9001 and HACCP/GMP. All operations in all countries are certified under the ISO 14001 Environmental Management System with the exception of Botswana, Namibia and Mafambisse, which are at different stages of the certification programme. Xinavane's agriculture operation was recommended for certification to ISO 14001, while its mill operation was scheduled to go through Stage 2 of the certification audit in June 2013. Tongaat Hulett's sugar and development operations were audited by NOSA on the integrated star rating system and are all certified. All four starch mill operations are certified as ISO 9001, ISO 14001 and OHSAS 18001 compliant. The Zimbabwe operations are NOSA and ISO 14001 certified, with Hippo Valley Estates having an additional OHSAS 18001 certification. The Swaziland operation is certified to ISO 14001, ISO 9001 and NOSA. Some of the starch and sugar operations have embarked on HACCP/ISO 22000 food safety assessments. Germiston and Kliprivier are HACCP/ISO 22 000 certified and the Maidstone Mill and the Refinery are partly certified. Plans are in place to pursue the ISO 14001 as well as HACCP/ISO 22 000 within the next five years.

## SOCIAL PERFORMANCE

### Business Approach

Tongaat Hulett continues to promote a core value of providing a safe and healthy workplace combined with good environmental stewardship. Safety, health and environmental (SHE) matters being components of an integral part of Tongaat Hulett's business, have specific plans with clear deliverables that are implemented within defined timeframes. The focus is on ensuring operational

Safety in action

sustainability against risks of occupational SHE liability. Guided by the fundamental principle of 'zero harm', Tongaat Hulett's efforts in managing SHE issues are a consolidation of the participation of several stakeholders. Employees, contractors, suppliers, service providers, private farmers involved with Tongaat Hulett and surrounding communities in areas where Tongaat Hulett operates were identified as key stakeholders who have an important role to play in promoting SHE values.

The Tongaat Hulett Risk, SHE, Social and Ethics Committee oversees the performance of the company against set SHE targets and objectives. Progress on SHE plans and performance is monitored by the Chief Executive Officer and senior management through the various SHE Executive Steering Committees and established reporting systems.

## SAFETY

Tongaat Hulett's labour intensive operations reflect a workforce complement rising to nearly 40 000 during the season's peak period and consequently exposes the company to occupational safety risks, considering that the bulk of the workforce would be engaged in manual activities and the operation of machinery. The company is driving a 'zero harm' campaign that seeks to transform its organisational culture from one that influences stakeholders to be dependent on management support and systems, to an interdependent culture where individuals look after each other and prevent injuries across the company's stakeholder society.

During the past decade, the company's safety performance improved significantly in terms of fatalities and serious injuries that result in loss of time. While three fatalities recorded in 2012/13 seem to have reversed a fatality reduction trend observed from eleven in 2009/10 to four in 2010/11 and two in 2011/12, fatality risk controls in place are deemed to be appropriate. An analysis of fatalities recorded at Tongaat Hulett operations during the past five years revealed that 79 percent of them were related to vehicle operations, 13 percent to safety fundamentals, 4 percent to working at heights and another 4 percent to material handling activities. All of these causal factor categories form part of Tongaat Hulett's six main fatality risk control standards, commonly known as Huley Rules. Additional interventions that include peer review exercises are being applied to complement the effectiveness of these controls and thereby eliminate fatalities. More focus is being directed at managing the highest risks associated with vehicular operation, where specific interventions include enhancing Tongaat Hulett customised defensive driver training, increasing vehicle performance monitoring devices on high risk vehicles and introducing a 'Safe Driver Competition' with a view to encouraging safe driving performance by employees whose occupations entail driving.

Mill start-up

A Lost Time Injury Frequency Rate of 0,094 was achieved for the first time since formal SHE management systems were established. The LTIFR of 0,094 reflects an improvement from a stagnant LTIFR of 0,10 recorded in the previous two years.

Tongaat Hulett continues to work towards influencing stakeholders with a view to encouraging safe behaviour and participation in various SHE initiatives, so as to realise 'zero harm'. Private cane farmers were identified as some of Tongaat Hulett's important stakeholders, with an almost direct impact on the safety performance of the organisation considering their continuous involvement with Tongaat Hulett's operations, particularly in cane delivery where farmers' vehicles enter Tongaat Hulett's

| PERIOD | Actual 12 months to 31 December 2011 | | Actual 12 months to 31 March 2012 | | Actual 12 months to 31 March 2013 | | Limits 12 months to 31 March 2014 | |
|---|---|---|---|---|---|---|---|---|
| | LTIs | LTIFR | LTIs | LTIFR | LTIs | LTIFR | LTIs | LTIFR |
| Sugar | 42 | 0,08 | 45 | 0,09 | 47 | 0,08 | - | 0,07 |
| Starch | 8 | 0,53 | 8 | 0,40 | 8 | 0,58 | 4 | - |
| Developments | 0 | 0,00 | 0 | 0,00 | 0 | 0,00 | 0 | 0,00 |
| Consolidated | 50 | 0,10 | 61 | 0,10 | 56 | 0,094 | - | 0,095 |

premises. A structured engagement process to secure buy-in and subsequent take up of Tongaat Hulett's SHE management systems will be enhanced in the coming year.

### Food Safety

Tongaat Hulett has, over many decades developed a reputation as being a producer of high quality products. In order to ensure that this reputation is maintained, the company manages its maize requirements on a non-genetically modified basis using a sophisticated identity preservation system. The use of this system enables the company to meet the needs of its customers in the food industry.

In addition, ongoing attention is paid to the requirements of ISO 9001, the Hazard Analysis Critical Control Point system (HACCP) and ISO 22000, in terms of quality and food safety standards at all operations. These systems are in various stages of being certified by the South African Bureau of Standards (SABS).

Sugar is a natural carbohydrate sweetener of plant origin. Sugars made by plants are classified as sucrose, glucose and fructose. All three are found in varying amounts in most fruits and many vegetables. All carbohydrate rich foods, once digested, provide glucose, the primary fuel for the body. The source of the carbohydrate is not significant in a dietary context. The sucrose from sugar cane is identical to the sucrose present in fruits and vegetables.

The growing incidence in chronic lifestyle diseases such as diabetes, cardio-vascular disease and obesity, especially in children, has focused the attention of policy makers and the media on the consumption of sugar, and the potential contribution of this essential ingredient to the lifestyle disease epidemic. Certain reporting on sugar consumption has led to excessive and negative speculation regarding the value of sugar as part of a balanced diet.

Eminent bodies such as the World Health Organisation and the Food and Agricultural Organisation (2003) and the European Food Safety Authority (2010) have examined the scientific evidence relating to the consumption of sugar and other carbohydrates. These bodies have concluded, from a summary of the available evidence, that sugar is not the direct cause of lifestyle diseases such as diabetes, heart disease, obesity or cancer. During 2010 the International Food Information Council Foundation (IFIC) stated that "consumers can continue to enjoy modest amounts of sweetened foods and beverages as part of a healthy diet and lifestyle".

## HEALTH

Tongaat Hulett continues to provide comprehensive healthcare programmes that include environmental health, occupational health, primary health and general wellness.

### HIV and Aids

HIV and AIDS still remains the single biggest health challenge. While all operations now have Voluntary Counseling and Testing ((VCT) / HIV counseling and Testing (HCT)) and Anti-Retroviral Treatment (ART) being offered in one way or another, varying models of HIV and AIDS management are employed at the various centres. The company is working towards introducing a single HIV and AIDS Management Standard which will ensure uniformity throughout the various operations. The South African National Standard for Wellness and Disease, including TB and HIV Management System (SANS 16001: 2013) is being evaluated and plans are underway to implement this standard throughout Tongaat Hulett.

Male Medical Circumcision (MMC) in combination with other HIV preventative measures, has been shown to reduce the transmission of HIV in men by sixty percent and in light of this, the business is encouraging MMC to its employees. Chronic non-communicable or "lifestyle" diseases, such as diabetes and hypertension, are noted to be an issue of concern. The introduction of SANS 16001:2013 will also assist in developing a systematic approach to managing these conditions.

The VCT / HCT campaign is well entrenched as demonstrated by an uptake by 83 percent of the company's employees during the year under review. The company's commitment to the ART program is reflected through spend of R1 926 793 extended to this exercise for employees participating in 2012/13.

### Malaria

In Mozambique, Swaziland and Zimbabwe, malaria remains a significant health risk. The operations in Swaziland and Zimbabwe continue to successfully implement integrated malaria control programmes that include vector control, awareness, personal protection, diagnosis and treatment. The prevention of mosquito bites is one of the key elements in the fight against malaria, and in this regard, every affected operation is facilitating anti-malaria spray programmes and access to mosquito bed nets by every household member at Tongaat Hulett operations. The effectiveness of current malaria interventions was demonstrated by a 55 percent reduction realised in malaria cases attended to at the Zimbabwe operation medical facilities between 2011/12 and 2012/13 fiscal years.

Starch and glucose are used in a range of food products

## Occupational Health

Occupational health risk assessments identified noise, dust and chemicals as principal risks requiring effective interventions. Active steps are being taken to prevent the occurrence of occupational diseases, particularly those resulting from exposure to principal risks. All operations have established occupational health management systems that are certified to either NOSA systems or OHSAS 18001. Medical surveillance programmes are revised every year and continuously being monitored to ensure that employees exposed to high risk activities are not negatively affected by inherent occupational health risks. Surveillance programmes also provide an opportunity for urgent medical interventions to be taken and reverse early detection of symptoms of occupational illnesses.

Resources are being mobilised at operations to provide for reliable and effective emergency Medical Response systems, which are essential for ensuring appropriate early management of injuries to potential workplace accident victims.

# HUMAN CAPITAL

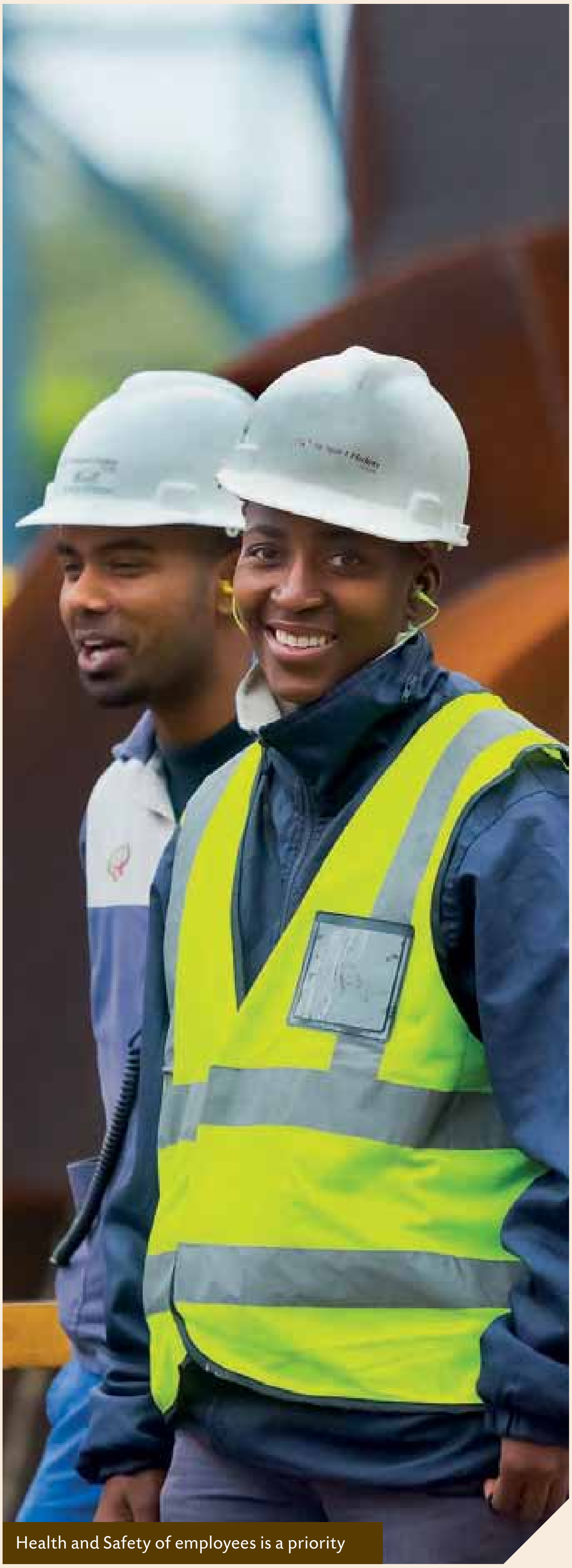
## Talent Management and People Development

Tongaat Hulett seeks to attract, employ, retain and develop high calibre and diverse employees who are able to contribute to the achievement of the business's strategic goals. Building capacity and capability include the continuous assessment of the capability profiles of teams and individuals against the required competencies and appropriate actions taken to address the gaps that are identified. Some of the interventions include the clarification of roles, responsibilities and relationships, making key appointments, dealing with transformation and employment profile requirements and addressing succession planning gaps by ensuring an appropriate pipeline of skilled people to meet longer term strategic capability requirements, leadership, management and supervisory development, talent management processes coupled with fast tracked development, focused technical and engineering skills upliftment, coaching and mentoring, project assignments, job rotation and encouraging employees to embark on self-directed as well as structured development programmes.

Effective skills development practices at all levels is a priority and continues to be strengthened, including supervisory, management and leadership development, learnerships, in-service training, operator training, general skills development of shop floor employees and effective coaching and mentoring processes. Competency gaps and individual training and development needs are being identified and action plans developed to address these needs. Action plans are developed to address the needs of high performing and highly talented individuals, with particular emphasis on black employees in the case of South Africa.

## Existing Skills

Appropriate organisational transformation is encouraged to facilitate Tongaat Hulett being managed as one company across all countries, where functionality is based on expertise instead of hierarchy / function and the encouragement of multi-skilling



Health and Safety of employees is a priority and multiple relationships. This transformation includes improved region wide communication and instilling a sense of belonging amongst all employees in all operations. Task-based processes and the encouragement of dynamism, decentralisation, growth, results-orientation, indigenisation, innovation and sustainability are being reinforced. In addition, an organisational climate is being nurtured to unlock the emotional energy and company commitment of employees and to assist in building Tongaat Hulett into an employer of choice.

Bursaries, scholarships, trainee programmes and learnerships continue to be sponsored by the company, to assist with sourcing and developing young talent in anticipation of future skills requirements. To support these programmes, strong partnerships have been formed with select educational institutions and Sector Education and Training Authorities (SETAs). Workplace skills plans and implementation reports are submitted to the relevant SETA on an annual basis.

Recruitment strategies include the use of psychometric assessments and web-based recruitment linked to Career Junction. Partnerships and relationships with education institutions continue to be strengthened with institutions such as the University of Witwatersrand Electrical Engineering/ Process Control, the University of KwaZulu-Natal, Mangosuthu Technikon and the Durban University of Technology.

## Employment Equity and Indigenisation

The total workforce as at 31 March 2013 across all countries was 39 246 compared to a total of 41 777 the previous year (full time employees, casuals and contractors).

In South Africa there continues to be a need to address the imbalances of the past and a strong employment equity culture has been fostered over many years. Actions are continuing to improve the representation of designated groups, with particular emphasis on Africans, black women and persons with disabilities, with the intention to align the workforce profile with the underlying demographics of the country. As at 31 March 2013, 61,2 percent of management and 84,6 percent of skilled and supervisory positions are filled by black employees. Women constitute 36,2 percent of the workforce across South African operations. Within the South African operations, 74,2 percent of the 609 graduates and diplomates employees are black, with women constituting 46,1 percent.

The Tongaat Hulett Employment Equity Committee is chaired by the CEO and the broad composition of this committee ensures that it benefits from company wide experience and expertise in achieving its objectives. Its main objective is to review target setting and progress on all employment equity related matters and to make recommendations on the implementation of employment equity policies. These policies are based on equal opportunity for all within a diverse workforce with a substantial number of members of designated groups at all levels. The implementation of these policies is facilitated by appropriate performance and talent management processes, recruitment targets, development and training programmes, coaching and mentoring and innovative management development practices.

The employment equity report for Tongaat Hulett's South African operations, as at 31 December 2011, as submitted to the Department of Labour (DoL) is available online.

## CASE STUDY

### KAREN PETERSEN

Karen (or Nomsa, as she is often referred to by her colleagues) was the first female project manager appointed at the then Moreland in 2006, as part of its drive to include more women in its project management operations in the company.

Appointed as the Development Manager for the Cornubia project, in the former Commercial and Industrial portfolio, she was promoted to Development Executive in 2009. This move meant greater responsibilities across the overall project as well as other smaller landholdings in and around Tongaat.

In January 2013, she was promoted to her present position as Human Settlements Executive, also the first woman ever appointed to the Tongaat Hulett Developments Board. "In this role, I am providing leadership on all aspects relating to Human Settlements by improving the quality of living conditions of those at the lower end of the socio-economic strata" and says "it was the best 41st birthday present ever!".

To read more about Karen go to:
www.tongaat.com/2013/talent_case.pdf

### Training related information in respect of the South African operations for the period 1 April 2012 to 31 March 2013

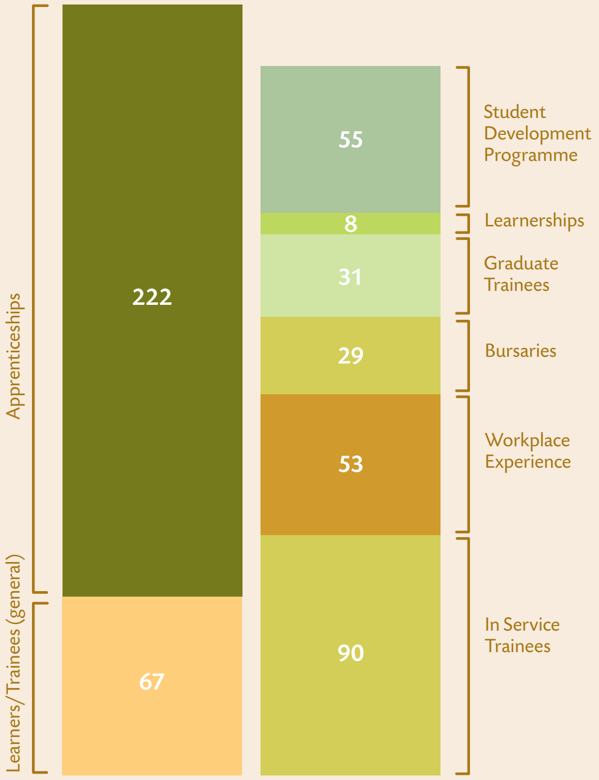
| | |
|---|---|
| Total training spend | R36,2 million |
| 1 percent skills levy | R13,6 million |
| Training spend as a % of leviable amount | 2,7 % (excluding 1% skills) |
| Number of person days trained | 10 040 |
| Number of person days available | 1 660 830 |
| % trained person days | 0,6 % |
| Number of persons trained | 1 740 |
| Expenditure on African, Coloured & Indian Employees | R22 389 863 |
| Expenditure on African, Coloured & Indian Women | R9 690 162 |
| Expenditure on Employees with Disabilities | R198 934 |

The overall proportion of black representation in management as at 31 March 2013 was 61,2 percent of permanent staff at this level, compared to 57,4 percent at 31 March 2012. It is envisaged that by 2015, black representation at management level (D band and above) will be approximately 65,0 percent. Females at senior management level increased from 12,3 percent to 14,5 percent as at 31 March 2013, the proportion of black females in top management increased from 19,2 percent to 22,2 percent as at 31 March 2013 and black females in management increased from 19,6 percent to 20,9 percent in March 2013.

There were 80 employees with disabilities as at 31 March 2013, which constituted 1,2 percent of the employee complement (81 employees with disabilities as at 31 March 2012).

### Formal Training Programmes

Actual as at 31 March 2013




**24 624** employees sent on training

**148** employees on Company Assisted Study Aid Schemes

**25 327** in TOTAL

### Human Rights

Within its sphere of influence, Tongaat Hulett implements protection for basic human rights. The company is a signatory to the Universal Declaration of Human Rights, in which it commits, among others, to supporting the freedom of association and collective bargaining at its locations, as well as preventing child and/or forced labour. Tongaat Hulett has incorporated human rights principles in its practices, and operates within a Code of Business Conduct and Ethics, which supports its commitment to a policy of fair dealing, honesty and integrity in the conduct of its business.

### Existing Skills In All Countries

| Period | Number (as at 31 March 2013) | Average Age (as at 31 March 2013) | Number Terminated (1 April 2012 - 31 March 2013) | Number Appointed (1 April 2012 - 31 March 2013) |
|---|---|---|---|---|
| **Degrees/Diplomas** | 1 107 | 40 | 42 | 76 |
| **Artisans** | 520 | 40 | 25 | 38 |

Creating an enabling enviroment for employees to develop

This is based on a fundamental belief that business should be conducted honestly, fairly and legally. The company expects all employees to share its commitment to high moral, ethical and legal standards. The company has always strived to maintain a constructive relationship with unions and a climate of industrial peace has generally prevailed. There are recognition agreements with 12 different unions as at 31 March 2013 and approximately 74 percent of permanent employees are members of unions.

### Freedom of Association and Collective Bargaining

Tongaat Hulett employees have the right to freedom of association. This right is also entrenched in the company's code of ethics, business principles and policies.

Trade unions formally recognised are:

- Botswana – Botswana Beverages and Allied Workers Union (BBAWU)
- Mozambique – Sindicato Nacional dos Trabalhadores da Industria Do Açucar e Afins (SINTIA)
- Namibia – Namibian Food and Allied Workers Union (NAFAU)
- South Africa – Food and Allied Workers Union (FAWU); National Sugar and Refining and Allied Industries Employees Union (NASARAIEU); South African Agricultural Plantation and Allied Workers Union (SAAPAWU); United Association of South Africa (UASA) National Union of Democratic and Progressive Workers (NUPDW); Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU)
- Swaziland – Swaziland Agriculture and Plant Workers Union (SAPWU)
- Zimbabwe – Zimbabwe Sugar Milling Industry Workers Union (ZSMIWU); Zimbabwe Hotel and Catering Workers Union (ZHCWU)

There were two strike incidents which resulted in one day lost in Swaziland and at the Sugar Refinery, 438 employees went on strike, which resulted in five days lost with a financial cost implication of R7,9 million for the period under review.

### Disciplinary Procedures

The disciplinary codes and procedures make provision for corrective behavior and have been drawn up in order to apply discipline in a just, equitable, non-discriminatory and consistent manner, in line with the relevant labour legislation. If any employee feels unjustly treated, they are entitled to exercise their rights in terms of the particular operation's internal appeal procedure and the relevant legislation.

Disciplinary codes and procedures have been implemented at local operations, after negotiations with the relevant trade unions.

### Grievance Procedures

The company's grievance procedures are intended to create an environment that is conducive to good employee relations, by facilitating prompt and fair action by the company when employees raise legitimate complaints. The intention of the grievance procedures is to ensure that grievances are resolved as near to their point of origin as possible, and within a reasonable time frame.

### Child Labour, Forced and Compulsory Labour

Tongaat Hulett does not make use of child labour and does not tolerate the inhumane treatment of employees, including any form of illegal forced labour, physical punishment or other abuse.

### Anti-Bribery and Corruption

The upholding of Tongaat Hulett's core values requires that the business actively works to prevent corruption and bribery. The organisation has procedures in place that provide guidance on areas such as dealing with gifts and donations. Employees of Tongaat Hulett who do not comply with the company's Code of Ethics policy face disciplinary action, including dismissal or termination of their contract.

## STAKEHOLDER ENGAGEMENT AND SOCIAL INNOVATION

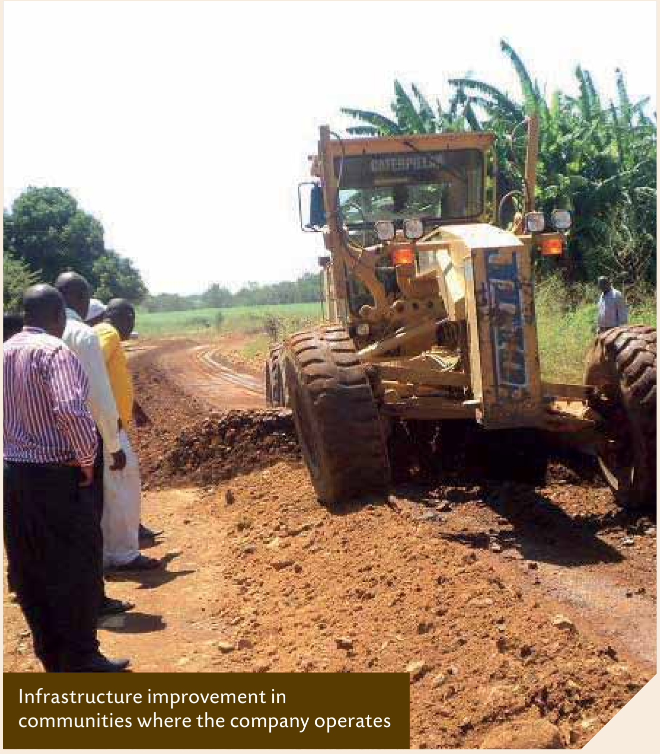
Tongaat Hulett has a well-established history of maintaining constructive relationships with a range of stakeholders. The process to improve Tongaat Hulett's understanding of its stakeholders is ongoing. It includes confirming the identity of stakeholders based on their impact / significance / influence etc. on the business, and documenting the various proactive engagements that are already in place, as the business seeks to further strengthen / build on these existing relationships. The business interfaces regularly, in an open and honest manner with a range of shareholders, governments, private farmers and their representative bodies, communities, employees and people impacted by company operations or expansion activities.

Through meaningful discussion, the business is able to understand and address potential impacts and concerns about operations and create opportunities that are aligned with the interest of all parties. Through a structured and evolving approach to stakeholder engagement, and using internal knowledge and expertise on stakeholder management, the business is able to prioritise the most important issues requiring management attention and focus. The feedback that Tongaat Hulett sought from a range of stakeholders, during 2012/13, followed the release of its 2012 Integrated Annual Report, and has been integrated into this report. A broad overview of key stakeholders and the general approach to interfacing with each of them is briefly presented below.

The expectations of shareholders, investors and analysts are to ensure that sustainable and profitable long-term growth is achieved through ethical and responsible business practices. It is the company's responsibility to clearly and openly communicate its business strategy and financial results. Communication takes place through meetings with management, telephonic conversations, internet and email. A well-entrenched investor relations team exists, with a focus on communicating with all stakeholders and ensuring adherence to corporate disclosure requirements. Annual and interim results presentations are held in Johannesburg, Cape Town and Durban plus roadshows are undertaken in the United Kingdom and North America, in order to articulate the company's performance and prospects.

Private farmers of sugarcane in the various countries of operation who supply the business's cane requirements want to ensure that, in addition to maximising the price that they receive for the supply of their product, Tongaat Hulett is able to provide the necessary support to ensure their long-term sustainability. Tongaat Hulett works with this grouping to unlock grant funding and facilitate maximum saving in key inputs like fertilizer, good quality seed cane and herbicides. In so doing it contributes to the sustainability, growth and profitability of this stakeholder. In all the countries of operation, private farmers are organised according to their logistical areas of operation, and as the business continues to increase the level and quality of its interactions, further growth and development opportunities for both Tongaat Hulett and these stakeholders are being identified.

Expectations of government authorities and regulators' are that the business operates in accordance with all local, provincial and national laws and regulations, as well as subscribing to and demonstrating support for articulated government objectives and policies. The company works to establish and maintain constructive relationships with governments of the countries within which it operates. It seeks to identify the impacts of government policy on its growth plans, as well as identifying how the company's strategy can support the growth strategies of these countries. This approach ensures that there is alignment of community, government and business operations of Tongaat Hulett. Ongoing engagement with government takes place at a provincial level and where necessary a national level.



Infrastructure improvement in communities where the company operates

Local communities are engaged in order to develop a broader understanding of their concerns and to align priorities in areas where there will be maximum impact. Particularly within the context of sugarcane developments in the rural areas of Mozambique, South Africa and Zimbabwe, the business's ongoing Enterprise Development and Socio-Economic Development initiatives create regular opportunities for stakeholder engagement opportunities with this constituency.

Engagement with the media takes place on a formal and informal basis, with media briefings, press releases, SENS announcements and publishing of relevant information on the Tongaat Hulett website. Shareholders are also encouraged to attend the company's Annual General Meeting. The company publishes highlights of its annual and interim results in the key South African daily newspapers.

Employees are interested in a stable employment relationship and a good working environment that guarantees health, safety, fairness and equal opportunity. It is the company's responsibility to ensure that ethical and responsible management procedures are in place to protect employees, support diversity and reward performance. It is therefore important to ensure regular collaboration on these topics. A variety of internal media is used, such as the intranet, internal newsletters and briefings, and the company regularly interacts with employees, striving to achieve a high level of engagement. The bi-annual results presentations are made available to staff by invitation and also through the company intranet and internet. Specifically with regard to sustainability matters, during 2012 a roadshow was conducted in all operating facilities in order to build awareness. The company will report on progress in this regard in its next report.

Expections of customers, suppliers and service providers' are to grow their business by supplying quality products that are desired by their customers. It is the company's responsibility to continuously improve the quality, taste and innovative features of its products at a reasonable price. Tongaat Hulett is in regular contact with its largest customers, to ensure exceptional customer service levels. It seeks to work with these stakeholders on areas of mutual concern. We plan to engage with suppliers in responsible sourcing standards through regular procurement processes.

Managers in all company operations interact with trade unions on relevant employment issues, with collective bargaining taking place on a need to have basis. The sugar and starch operations are the most labour intensive businesses and structures are in place to engage with various unions.

It is anticipated that the evolving approach to improving the company's understanding of its key stakeholders will include Tongaat Hulett being able to communicate matters of importance to the business. This includes its Code of Business Conduct and Ethics and other items of relevance which are specific to each stakeholder. Tongaat Hulett's approach to ethical behaviour is an important aspect to be understood and communicated, particularly within the context, of the high degree of importance that is placed on this underlying business principle by both management and the Board.

Social innovation makes reference to organisations that are developing innovative practical approaches to transform society and the environment, thereby uplifting communities.

## ECONOMIC SUSTAINABILITY

### Business Approach to Empowerment and Indigenisation

Transformation, equal opportunity and the creation of a diverse employee base remain key performance areas for the SADC geographical region where Tongaat Hulett operates. The company is committed to the development of successful rural communities in the regions that surround its operations and the business will continue to identify how best it can further partner with farmers, communities and governments, in order to achieve this objective. Tongaat Hulett believes that agriculture is the foundation of developing economies. The health of the agricultural sector depends on the sustainability of farming methods. Farming practices must therefore not only protect the long-term productivity of the land, but must also ensure profitable yields and the well-being of farmers and farm workers.

From a South African perspective, the fifth B-BBEE rating audit by AQRate was conducted in 2012, with Tongaat Hulett being categorised as a Level Three Contributor. The drop from Level Two is a result of the second set of five year targets becoming applicable on Employment Equity and Skills Development.

In Zimbabwe, Tongaat Hulett embarked on a comprehensive private farmer rehabilitation program to increase sugarcane production substantially, with the objective being to rehabilitate 15 880 hectares

| B-BBEE Scorecard | Score | | |
|---|---|---|---|
| Element | 2011 | 2012 | 2013 |
| Equity Ownership | 18,16% | 17,34% | 18,34% |
| Management & Control | 8,43% | 8,43% | 8,81% |
| Employment Equity | 11,54% | 11,69% | 9,15% |
| Skills Development | 10,19% | 12,14% | 9,99% |
| Preferential Procurement | 18,17% | 15,58% | 15,17% |
| Enterprise Development | 15,00% | 15,00% | 15,00% |
| Socio Economic Development | 5,00% | 5,00% | 5,00% |
| Total | **86,49%** | **85,18%** | **81,46%** |
| **BEE Level Rating** | **2** | **2** | **3** |

Data within the table above is sourced from AQRate as per their B-BBEE verification process

of private farmer land. There are currently 670 active farmers, who employ some 5 500 people. By the time that phase 1 is completed, there will be 870 farmers employing just under 8 000 people.

In Mozambique, Xinavane estate has a total of 3 520 hectares under sugarcane, for small and medium scale farmers delivering cane to its factory for crushing. The areas are comprised of groups and/or associations of farmers. Prior to the recently completed private grower developments, there have been three long-standing associations with a total of 478 hectares under sugarcane that had been developed under Government-supported donor projects. The Mafambisse private farmer development program has developed 380 hectares involving 14 farmers.

### Preferential Procurement in South Africa

The objective of Preferential Procurement under the Department of Trade and Industry's current Codes of Good Practice includes the promotion of BEE compliance by all entities and targets for procurement from Exempted Micro Enterprises (EME's), Qualified Small Enterprises (QSE's), black-owned and black women-owned enterprises. Furthermore, with enhanced recognition given for Preferential Procurement from value adding suppliers and enterprise development beneficiaries, the procurement of locally produced goods and services is actively supported, to assist in developing sustainable income streams for such new entities.

Tongaat Hulett is committed to supporting suppliers, improving their empowerment credentials and introducing Small to Medium Enterprises (SME's), black-owned and black women-owned suppliers to the business. The preferential procurement score element was set at 15,17. In respect of the Procurement Scorecard for Tongaat Hulett, and based on the expenditure for the period ending 31 March 2012, out of a total available spend (defined as total procurement spend less spend on parastatals and the importation of goods not locally produced) of R7,650 billion, BEE procurement spend from all suppliers based on BEE procurement recognition levels as a percentage of total measured spend, was R6,044 billion (79 percent).

Spend with companies which are more than 50 percent black owned totaled R252 million, whilst spend with QSE's or EME's totaled R1,680 billion. Spend with companies which are more than 30 percent owned by black women was R79 million.

### Socio-Economic Development

Socio-Economic Development within the context of Tongaat Hulett operations forms an integral part of the businesses activities, and is closely linked to the company's overall objective of contributing to the creation of successful rural communities. The business has traditionally focused its SED spend (particularly in the case of Mozambique, South Africa and Zimbabwe) on improving the quality of life of communities that surround company operations and its employees. Tongaat Hulett is now in the process of shifting this focus, to its private farmers. This shift, which is ongoing, will ensure that private farmers receive the support required for them to be sustainable into the future, and includes actions related to unlocking land for sugarcane development and grant funding from Government. The reporting period highlighted the significant contribution that Tongaat Hulett continues to make towards the welfare of private farmers, rural communities that surround company operations and its employees in Zimbabwe, Swaziland and Mozambique. Consequently, some 86 percent of total SED spend was invested in these countries.

During the reporting period, R62,8 million was spent on health and welfare activities, which includes costs associated with the two company managed medical facilities, the Hippo Valley Medical Centre and the Colin Saunders Hospital in Triangle, Zimbabwe. These facilities provide both preventative and curative health services to the surrounding communities and, on average, some 200 000 patients are seen on an annual basis. Environmental health programmes to reduce the incidence of malaria and bilharzia through routine spraying campaigns were undertaken in the communities that surround company operations. The business continues to ensure that safe drinking water is available for local communities and the provision of refuse collection services is undertaken by Tongaat Hulett.

Numerous schools are located in and around the operations and some R9,6 million was spent on education, which included costs for repairs to schools, stationery and education support. The Zimbabwe operations provide support for 21 schools, with an enrolment of just under 12 000 pupils, the Swaziland operation supports two schools, while the Xinavane and Mafambisse operations provide support to the local schools that are in close proximity to company operations.

Tongaat Hulett regards its Socio-Economic Development initiatives as an important component to ensuring the sustainability of the private farmers that supply its operations.

## CASE STUDY

### NDWEDWE REGION

Within the Tongaat Hulett context, the activities undertaken by the business in the Ndwedwe region on the North Coast of KZN, demonstrate a relevant example of the company working towards its strategic objective of increasing sugarcane supplies, while contributing towards stakeholder value creation. The business's Socio-Economic Development initiatives and its approach to stakeholder engagement are fundamental elements that are contributing to the overall success of this project.

To read more about Ndwedwe go to: www.tongaat.com/2013/ndwedwe_case.pdf

Land under cane

In addition, these initiatives continue to support the business's objective of rural development in the communities that surround company operations. The total SED spend for the 12 months to 31 March 2013, including the cost of company sponsored occupational and primary health care services, was R142,7 million. This was above the company's commitment to allocate one percent of annual headline earnings to SED on a company wide basis annually.

## FOOD SECURITY

Tongaat Hulett is of the view that a sustainable food system should be "reliable, resilient and transparent," producing food within ecological limits, developing food producers, and ensuring accessible and sufficient food supply. The company is a principal member of the World Wildlife Fund and is looking at the operational and reputational challenges that face businesses in the food sector. The business has identified that there is potential to make unconventional approaches, such as inclusive agriculture through the Operation Vuselela Project, more commercially viable. The business is of the view that it can partner with governments and communities, towards building a sustainable food system, in the areas that it is able to impact. Delivery of this objective will require the implementation of new techniques and collaboration among farmers, rural communities businesses and governments.

The business continues to operate in an environment impacted by a number of external factors. Tongaat Hulett acknowledges that energy security dynamics are closely linked to food security, water security and climate security. The Food and Agriculture Organisation released a guide highlighting the need to move to more sustainable practices, as intensive crop production since the 1960s has degraded soils, depleted ground water and caused pest outbreaks. The food system is affected by environmental impacts including habitat degradation, greenhouse gas emissions and freshwater use and there is increasing evidence that crop yields are dropping.

## Value Added Analysis

For the Year Ended 31 March 2013

| Rmillion | 2013 | 2012 |
|---|---|---|
| Revenue | 14 373 | 12 081 |
| Bought-in materials and services | (9 327) | (7 893) |
| VALUE ADDED BY OPERATIONS | 5 046 | 4 188 |
| Dividends and other income | 358 | 203 |
| Capital profit on land | 16 | 3 |
| Capital loss on other fixed assets | (1) | |
| TOTAL VALUE ADDED | 5 419 | 4 394 |
| Applied as follows: | | |
| TO PAY EMPLOYEES | | |
| Salaries, wages and benefits | 2 748 | 2 081 |
| TO PAY PROVIDERS OF CAPITAL | 953 | 815 |
| Interest on borrowings | 596 | 527 |
| Distributions to shareholders | 357 | 288 |
| TAX | 389 | 351 |
| RE-INVESTED IN BUSINESS | 1 329 | 1 147 |
| Depreciation | 472 | 366 |
| Retained earnings after distribution to shareholders | 857 | 781 |
| TOTAL VALUE DISTRIBUTED | 5 419 | 4 394 |

The BEE IFRS 2 charge and transaction costs have been excluded from this schedule.

Tongaat Hulett acknowledges that agriculture has a significant role to play in opening the way for food security, while protecting precious natural resources and contributing to rural economic growth.

At the same time, Tongaat Hulett appreciates the circumstances experienced by many cities, around which it operates, as well as the ever increasing issues of poverty, unemployment and inequality that are prevalent throughout the region. In response to these dynamics, Tongaat Hulett works closely with local and provincial

Working with communities to provide water and ensure food security - Luwamba community, Northern KZN municipalities in facilitating the conversion of agricultural land to other uses, at the appropriate time and in locations aligned with municipal and provincial spatial policies and plans. This land conversion enables the provision of new housing, employment, economic, social and recreational facilities for growing cities and increasing urbanisation but significantly, is carefully managed and undertaken in synergy with the extensive cane and rural development initiatives.

## PRODUCT RESPONSIBILITY

### Business Approach

Tongaat Hulett participates in a number of initiatives that promote product responsibility in agri-processing and land development. Product safety and quality assurance are embedded in the business's core values and the company's systems facilitate the commitment to not compromise on the safety of its products.

### Customer Health and Safety

The company complies with all relevant safety, health, environmental and quality legislation in each of the countries of operation as well as striving for implementation of industry best practice. The production facilities have been certified under the ISO 9001:2008 quality management system. In South Africa, the operation, has adopted the Hazard Analysis and Critical Control Point (HACCP). Downstream products supplied to the pharmaceutical industry are required to meet the Food and Drugs Act standards.

### Product and Service Labeling

Tongaat Hulett ensures that appropriate information is provided to its customers. All products carry product labels describing information about the product, in compliance with the respective country legislation and labeling regulations. In addition to protecting Tongaat Hulett products, labeling informs consumers about the product's nutritional composition and ingredients.

### Marketing Products Responsibly

The business seeks to grow its market share in a responsible manner. Consequently the marketing of its product range is not aimed at misleading the public about any potential health or other risks related to products produced by Tongaat Hulett. The company's objective is to grow its market share through product innovation and the production of high quality products.

### Supply Chain Sustainability

Tongaat Hulett is developing a green procurement policy framework, with a view to optimising resource usage, increasing its product value and reducing its product carbon footprint and other negative environmental impacts. This is being achieved by collaborating with suppliers and customers throughout the value chain, to identify opportunities for adopting innovative technologies, products and business solutions with definitive potential for reducing environmental and climate change impacts, enhancing the safety and health of employees and communities, as well as reducing operational costs.

Increasing sugarcane supplies to Tongaat Hulett

Development at Kindlewood Estate

Special attention is being given to packaging products, energy and water management, as well as industrial and agricultural chemicals. Robust initiatives are being developed to ensure alignment with critical activities involving procurement, transportation and logistics, storage, usage and disposal of sensitive products. Some of the key themes in this process include:

- Focus on the total product life cycle impacts in the context of individuals and communities
- Use of renewable resources including recycled products and extended life cycles
- Encouraging use of eco-friendly products and use of transportation methods with minimum environmental impacts
- Asset and resource optimisation initiatives, including emphasis on usage efficiencies, inventory and waste management
- Increased research efforts into water conservation technologies and lean and clean production techniques.

## REQUEST FOR FEEDBACK

Tongaat Hulett would like to hear from all stakeholders on their views of the 2013 Sustainability Report. The company is particularly interested in the information that was provided, information that was not included, the data reported on and the design of the report.

### Please Contact:

Corporate Affairs
Tongaat Hulett
PO Box 3
Tongaat
4400
South Africa

Telephone: +27 32 439 4114
Email: sustainability@tongaat.com

### GRI Index

For detailed Global Reporting Initiative G3 sustainability reporting indicators:

Refer to www.tongaat.com/annualreport2013/gri.pdf

# INDEPENDENT ASSURANCE STATEMENT

## TO THE BOARD AND STAKEHOLDERS OF TONGAAT HULETT:

Integrated Reporting & Assurance Services (IRAS) was commissioned by Tongaat Hulett to provide independent third party assurance (ITPA) over the sustainability content within the sustainability section of their 2013 Integrated Annual Report (the 'Report', covering the period 1 April 2012 to 31 March 2013). The assurance team comprised primarily of Michael H. Rea, our Lead Certified Assurance Practitioner (CSAP), with 14 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, and Lauren Stirling, an Associate CSAP with over two years of assurance engagement experience.

## ACCOUNTABILITY AA1000S (REVISED, 2008)

To the best of our ability and significant experience in sustainability report assurance, this engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type II (Moderate) requirements.

## INDEPENDENCE

Previously, IRAS provided ITPA over Tongaat Hulett's 2010 through 2012 Annual Reports, but has not undertaken any other commissions that would compromise our independence, nor has IRAS been responsible for the preparation of any part of this Report. Responsibility for producing this report was the responsibility of Tongaat Hulett. Thus IRAS is, and remains, an independent assurer over the content and processes pertaining to this report.

## ASSURANCE OBJECTIVES

The objective of the assurance process was to provide Tongaat Hulett's stakeholders an independent 'moderate level assurance' opinion on whether the sustainability content within the Corporate Responsibility section of Tongaat Hulett's Report, in its printed format, meets the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness, as well as to assess the degree to which the Report has met the Global Reporting Initiative (GRI) G3 guidelines Application Level B reporting requirements (B+ with this assurance statement).

## ASSURANCE APPROACH AND LIMITATIONS

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, the GRI's G3 Application Level requirements, as well as other best practices in sustainability reporting assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at Tongaat Hulett's corporate offices to determine the context and content of sustainability management by the company;
- A review of the information and/or data collection, collation and reporting procedures undertaken by Tongaat Hulett, to define the content of the Report by looking at the materiality of issues included in the Report, determination of sustainability context and coverage of material issues;
- A review of Board and Committee meeting minutes, as well as media reports, to assess the accuracy and/or completeness of Tongaat Hulett's materiality assertions;
- A review of the approach of management to addressing topics discussed in the Report;
- A review of drafts of the Report for any significant errors, anomalies and/or potentially unsupportable assertions; and,
- GRI G3 gap analyses to determine whether the requisite numbers of profile and performance indicators were reasonably covered within the Report to meet Tongaat Hulett's GRI G3 Application Level assertion (B+).

The process was limited to the content and assertions made within Tongaat Hulett's printed Report for the period under review, and did not extend to a comprehensive analysis of the accuracy, reliability, completeness and/or consistency of the data presented by Tongaat Hulett, either in the Report or on the internet. Rather, sustainability data presented within the Report was subjected to a series of reasonability tests during final proof editing. The process was further limited to reviewing policies and procedures for stakeholder engagements, and did not extend to physical engagement of any stakeholders to arrive at our assurance opinion.

## FINDINGS

Based on our review of the Report, as well as the processes employed to collect and collate information reported herein, it is our assertion that:

- Tongaat Hulett's 2013 Integrated Annual Report demonstrates year-on-year improvements in the form and function of the policies, procedures and systems deployed to meet reasonable integrated reporting expectations. These include, but are not limited to, significant improvements in the systems employed to collate, collate and report key sustainability performance indicator data.
- Tongaat Hulett has demonstrated further improvement with respect to adherence to the principal of Inclusivity, and therefore continues to adequately adhere to the AccountAbility principles of Inclusivity, Materiality and Responsiveness. However, the improvements in the formalisation of stakeholder engagement systems and controls are still a work-in-progress, and thus it is predicted that further improvement is yet to occur with respect to both proactive stakeholder engagement (i.e., Inclusivity) and feedback on stakeholder-specific concerns (i.e., Responsiveness).
- The Report adequately meets the GRI G3's requirements for Application Level B (responses to all required indicators, as well as no fewer than 20 Core indicators, with at least one from each of Economic, Environment, Human Rights, Labour, Society and Product Responsibility). The reporting of performance against some GRI G3 indicators continues to require either further detail in disclosure, or improvements in the quality and/or quantity of comparable data.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the information reviewed, IRAS is confident that this report provides a reasonably comprehensive and balanced account of Tongaat Hulett's environmental, safety and social performance for the period under review. The information presented is based on a systematic process and we are satisfied that the content of the Report adequately represents Tongaat Hulett's adherence to the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness. Moreover, and although the quality or quantity of data of some GRI G3 indicators can be improved, this Report appears to meet the GRI G3's requirements for Application Level B (B+ with this assurance engagement).

The following recommendations have however been identified:

- Although significant improvement has been noted with respect to adherence to AccountAbility's principle of Inclusivity, including the presence of more formalised stakeholder engagement systems and controls, Tongaat Hulett should continue to ensure that stakeholder engagement progresses towards the active inclusion of all significant stakeholders, and that systems and controls consolidate stakeholder concerns for consideration at the relevant management and/or board levels. Moreover, the Report should ultimately reflect how engagement is deployed throughout the organisation to affect – where necessary – business decision-making, processes and/or controls.
- With respect to adherence to AccountAbility's principle of Responsiveness, Tongaat Hulett should continue to ensure that feedback to stakeholders on sustainability matters occurs in line with King III's recommendations for 'Integrated Reporting', including reasonable discourses regarding Tongaat Hulett's most material sustainability issues.

For more information about the assurance process employed to assess the sustainability section within the Report email michael@iras.co.za.

Integrated Reporting & Assurance Services
Durban
6 June 2013

IRAS
integrated reporting
& assurance services

The board of directors recognises the inextricable link between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. It is this understanding that has underpinned the board's enduring commitment to lead the organisation in accordance with principles based on transparency, accountability, integrity and ethical leadership.

Tongaat Hulett continues to apply the principles embodied in The King Report on Governance for South Africa and the King Code on Governance Principles 2009 (King III), and the recommendations relevant to its business. The King III compliance register articulating Tongaat Hulett's level of application of the principles contained in King III is available on the website www.tongaat.com. It includes detail of how each principle has been applied and will be reviewed on a regular basis to ensure that the disclosures are current and remain relevant.

Throughout the period under review, the board evaluated its compliance with corporate governance principles and implemented appropriate changes and improvements, including the review of the effectiveness of the board's governance structures and the company's Corporate Governance Manual. The Corporate Governance Manual, which includes the board charter, terms of reference of board committees, Code of Business Conduct and Ethics, and the company's established policies and practices on matters such as safety, health and environment, the solidarity with surrounding communities on socio-economic development initiatives and programmes on successful rural living, broad based black economic empowerment transactions and a commitment to employment equity, together reflect and reinforce the governance framework upon which Tongaat Hulett's business sustainability is anchored.

This corporate governance report depicts Tongaat Hulett's commitment to sustainable governance and adherence to King III, the Companies Act, the Listings Requirements of the JSE Limited (JSE) and other pertinent statutes and regulatory requirements guiding the board's and company's conduct throughout the period under review.

## BOARD OF DIRECTORS

### Charter

The board has an approved charter which records the board's continued objective to provide responsible business leadership with due regard to the interests of shareholders and other stakeholders, whilst reflecting a demonstrable concern for sustainability as a business opportunity that guides strategy formulation. The various communities and the environment within which the company operates have continued to benefit from this insight. The board charter regulates and addresses inter alia, the role of the board as the custodian of corporate governance, the fiduciary duties and responsibilities of the board and individual directors toward the company, the approval of strategy and annual business plan, the governance of risk and information technology and succession planning.

### Board Composition

Tongaat Hulett has a unitary board structure, which at 31 March 2013 comprised nine non-executive and three executive directors, drawn from a broad spectrum of the business community. Collectively, the directors possess a wide array of skills, knowledge and experience, and bring independent judgment to board deliberations and decisions, with no one individual or group having unfettered powers of decision-making.

### Board and Committee Composition

The roles of the independent non-executive Chairman, J B Magwaza, and the Chief Executive Officer, P H Staude, are separate with a clear division of responsibilities.

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

In accordance with the company's memorandum of incorporation, directors are required to retire either by rotation at intervals of three years or at the close of business of the next annual general meeting (AGM) after a director attains the age of seventy years. Directors retiring by rotation who avail themselves may be re-elected at the AGM at which they retire. New directors may only hold office until the next AGM, at which they will be required to retire and offer themselves for election. At the next AGM, Jenitha John, Rachel Kupara, Adriano Maleiane and Murray Munro will retire by rotation and seek re-election as directors.

There are no term contracts of service between any of the directors and the company or any of its operations.

### Board Induction

On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and markets within which it operates. The Company Secretary ensures that directors receive accurate, timely and clear information. The Chief Executive Officer and other executives provide directors with appropriate information on business performance and strategic objectives and themes. This, together with business reports of prior board and committee meetings, and discussions with heads of operations, provides directors

| Board of Directors | | Board Committees | | | |
|---|---|---|---|---|---|
| Name | Year appointed | Audit | Remuneration | Nomination | Risk, SHE, Social and Ethics |
| **Independent Non-executive Directors** | | | | | |
| J B Magwaza (Chairman) | 1994 | | Member | Chairman | |
| F Jakoet | 2008 | Member | | | Member |
| J John | 2007 | Chairman | | | |
| R P Kupara | 2009 | Member | | | |
| A A Maleiane | 2009 | | | | |
| M Mia (to 27 July 2012) | 1996 | | | | |
| N Mjoli-Mncube | 2008 | | Member | Member | Chairman |
| S G Pretorius | 2011 | | Chairman | Member | |
| **Non-executive Directors** | | | | | |
| C B Sibisi | 2007 | | | | Member |
| T N Mgoduso | 2010 | | | | Member |
| **Executive Directors** | | | | | |
| P H Staude (CEO) | 1997 | | | | Member |
| B G Dunlop | 1997 | | | | |
| M H Munro | 2003 | | | | Member |

A full record of the biographical details of the directors is articulated on pages 60 - 62 of the integrated annual report.

with sufficient insight of the company's operating dynamics. Directors are also encouraged to update their skills, knowledge and experience through participation in relevant programmes as deemed appropriate from time to time.

### Board Evaluation

The formal self-evaluation process of the board and its committees, the assessment of the Chairman's performance by the board and the assessment of the performance of individual directors by the Chairman, which are conducted annually, are an integral element of the board's activities to review and improve its performance continually. During the period under review, this evaluation process included assessing the independence of non-executive directors as envisaged in the King III code. Of the nine non-executive directors, seven are considered independent, whilst two are not considered independent by virtue of their involvement in the company's black economic empowerment equity participation structure. In arriving at this conclusion, consideration is given amongst others, to whether the individual non-executive directors are sufficiently independent of the company so as to effectively carry out their responsibilities as directors, that they are independent in judgment and character, and that there are no instances of conflicts of interest in the form of contracts, relationships, share options, length of service or related party disclosures that could appear to affect independence. The outcome of the board evaluation process for the period under review has been positive and an ongoing element of the board's focus will be succession planning, including board composition and the position of Chairman. The assessment of the independence of directors serving on the board for a period longer than nine years is conducted annually, following the criteria laid out in King III.

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

### Company Secretary

All directors have access to relevant information and to the advice and services of the Company Secretary, M A C Mahlari, who was appointed in December 2009. Ms Mahlari holds a BA, LLB, has over 10 years' experience as a company secretary and has worked in various private commercial law practices. After assessing the Company Secretary in accordance with the JSE Listings Requirements, the board concluded that Ms Mahlari is suitably qualified, competent and meets the appropriate requirements in terms of experience to carry out the functions of company secretary of a public listed company. Furthermore, the board is satisfied that Ms Mahlari maintains an arms-length relationship with the board of directors. She is not a director, nor does she enjoy any related or inter-related relationship with any of the directors or executives of the company that could give rise to a conflict of interest.

The attendance record of directors for the period under review is reflected in the table below.

| Director | Board | |
|---|---|---|
| | A | B |
| J B Magwaza (Chairman) | 5 | 5 |
| P H Staude (CEO) | 5 | 5 |
| B G Dunlop | 5 | 5 |
| F Jakoet | 5 | 5 |
| J John | 5 | 4 |
| R P Kupara | 5 | 5 |
| A A Maleiane | 5 | 5 |
| T N Mgoduso | 5 | 4 |
| M Mia[1] | 1 | 1 |
| N Mjoli-Mncube | 5 | 5 |
| M H Munro | 5 | 5 |
| S G Pretorius | 5 | 5 |
| C B Sibisi | 5 | 5 |

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

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

1: Retired from the board at the AGM on 27 July 2012.

## BOARD COMMITTEE STRUCTURES AND RESPONSIBILITY

In accordance with the board charter, the board has reserved certain matters for its exclusive mandate and has approved and delegated authority for specific matters to various committees, all of which have formal terms of reference. Through transparency, disclosure, review and regular reporting by the committees, the board is able to receive assurance that, inter alia, key risk areas, operational, financial and non-financial aspects relevant to the company's various businesses are monitored. The formal terms of reference and the delegated authority regarding each committee are set out in the Corporate Governance Manual, and are summarised as set out below.

### Audit and Compliance Committee

The Audit and Compliance Committee is constituted as a statutory committee of Tongaat Hulett in respect of its statutory duties prescribed by the Companies Act, and as a committee of the board in respect of all additional duties assigned to it by the board. The committee was appointed by the shareholders at the last AGM and comprises three non-executive directors of the company, all of whom are independent and possesses the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The current members are J John (Chairman), F Jakoet and R P Kupara. The Chief Executive Officer, P H Staude, the Chief Financial Officer, M H Munro, the Head of Internal Audit, D K Young and representatives of the internal and external auditors attend by invitation. The Company Secretary, M A C Mahlari, is the secretary for this committee. The committee meets at least three times a year.

The Audit and Compliance Committee's terms of reference, which have been updated in line with King III and the Companies Act and approved by the board, include the overall objective of the committee to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the assessment of going concern status, ensuring that pertinent compliance and relevant risk management processes are in place, reviewing the work performed by the external auditors and the internal audit function, and to review interim financial information and annual financial statements which are provided to shareholders and other key stakeholders.

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

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

The external and internal auditors have unrestricted access to members of the Audit and Compliance Committee and its

Chairman at all times, ensuring that their independence is in no way impaired. Both the internal and external auditors have the opportunity of addressing the committee and its Chairman at each of the meetings without management being present. The Audit and Compliance Committee determines the purpose, authority and responsibility of the internal audit function in an Internal Audit Charter, which is in line with King III terminology and approved by the committee and the board. The charter sets out the terms of reference of Tongaat Hulett's internal audit function, its reporting line to the Chairman of the committee, the working relationship with the Head of Internal Audit and the fact that the internal auditors have unrestricted company wide access to all functions, records, property and personnel. The committee also reviews the scope and coverage of the internal audit function. While the internal audit function has been outsourced to a professional firm of registered accountants and auditors, co-ordinated by the Head of Internal Audit, the company's independent external auditors do not assist in the performance of any internal audit assignments.

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

The committee is also responsible for ensuring that the combined assurance model espoused in King III is applied to provide a coordinated approach to all assurance activities. Tongaat Hulett has adopted a Combined Assurance Strategy and Plan that provides a framework for the various assurance providers to provide assurance to the board, through the Audit and Compliance and Risk, SHE, Social and Ethics Committees, that all significant risks facing the company are adequately managed and that assurance activities are integrated and coordinated in the most efficient and proficient manner. The Combined Assurance Strategy and Plan is discussed further in the Risk Management Process section of the integrated annual report, starting on page 54.

The committee's focus on regulatory compliance is ongoing in line with the regular updates to the regulatory environment. The framework of high priority laws and regulations applicable to Tongaat Hulett's operations has continued to be refined during the year with the aim of strengthening the culture of legal awareness and compliance. The board-approved compliance policy confirms and firmly entrenches Tongaat Hulett's commitment, through the combined efforts of various role players, to implement controls and processes to manage regulatory compliance across all operations. Management continuously assesses and reviews statutory and regulatory requirements and risks, and identifies appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions have come to management's attention during the period under review that indicates non-compliance with pertinent legislation and codes of good practice.

As part of an effort to review and ensure optimal performance and delivery of its mandate, the committee conducted an assessment of its performance for the period, with input from internal and external auditors, considering such factors as its composition and authority, the execution of its role and responsibilities, its working relationship with both internal and external audit and its statutory obligations towards the company and its shareholders. The outcome of the assessment process has been positive, reflecting that the committee meets best practice, and is functioning effectively and efficiently.

Each major operational area has its own audit and compliance meeting processes which subscribe to the same company audit philosophies and reports and leads to the Tongaat Hulett Audit and Compliance Committee.

**The Audit and Compliance Committee is pleased to report as follows for the financial year ended 31 March 2013:**

1. **Statutory Duties**

   The committee confirms that it performed the following statutory duties as required by the Companies Act and in accordance with its terms of reference:

   - Nominated for appointment as external auditor of the company at the AGM, Deloitte & Touche, a registered auditor accredited to appear on the JSE List of Accredited Auditors who, in the opinion of the committee is independent of the company, and Mr Wentzel Moodley as the designated auditor, for the 2013/2014 financial year;
   - Determined the fees to be paid to the external auditor and agreed to the terms of their engagement and audit plan in consultation with executive management;
   - Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors, including consideration of criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors;
   - Determined the nature and extent of any non-audit services that the auditor may provide to the company;
   - Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the company.

   The committee confirms that it did not receive any concerns or complaints relating to the accounting practices and the internal audit of the company; the content or auditing of the company's financial statements; the internal financial controls of the company or any other related matter during the period under review.

**2. Terms of Reference**

The Audit and Compliance Committee has adopted and operates within formal terms of reference that have been approved by the board of directors. The committee confirms that for the period under review, it discharged its duties and responsibilities in accordance with the terms of reference. The summary of the role of the committee is as articulated on pages 50 to 51 of this integrated annual report.

**3. Duties Assigned by the Board**

During the period under review, the committee performed its duties and responsibilities assigned to it by the board in accordance with the terms of reference. The committee specifically reviewed the financial statements of the company and was satisfied that they comply with International Financial Reporting Standards. The committee reviewed the assessment by management of the going concern statement of the company and concluded to the board that the company will be a going concern in the foreseeable future.

**4. Expertise and Experience of Financial Director and the Finance Function**

During the period under review, the committee considered the expertise and experience of the Tongaat Hulett financial director in terms of the Listing Requirements of the JSE and satisfied itself that the financial director's expertise and experience meet the appropriate requirements. The committee also evaluated the competence of the finance function as required by King III and concluded that the expertise, resources and experience of the finance function of all operations, reporting into the financial director of Tongaat Hulett, meet the appropriate requirements.

**5. Internal Audit**

- The work performed by internal audit was in accordance with the internal audit plan for the year ended 31 March 2013 and included the review of general and application computer controls on the systems used for financial reporting purposes. In addition, the committee approved internal audit's coverage and work plan for the financial year commencing 1 April 2013.
- The Head of Internal Audit has direct access to the committee primarily through the Chairman of the committee. During the period under review, the Head of Internal Audit had the opportunity to address the committee without the executive management of the company present.
- Tongaat Hulett's internal audit function, which is supported by its internal audit service provider, KPMG, has as required by its mandate, performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, IT controls as they pertain to financial reporting and the effectiveness of its risk management process. Based on the results of these reviews, the internal audit function has confirmed to the Audit and Compliance and Risk, SHE, Social and Ethics Committees and to the board that no evidence came to light that the internal control environment and risk management process for the company was ineffective. In addition, nothing indicated a material weakness in internal financial controls, whether from design, implementation or operation (individually or in combination with other weaknesses).

  The Audit and Compliance Committee is of the view, based on the representations made by internal audit, that the internal financial controls in place for the company were not ineffective during the period under review.

**6. Sustainability and Governance Reporting**

The committee has considered the sustainability and governance information as disclosed in the company's integrated annual report to ensure its reliability and consistency with the annual financial statements. The committee also considered the various reports of the external assurance service providers and is satisfied that the information is reliable and consistent with the financial results and other operational information at the disposal of the committee. Furthermore, the committee assessed and satisfied itself of the independence of the external assurance service provider for the sustainability report.

**7. Approval of Integrated Annual Report**

At its meeting held on 16 May 2013, the committee recommended the integrated annual report for approval by the board of directors, taking into account the combined assurance model adopted by the company.

**8. Attendance**

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

| Director | Audit and Compliance Committee | |
|---|---|---|
| | A | B |
| J John (Chairman) | 3 | 3 |
| F Jakoet | 3 | 2 |
| R P Kupara | 3 | 3 |

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

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

(The biographical details of the members are given on pages 60 to 61 of the integrated annual report).

**Risk, SHE, Social and Ethics Committee**

The Risk and Safety, Health and Environment (SHE) committee was restructured and reconstituted as the Risk, SHE, Social and Ethics Committee ("the committee") in 2012, and its terms of reference were formally approved by the board. The committee is constituted as a statutory committee in respect of its obligations prescribed by the Companies Act, and as a committee of the board in respect of all additional duties assigned to it by the board.

The committee, comprising non-executive and executive directors, is chaired by an independent non-executive director, and meets at least twice a year. Its members are N Mjoli-Mncube (Chairman), P H Staude (CEO), F Jakoet, T N Mgoduso, C B Sibisi and M H Munro (in his capacity as Chief Risk Officer). Several members of the company executive and senior managers (responsible for SHE, broader sustainability aspects, socio-economic development, stakeholder engagement and ethics, amongst others) attend this meeting by invitation. M A C Mahlari is the secretary. The chairman of the committee reports to the board on all matters discussed by the committee within its mandate as well as providing minutes of all its activities and decisions taken.

The purpose and functions of the committee are to assist the board to discharge the statutory requirements of the Companies Act articulated under regulation 43(5), covering amongst others areas of social and economic development, corporate citizenship, environment, health and employee and public safety, consumer relationships, labour and employment equity. The committee has additional responsibilities assigned to it by the board which include the total process of risk management and governance, including amongst others overseeing the development and regular review of a policy and plan for risk management for approval to the board; reviewing the implementation of the risk management strategy and policies by means of risk management systems and processes.

During the period under review, the committee carried out a self-evaluation of its performance. The results the self-evaluation process reflected that the committee was satisfied with how it executed its responsibilities and fulfilled its mandate during the period under review.

**The Risk, SHE, Social and Ethics Committee submits its report to the shareholders as required by the Companies Act and recommended by King III, illustrating how it discharged its statutory responsibilities and acted in accordance with the requirements of its terms of reference for the period to 31 March 2013:**

1. **Statutory Duties**

   ***Social and economic development***

   In June 2012 Tongaat Hulett became a signatory to and participant of the United Nations Global Compact, a corporate citizen initiative espousing principles in the areas of human rights, labour, environment and anti-corruption. The committee reviewed the company's standing in terms of the ten principles articulated in the Global Compact, noting that it is a voluntary initiative to promote sustainable development and good corporate citizenship through a set of values based on universally accepted principles. It provided a good networking opportunity for the company, and a forum for exchanging key learning and experiences. The committee recorded its satisfaction that the ten principles were receiving due and appropriate attention by the company on an ongoing basis.

   A full report of Tongaat Hulett's focus on social and economic development, particularly within the context of its relationship with private farmers, communities and the link to the business' various stakeholder relationships can be found in the sustainability report.

   ***Good corporate citizenship***

   During the period under review, the committee monitored the company's standing and commitment in terms of being a responsible corporate citizen. This included the committee reviewing in great detail the company's stakeholder value creation framework which is linked to the strategic objectives of the company. The framework covers inter alia, the company's objective to assist with the development of small-scale private farmers, partnering with key stakeholders to progress renewable energy initiatives and creating successful rural communities within Tongaat Hulett's cane catchment, amongst others. Tongaat Hulett continues to be regarded as a responsible corporate citizen and the committee is satisfied that this element continues to receive appropriate attention. A full report of the various initiatives led by the company and the positive impact on surrounding communities can be found in the sustainability section of this integrated annual report.

   ***Safety, health and environment***

   During the period under review, the committee discharged this responsibility and considered the company's performance in terms of safety, health and the environment, as can be seen in paragraph 3 below.

   ***Consumer relationships***

   Through the Audit and Compliance Committee, a compliance review of Consumer Protection laws was conducted on a company-wide basis across all countries of operation. The committee satisfied itself that appropriate systems and processes were in place in terms of sale agreements, marketing material, packaging and labeling, as well as the commercial conduct of the company to ensure compliance with these laws. Through the establishment of customer care lines, operations are able to monitor customer relationships and any potential complaints that may arise.

**2. Terms of Reference**

The committee has adopted and operates within formal terms of reference that have been approved by the board of directors. The committee confirms that for the period under review, it discharged its duties and responsibilities in accordance with these terms of reference. The summary of the role of the committee is as articulated on page 53 of this integrated annual report.

**3. Duties Assigned by the Board**

During the period under review, the committee fulfilled its responsibilities assigned to it by the board in accordance with its terms of reference. The committee assisted the board to fulfill its risk governance and SHE objectives by ensuring, amongst others, that the company has implemented effective policies and plans for risk management and safety, health and environment that enhance the company's ability to achieve its strategic objectives. The committee also ensured that disclosures and communication between the board and the Audit and Compliance Committee regarding risk management processes and activities pertaining to safety, health and environment were comprehensive and adequately facilitated. Whilst the committee had specific duties relating to risk governance, the role of the Audit and Compliance Committee was retained in terms of some aspects of risk management, including financial reporting risks, internal financial controls and fraud and IT risks relating to financial reporting. The committee performed the responsibility of overseeing the performance of the company against its set safety, health and environment targets and objectives, and considering reports relating to substantive SHE risks and liabilities that could potentially face the company.

**4. Relationship with Other Board Committees**

The committee acknowledges the inextricable link between certain of its responsibilities with those of other committees of the board. Some of these include the relationship with the Audit and Compliance Committee, which retains the responsibility for risk management as it relates to financial reporting risks, internal financial controls and fraud and IT risks relating to financial reporting.

Further, the company's standing on the recommendations espoused in the Organisation for Economic Cooperation and Development (OECD) regarding corruption and employment equity, are reviewed and covered by the Audit and Compliance Committee (which ensures the company has adopted effective systems of internal control, has an independent external auditor and operates within an approved code of ethics, amongst others) and the Remuneration Committee (which considers the company's employment equity report).

**5. Sustainability Reporting**

The committee reviewed and accepted the framework for the sustainability report contained in this integrated report, noting the various themes of the report including Safety, Health, Environment and Sustainability, Socio-economic development, Enterprise development and Stakeholder engagement. As detailed above, the Audit and Compliance Committee has considered the sustainability and governance information as disclosed in the company's integrated annual report to ensure its reliability and consistency with the annual financial statements. The Audit and Compliance Committee also considered the various reports of the external assurance service providers to ensure that the information is reliable and consistent with the financial results and other operational information at the disposal of the committee. Furthermore, the Audit and Compliance Committee assessed and satisfied itself of the independence of the external assurance service provider for the sustainability report.

**6. Attendance**

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

| Director | Risk, SHE, Social and Ethics Committee | |
|---|---|---|
| | A | B |
| N Mjoli-Mncube (Chairman) | 2 | 2 |
| PH Staude (CEO) | 2 | 2 |
| F Jakoet | 2 | 2 |
| TN Mgoduso | 2 | 2 |
| MH Munro | 2 | 2 |
| CB Sibisi | 2 | 2 |

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

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

**Risk Management Process**

While the board is ultimately responsible for risk management, company management has designed and implemented a risk management framework and has committed the company to a process of risk management that is aligned to King III and to the company's corporate governance responsibilities. This commitment is reflected in management's continued attention to the importance of effective risk management in ensuring that business objectives and strategies are met and that continued, sustained growth and profitability is achieved.

The framework, which incorporates the risk management policy, strategy and plan, aims to ensure that risk management processes are embedded in critical business activities and functions, and that risks are undertaken in an informed manner and pro-actively managed in accordance with the business risk appetite. This includes identifying and taking advantage of opportunities as well as protecting intellectual capital and assets by mitigating adverse impacts of risk.

The risk management review process seeks to achieve the correct balance between the issues that are specific to, and appropriately managed in, an operational area and those issues that are significant enough or cross cutting enough to be considered, and managed in an appropriate way, on a Tongaat Hulett wide basis. The approach to risk management includes being able to identify, describe and 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 an executive level. Risks and mitigating actions are given relevant visibility at various appropriate forums throughout the organisation.

Tongaat Hulett has documented its approach towards Information and Communication Technology (ICT) in various documents such as the ICT governance framework (including the company's policy and charter), disaster recovery plans, business continuity plans, acceptable use policy and a record of the approach to the protection and control of ICT documentation. The IT systems and application controls in the multiple computer systems in the various operations are, inter alia, subject to internal audit processes on an ongoing basis, integral to the audit of the overall control environment.

The current business environment is recognised as having many changing and challenging elements, particularly in the context of the volatile global economy and specific localised dynamics. Most of Tongaat Hulett's business platforms and operational areas are not considered to be in a static, steady state. Consequently, rather than relying purely on periodic reviews, there is a continued and increasing adoption of a project management approach and use of project management skills in various management processes, including risk management. The ongoing, routine risk management processes are thus coupled with change management and specific, task based, project driven risk management initiatives.

Company-wide systems of internal control exist in all key operations to manage and mitigate risks and a Combined Assurance Strategy and Plan has been implemented to further enhance the co-ordination of assurance activities. Tongaat Hulett's Combined Assurance Plan provides a framework for the various assurance providers to work together to provide assurance to the board, through the Audit and Compliance and Risk, SHE, Social and Ethics Committees, that all significant risks are adequately managed. The Plan consists of "three layers of defence", being management, functional oversight and independent assurance providers, wherein the assurance on the risk management and related controls for the company is reported.

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

The Tongaat Hulett internal audit function, which is supported by its internal audit service provider, KPMG, has performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, and the effectiveness of its risk management process. The evaluation of the company's risk management processes included a review undertaken by KPMG. It noted Tongaat Hulett's positioning, for the review period, on the KPMG Risk Maturity Continuum as "mature" out of a possible range of "basic – mature – advanced". Consequently, the company's internal audit function has provided independent assurance to the Audit and Compliance and Risk, SHE, Social and Ethics Committees and the board on the effectiveness of its risk management processes.

For the period under review, the Tongaat Hulett board, assisted by the abovementioned committees, is of the view that the internal control environment and the risk management processes in place for the company are effective.

**Remuneration Committee**

The Remuneration Committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The current members are S G Pretorius (Chairman), J B Magwaza and N Mjoli-Mncube. P H Staude, as CEO, attends by invitation and M A C Mahlari is the secretary.

The reward philosophy, which has been approved by the board, is formulated to attract, motivate and retain executive directors, executives and employees needed to manage and run the company successfully. The Remuneration Committee is responsible for considering and making recommendations to the board on the policy and on the quantum, structure and composition of remuneration packages of executive directors and senior executives. In addition, it reviews general salary increases for management and the operation of the company's management incentive schemes. Rewards are linked to both individual performance and the performance of the company. From time to time, independent external studies and comparisons are used to ensure that compensation is market related. As a general principle, good performers are remunerated in line with the market median, with high achievers and exceptional performers being rewarded towards the market upper quartile.

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

| Director | Remuneration Committee | |
|---|---|---|
| | A | B |
| S G Pretorius (Chairman)[1] | 1 | 1 |
| J B Magwaza | 2 | 2 |
| N Mjoli-Mncube | 2 | 2 |
| M Mia (Chairman)[2] | 1 | 1 |

1: Appointed as a member and Chairman of the Remuneration Committee in September 2012.

2: Retired from the board at the AGM on 27 July 2012.

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

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

**Nomination Committee**

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

## MANAGEMENT COMMITTEE

**Executive Management Committee**

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

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

## ACCOUNTABILITY AND INTERNAL CONTROL

The directors are required by the Companies Act to maintain records and prepare financial statements, which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations for that year, in conformity with International Financial Reporting Standards. The financial statements are the responsibility of the directors and it is the responsibility of the independent external auditors to report thereon.

To enable the directors to meet these responsibilities, standards have been set, including the application of the company's Internal Control Framework. Tongaat Hulett Limited's Internal Control Framework is based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Framework, which has emerged as the leading framework that companies and auditors use to evaluate controls.

Systems of internal control are implemented to reduce the risk of error, loss or failure to achieve corporate objectives in a cost effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework of prudent and effective accounting procedures and adequate segregation of duties. They are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business practices are conducted in an appropriate manner, which is above reproach.

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

Tongaat Hulett's internal audit function, which is supported by its internal audit service provider, KPMG, has as part of its mandate, performed a review of the effectiveness of the company's internal control environment, including its internal financial controls, and the effectiveness of its risk management process. Based on the results of these reviews, the internal audit function has confirmed to the Audit and Compliance and Risk, SHE, Social and Ethics Committees and the board that no evidence came to light that the internal control environment, including its internal financial controls and the risk management process for the company were ineffective.

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

**CODE OF BUSINESS CONDUCT AND ETHICS**

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

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

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

**REMUNERATION REPORT**

The major principles of the company's remuneration philosophy and policies are set out below together with the relevant details of the remuneration of directors, officers and executives.

**EXECUTIVE REMUNERATION**

The remuneration of senior management is determined by taking into consideration market comparisons and an assessment of performance related to the achievement of documented measurable performance targets. Strategic and business objectives, which are reviewed periodically, as well as a general assessment of performance, are taken into account. The remuneration structure at senior management level consists of guaranteed pay, variable pay in the form of short term incentive bonus schemes and long term incentives in the form of employee share incentive schemes.

***Basic Salary***

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

***Incentive Bonus Scheme***

The incentive bonus scheme is based on a combination of the achievement of pre-determined targets, and an assessment of the individual's overall performance. These targets include measures of corporate and, where applicable, operational performance as well as the achievement of individual performance against pre-determined objectives related to key business strategies and requirements.

***Share Incentive Schemes***

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

The Share Appreciation Right Scheme 2005 (SARS), Long Term Incentive Plan 2005 (LTIP) and Deferred Bonus Plan 2005 (DBP) (collectively referred to as "the Plans") were amended at the AGM on 27 July 2010 to ensure compliance with Schedule 14 of the JSE Listing Requirements and, where appropriate King III. Under these share incentive schemes, senior management and employees of the company are awarded rights to receive shares in the company based on the value of these awards (after the deduction of employees' tax) when performance conditions have been met, the awards have vested and, in the case of the SARS, when the share appreciation rights have been exercised. The amendment to the LTIP scheme also included the introduction of retention shares that may be awarded on the condition that the employee remains in the service of the company. The purpose of such awards of unconditional LTIPs is to assist with targeted key and high potential employee retention.

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

Details of the schemes and awards made from 2005 to 31 March 2013, after approval by the Remuneration Committee and the board, are detailed in the notes to the annual financial statements. The share incentive scheme in operation prior to 2005 was discontinued in 2005, with the previous awards continuing to run their course and no new awards being made.

Performance conditions governing the vesting of the scheme instruments are set at the time of each annual award and currently (in allocations made previously and currently being made) relate to growth in earnings per share, total shareholder return, share price, return on capital employed, sugar production, a regulatory framework for electricity generation in South Africa and bulk land sales, relative to targets that are intended to be challenging but achievable. Targets are linked, where applicable, to the company's medium term business plan, over three year performance periods, with actual grants being set each year considering the job level and cash package of the participating employee, their individual performance, and appropriate benchmarks of the expected combined value of the awards. King III refers to the application of company performance conditions to govern the vesting of awards under the Plans, and precludes the application of retesting. The application of company performance conditions has been applied since the approval of the Plans. New awards thus have relevant performance conditions, do not provide for retesting, and apply the principle of graduated vesting as recommended by King III.

### *Other Benefits*

Membership of an approved company pension fund is compulsory for all senior management and pension and life insurance benefits are provided. Other benefits constitute the provision of medical aid, gratuity at retirement and death and disability insurance.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors receive fees for their services as directors on the company board and board committees, on the basis of a fixed retainer fee and an attendance fee. Directors' fees are recommended by the Remuneration Committee taking into account market data, considered by the board, and proposed to the shareholders for approval at each AGM.

As required by the Companies Act, the remuneration of non-executive directors will be authorised by special resolution at the AGM and is set out on pages 124-125.

**Further details of remuneration share schemes and interest in share capital**

| | Page No. |
|---|---|
| Executive directors', officers and non-executive directors' remuneration | 107-108 |
| Declaration of full disclosure | 108 |
| Interest of directors of the company in share capital | 108 |
| Details of share schemes (including performance conditions) | 109-113 |
| Interest of directors of the company in share-based instruments | 114-116 |
| Non-binding advisory vote on the company's remuneration policy | 126 |

## THIRD-PARTY MANAGEMENT

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

## RELATED PARTY TRANSACTIONS

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

## INSIDER TRADING

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

**GOING CONCERN ASSERTION**

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

**RELATIONSHIP WITH SHAREHOLDERS**

The Chief Executive Officer, Chief Financial Officer and the Investor Relations and Communications Executive interface regularly with institutional investors on key strategic themes and the performance of the company, through various presentations and scheduled meetings as per the company's investor relations program. The current program includes management conducting roadshows in South Africa, the United Kingdom and the United States of America, in addition to its participation in selected national and international conferences. Through the company's website, a wide range of information is available to all shareholders and other stakeholders, including the integrated annual report, information on investor relations, and updates of the company's activities and its many initiatives to promote stakeholder value creation and sustainability. Tongaat Hulett remains committed to principles of transparency, and copies of presentations given to the investment community are available on the company's website. The company encourages the attendance of shareholders at AGMs and welcomes fruitful discussions and questions arising from the agenda and any additional issues of interest or concern to the shareholders.

## CHAIRMAN

### J B Magwaza

**Independent Non-Executive Chairman and Director of Companies**

BA (Psychology and Soc Anthropology), MA (Ind Rel)

JB (71) joined Tongaat Hulett in 1975, becoming Personnel Director for Hulett Refineries in 1988. He was appointed Personnel Director for Hulett Aluminium in 1992 and became an Executive Director on the Tongaat Hulett Board in 1994. He retired in 2003 but remained on the Board in a non-executive capacity. He was appointed as Non-Executive Chairman on 29 April 2009.

## CHIEF EXECUTIVE OFFICER

### P H Staude

**Chief Executive Officer**

BSc (Ind Eng)(Hons) (Cum Laude), MBA (Pretoria)

Peter (59) lectured at the University of Pretoria before joining Tongaat Hulett in 1978. In 1990 he became Managing Director of Hulett Aluminium Rolled Products and in 1996 Managing Director of Hulett Aluminium. He was appointed to the Tongaat Hulett Board in 1997 and became Chief Executive Officer in May 2002. He was the Chairman of Hulett Aluminium from 2002 to July 2007. He is the former Chairman of Trade and Investment KZN and a Non-Executive Director of Hulamin.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### F Jakoet

**Director of Companies**

BSc, CTA, CA (SA)

Fatima (52) has in-depth experience in various facets of large corporate business, from both a strategic and operational perspective, including industrial relations, transformation and employment equity issues. She has worked in various industries, and in positions ranging from finance to general management. She is a Non-Executive Director of MMI Holdings Ltd, Clicks Group Ltd MTN (West and Central Africa Region), Rand Refinery (Pty) Ltd and AfriSam (SA) Pty Ltd. Fatima was appointed to the Tongaat Hulett Board in 2008.

### J John

**Chief Audit Executive, FirstRand Group**

Hons BCompt, CTA, CA (SA)
Senior Executive Program
Diploma in Company Direction

Jenitha (41) has held various financial and audit related roles at, inter alia, Discovery Holdings Ltd, Telkom SA (Ltd), Eskom, Toyota SA and RMBT Property Services (Marriott Group) prior to joining the FirstRand Group. Jenitha has served on many Boards and Audit Committees of both Public and Private sector entities and is currently a Non-Executive Director of Business Connexion where she is also a Chairman of the Audit Committee. She was appointed to the Tongaat Hulett Board in 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS continued

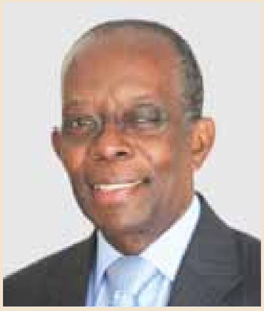
**R P Kupara (Zimbabwean)**

**Executive Director, Auzano Capital Management (Pty) Ltd**

B.Acc (Hons), CA (Z), MBA

Zimbabwean

Rachel (53) is a business woman, Executive Director of Auzano Capital Management and Chairman of Anchor Holdings Limited. She previously also worked in the financial services sector, having spent 3 years in the banking sector and 12 years in the insurance sector at various senior levels, including as the Managing Director of Zimnat Insurance Company Limited and Zimnat Life Assurance Company Limited. Until 2008, Rachel was a Non-Executive Director of Triangle Limited, a wholly owned Zimbabwean operation of Tongaat Hulett. She has served on the boards of the Reserve Bank of Zimbabwe, Air Zimbabwe and as a Vice Chairman of the Zimbabwe Open University Council. She was appointed to the Tongaat Hulett Board in 2009.



**A A Maleiane (Mozambican)**

**Financial Analyst**

BSc, MSc, Dip (Acc)

Mozambican

Adriano (63) is a CEO and majority shareholder of MALEFINANCEIRO, Lda, a company specializing in financial consultancy and MALEseguros, Lda an insurance broker. He is also CEO of BNI Banco Nacional de Investiment (Moz) (National Investment Bank) since February 2011. Prior to these positions he worked in the banking sector for more than 33 years where he held various key positions, including Governor of the Central Bank of Mozambique for 15 years. He also worked as National Director for Agrarian Economy in the Ministry of Agriculture. He is Lecturer of Financial Systems at Universidade Eduardo Mondlane – Faculty of Economics. He is a member of AMECON - Mozambican Association of Economists and AMAI Mozambican Association of Auditors. He was appointed to the Tongaat Hulett Board in 2009.

**N Mjoli-Mncube**

**Director of Companies**

BA, MSc, Spurs Fellowship (Massachusetts Institute of Technology) USA

Nonhlanhla (54) is a business woman, and former Economic Advisor to the former Deputy President of South Africa. She has worked as a town and regional planner in South Africa, a survey research supervisor at Washington State University, an Executive Director at a subsidiary of Murray & Roberts, Chairman of the National Urban Reconstruction and Housing Agency (NURCHA), Chairman of the Rural Housing Loan Fund, Women for Housing and the Open Society Institute in South Africa. She has certificates in Leadership (Harvard and Wharton Universities USA), and Technology Management (Warwick University, UK). She was appointed to the Tongaat Hulett Board in 2008.

**S G Pretorius**

**Director of Companies**

MCom (Business Economics)

Brand (65) currently serves as a non-executive director on the boards of ABSA, Reunert, Italtile, RGT Smart and Tata Africa Holdings. He is also a member of the advisory boards of the National Business Initiative, Business Against Crime, the Free Market Foundation, the READ Educational Trust and the Motor Industry Ombudsman of South Africa. Prior to this he had a long and distinguished career in the motor industry at Toyota South Africa and McCarthy Limited. He retired as CEO of McCarthy and as an executive director of Bidvest on 1 March 2011. He was appointed to the Tongaat Hulett Board in 2011.

## NON-EXECUTIVE DIRECTORS

### T N Mgoduso

**Director of Companies**

MA (Clin Psych)

Thandeka (57) is a Non-Executive Director of Ayavuna Women's Investments and provides continuity in respect of Tongaat Hulett's BEE equity participation. She is also a Non-Executive Board member and Chairman of the Remuneration committee of the South African Reserve Bank and Non-Executive Board member of Air Traffic Navigation Systems (ATNS). She has held various previous positions, including Executive Director of human resources at the University of Johannesburg, Executive Director of Imperial Logistics and Chief Executive Officer of Freightdynamics, a division of Transnet. She was appointed to the Tongaat Hulett Board in 2010.

### C B Sibisi

**Chief Executive Sangena Investments (Pty) Limited**

MA (Econ Dev)

Bahle (49) is currently the Chairman of SABS and Roadcrete Africa (Pty) Ltd. He is a former deputy Director General of the Department of Trade and Industry. He was appointed to the Tongaat Hulett Board in 2007.

## EXECUTIVE DIRECTORS

### B G Dunlop

**Executive Director**

BCom (Hons), PMD (Harvard)

Bruce (59) joined Tongaat Hulett in 1980, becoming Financial Director of Tongaat Oil Products in 1983 and Managing Director of the Maize, Animal Feeds and Poultry Division of Tongaat Foods in 1988. He was appointed Managing Director of Hulett Refineries in 1993 and Managing Director of Tongaat Hulett Sugar in 1995. In February 2008, he was appointed the Tongaat Hulett Executive responsible for Sugar operations outside South Africa, International Sugar Marketing, the Sugar Technology Engineering Group, Renewable Energy and Animal Feeds. In September 2010, he was appointed the Tongaat Hulett Executive responsible for the Mozambique, Zimbabwe and Swaziland operations. He was appointed to the Tongaat Hulett Board in 1997.

### M H Munro

**Chief Financial Officer**

BCom, CA (SA)

Murray (47) commenced full-time employment by Tongaat Hulett in 1992, having been involved with the business since 1984. He has held a number of senior financial, commercial, market and general management positions in various operations. He assumed responsibility as the Financial Director and was appointed to the Tongaat Hulett Board in October 2003.

## BUSINESS SEGMENT ANALYSIS

| Rmillion | Revenue | Operating Profit | Total Assets | Total Liabilities | Capital Employed | Capital Expenditure | Depreciation |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Starch operations | 2 859 | 388 | 1 674 | 443 | 1 231 | 59 | 93 |
| Agricultural Land Conversion and Developments | 658 | 350 | 1 762 | 670 | 1 073 | | 1 |
| Sugar | | | 17 650 | 1 780 | 16 185 | 907 | 377 |
| Zimbabwe operations | 3 222 | 630 | | | | | |
| Swaziland operations | 207 | 76 | | | | | |
| Mozambique operations | 1 688 | 421 | | | | | |
| SA agriculture, milling and refining | 3 920 | 52 | | | | | |
| Downstream value added activities | 1 819 | 256 | | | | | |
| Centrally accounted and consolidation items | | (28) | 215 | 5 908 | 149 | 51 | 1 |
| | 14 373 | 2 145 | 21 301 | 8 801 | 18 638 | 1 017 | 472 |
| Bulk sales/capital profit on land | | 16 | | | | | |
| Other capital items | | (1) | | | | | |
| BEE IFRS 2 charge and transaction costs | | (44) | | 722 | | | |
| Other valuation adjustments | | 3 | | | | | |
| **Consolidated total** | 14 373 | 2 119 | 21 301 | 9 523 | 18 638 | 1 017 | 472 |
| **2012** | | | | | | | |
| Starch operations | 2 580 | 363 | 1 691 | 382 | 1 284 | 71 | 97 |
| Agricultural Land Conversion and Developments | 366 | 215 | 1 631 | 446 | 1 214 | | 1 |
| Sugar | | | 14 322 | 1 491 | 13 181 | 581 | 268 |
| Zimbabwe operations | 2 266 | 621 | | | | | |
| Swaziland operations | 163 | 51 | | | | | |
| Mozambique operations | 1 437 | 402 | | | | | |
| SA agriculture, milling and refining | 3 465 | 93 | | | | | |
| Downstream value added activities | 1 804 | 261 | | | | | |
| Centrally accounted and consolidation items | | (85) | 138 | 5 249 | 87 | 22 | |
| | 12 081 | 1 921 | 17 782 | 7 568 | 15 766 | 674 | 366 |
| Bulk sales/capital profit on land | | 3 | | | | | |
| BEE IFRS 2 charge and transaction costs | | (48) | | 737 | | | |
| Other valuation adjustments | | 2 | | | | | |
| **Consolidated total** | 12 081 | 1 878 | 17 782 | 8 305 | 15 766 | 674 | 366 |

## GEOGRAPHICAL ANALYSIS OF REVENUE

| Rmillion | **2013** | 2012 |
|---|---|---|
| South Africa, Mozambique and Zimbabwe | **11 069** | 9 676 |
| Europe | **2 195** | 1 568 |
| Rest of Africa | **767** | 528 |
| Australasia | **209** | 177 |
| Asia and other | **83** | 72 |
| North America | **50** | 60 |
| | **14 373** | 12 081 |

The aggregate effect of intra-group transactions is immaterial.
Geographical location of segment assets: South Africa R6 041 million; Other countries R15 260 million
(2012 - South Africa R6 068 million; Other countries R11 714 million)
Expenditure on property, plant and equipment by geographical location of assets: South Africa R382 million; Other countries R635 million
(2012 - South Africa R227 million; Other countries R447 million)

## CONTENTS



## FINANCIAL HIGHLIGHTS

| | **2013** | 2012 |
|---|---|---|
| Revenue (Rmillion) | **14 373** | 12 081 |
| Profit from operations (Rmillion) | **2 145** | 1 921 |
| Operating profit (Rmillion) | **2 119** | 1 878 |
| Headline earnings (Rmillion) | **1 058** | 891 |
| Headline earnings per share - basic (cents) | **959,9** | 838,9 |
| Annual dividends per share (cents) | **340,0** | 290,0 |

## CURRENCY CONVERSION GUIDE

| | Closing rate at 31 March | | |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| Rand/US dollar | **9,21** | 7,67 | 6,80 |
| Rand/Metical | **0,30** | 0,28 | 0,22 |
| Rand/Euro | **11,82** | 10,24 | 9,66 |
| US dollar/Euro | **1,28** | 1,34 | 1,42 |

| | Average rate for year | | |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| Rand/US dollar | **8,48** | 7,44 | 7,19 |
| Rand/Metical | **0,30** | 0,27 | 0,21 |
| Rand/Euro | **10,95** | 10,24 | 9,49 |
| US dollar/Euro | **1,29** | 1,38 | 1,32 |

## PREPARATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements have been prepared in accordance with International Financial Reporting Standards under the supervision of the Chief Financial Officer, M H Munro CA (SA) and have been audited in accordance with the requirements of the Companies Act of South Africa.

## INDEPENDENT AUDITOR'S REPORT

to the shareholders of Tongaat Hulett Limited

We have audited the consolidated annual financial statements and the separate annual financial statements of Tongaat Hulett Limited, set out on page 63 and pages 70 to 117, which comprise the consolidated and separate statements of financial position as at 31 March 2013, the consolidated and separate income statements, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

**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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 about 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 judgment, 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 management, 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 consolidated and separate financial position of Tongaat Hulett Limited as at 31 March 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the financial statements for the year ended 31 March 2013, we have read the Directors' Statutory Report, the Audit and Compliance Committee's Report and the Certificate by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

**Deloitte & Touche**
Audit KZN
Registered Auditors
Per W Moodley
Partner

2 Pencarrow Park
Pencarrow Crescent
La Lucia Ridge Office Estate
La Lucia, 4051

23 May 2013

## DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS



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

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 external 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 judgments 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 March 2013 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 65.

The annual financial statements were approved by the board of directors on 23 May 2013 and are signed on its behalf by:

JBMagwaza

**J B Magwaza**
Chairman

Peter Staude

**Peter Staude**
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal

23 May 2013

## CERTIFICATE BY COMPANY SECRETARY

I certify that the company has lodged with the Companies and Intellectual Properties Commission all such returns as are required of a public company in terms of the Companies Act of South Africa in respect of the year ended 31 March 2013 and that all such returns are true, correct and up to date.

**M A C Mahlari**
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal

23 May 2013

The directors have pleasure in submitting the annual financial statements for the year ended 31 March 2013.

## NATURE OF BUSINESS

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

## FINANCIAL RESULTS

The net profit attributable to shareholders for the year ended 31 March 2013 amounted to R1 070 million (2012: R889 million). This translates into a headline earnings per share of 959,9 cents (2012: 838,9 cents) based on the weighted average number of shares in issue during the year.

## DIVIDENDS

An interim gross cash dividend number 170 of 150 cents per share was paid on 24 January 2013. A final gross cash dividend number 171 of 190 cents per share has been declared and is payable on 18 July 2013 to shareholders registered at the close of business on 12 July 2013.

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

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

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

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

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

## SHARE CAPITAL

There was no change in the listed authorised share capital of the company. The unlisted authorised B ordinary share capital has ceased to exist following the vesting of the employee share ownership plans, as explained below.

During the period, 146 894 shares were allotted (4 900 shares were allotted to executive directors) in respect of options exercised in terms of the company's employee share incentive schemes for a total consideration of R5 million. Details of the unissued ordinary shares and the company's share incentive schemes are set out in notes 11, 33 and 34.

The employee (ESOP) and management (MSOP) share ownership plans, which were created in 2007 through the issue of unlisted B ordinary shares, vested in the trusts during the current financial year, being the fifth anniversary of the issue and allotment of the B ordinary shares. The financial implications and impacts of the vesting are as follows:

- 9 740 908 B ordinary shares were originally issued in 2007.
- Tongaat Hulett repurchased from the ESOP and MSOP Trusts a total of 6 383 283 B ordinary shares, as determined in accordance with the repurchase formulae set out in the 2007 Circular to Shareholders, at an acquisition price of one cent per share, for a total amount of R63 833.
- The repurchased shares were cancelled immediately.
- The 3 357 625 remaining shares were converted into Tongaat Hulett ordinary shares of R1 each, ranking pari passu with the existing ordinary shares.
- These converted shares were listed on the Johannesburg Stock Exchange Limited on 25 September 2012.
- Set out below is a summary of the above:

| | Shares issued | Share buyback | Remaining shares |
|---|---|---|---|
| B1 Ordinary shares | 5 422 829 | 4 293 825 | 1 129 004 |
| B2 Ordinary shares | 3 296 657 | 1 990 618 | 1 306 039 |
| B3 Ordinary shares | 1 021 422 | 98 840 | 922 582 |
| | 9 740 908 | 6 383 283 | 3 357 625 |

At the previous AGM, 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 AGM 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 AGM 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 23 May 2013;
- 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 23 May 2013. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the company's and the group's latest audited 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 23 May 2013;
- the working capital of the company and the group for a period of 12 months from 23 May 2013 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 March 2013 is as follows:

| | 2013 | 2012 |
|---|---|---|
| In the aggregate amount: | | |
| Net profit (Rmillion) | 1 079 | 877 |
| Net losses (Rmillion) | 6 | 23 |

## DIRECTORATE

During the period, M Mia retired from the Board at the AGM in July 2012. The composition of the Board at 31 March 2013 is as follows: J B Magwaza (Chairman), P H Staude (CEO), B G Dunlop, F Jakoet, J John, R P Kupara, A A Maleiane, T N Mgoduso, N Mjoli-Mncube, M H Munro, S G Pretorius and C B Sibisi.

Directors retiring by rotation at the AGM in accordance with article 61 of the memorandum of incorporation are J John, R P Kupara, A A Maleiane and M H Munro. These directors are eligible and offer themselves for re-election. Details of each of these retiring directors are set out on pages 60 to 62.

## DIRECTORS' SHAREHOLDINGS

At 31 March 2013, the present directors of the company beneficially held a total of 387 042 ordinary shares equivalent to

0,36 percent in the ordinary listed share capital of the company (2012: 320 520 shares equivalent to 0,30 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 March 2013 and 23 May 2013.

**AUDIT AND COMPLIANCE COMMITTEE**

The Audit and Compliance committee has considered the provisions of the Companies Act 2008 and has taken the necessary steps to ensure compliance. The committee confirms that during the period under review it carried out its functions responsibly and in accordance with its terms of reference as detailed in its report contained in the Corporate Governance section of this integrated annual report on pages 51 to 52. 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.

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2013 — Tongaat Hulett Limited

| Company 2012 | Company 2013 | Rmillion | Note | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|---|---|
| | | **ASSETS** | | | |
| | | **Non-current assets** | | | |
| 2 439 | 2 578 | Property, plant and equipment | 1 | **10 287** | 9 026 |
| 613 | 1 003 | Growing crops | 2 | **4 583** | 3 575 |
| 474 | 485 | Long-term receivables, pension fund asset and prepayments | 3 | **455** | 409 |
| | | Goodwill | 4 | **300** | 260 |
| 64 | 77 | Intangible assets | 5 | **78** | 65 |
| | | Investments | 6 | **14** | 12 |
| 4 545 | 4 541 | Subsidiaries and joint ventures | 7 | | |
| 8 135 | 8 684 | | | **15 717** | 13 347 |
| 1 342 | 1 589 | **Current assets** | | **5 584** | 4 435 |
| 471 | 556 | Inventories | 8 | **1 858** | 1 483 |
| 699 | 795 | Trade and other receivables | | **2 301** | 1 976 |
| 131 | 182 | Major plant overhaul costs | | **508** | 380 |
| 4 | | Derivative instruments | 9 | | 4 |
| 37 | 56 | Cash and cash equivalents | 10 | **917** | 592 |
| 9 477 | 10 273 | **TOTAL ASSETS** | | **21 301** | 17 782 |
| | | **EQUITY AND LIABILITIES** | | | |
| | | **Capital and reserves** | | | |
| 140 | 134 | Share capital | 11 | **134** | 140 |
| 1 528 | 1 539 | Share premium | | **1 539** | 1 528 |
| | | BEE held consolidation shares | 12 | **(747)** | (799) |
| 1 062 | 856 | Retained income | | **6 596** | 5 888 |
| 432 | 393 | Other reserves | | **859** | (48) |
| 3 162 | 2 922 | **Shareholders' interest** | | **8 381** | 6 709 |
| | | Minority interests in subsidiaries | | **1 371** | 1 087 |
| 3 162 | 2 922 | **Equity** | | **9 752** | 7 796 |
| 2 232 | 4 075 | **Non-current liabilities** | | **6 808** | 4 706 |
| 462 | 492 | Deferred tax | 13 | **1 951** | 1 663 |
| 1 419 | 3 202 | Long-term borrowings | 14 | **3 481** | 1 732 |
| | | Non-recourse equity-settled BEE borrowings | 15 | **722** | 737 |
| 351 | 381 | Provisions | 16 | **654** | 574 |
| 4 083 | 3 276 | **Current liabilities** | | **4 741** | 5 280 |
| 1 112 | 1 353 | Trade and other payables | 17 | **2 572** | 1 997 |
| 2 970 | 1 907 | Short-term borrowings | 14 | **2 078** | 3 264 |
| 1 | 16 | Derivative instruments | 9 | **16** | 1 |
| | | Tax | | **75** | 18 |
| 9 477 | 10 273 | **TOTAL EQUITY AND LIABILITIES** | | **21 301** | 17 782 |

for the year ended 31 March 2013 — Tongaat Hulett Limited

| Company 2012 | Company 2013 | Rmillion | Note | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|---|---|
| 7 006 | 7 643 | **REVENUE** | | **14 373** | 12 081 |
| 672 | 733 | **Profit from operations** | | **2 145** | 1 921 |
| 104 | 53 | Bulk sales/capital profit on land | | **16** | 3 |
| | | Capital profit on other items | | **(1)** | |
| (45) | (41) | BEE IFRS 2 charge and transaction costs | | **(44)** | (48) |
| | | Valuation adjustments | | **3** | 2 |
| 731 | 745 | **Operating profit after corporate transactions** | 18 | **2 119** | 1 878 |
| | | Share of associate company's profit | | | 1 |
| (374) | (457) | Financing costs | 20 | **(596)** | (527) |
| 7 | 6 | Finance income | 20 | **36** | 20 |
| 364 | 294 | **PROFIT BEFORE TAX** | | **1 559** | 1 372 |
| (62) | (41) | Tax | 21 | **(389)** | (351) |
| 302 | 253 | **NET PROFIT** | | **1 170** | 1 021 |
| | | **Attributable to:** | | | |
| 302 | 253 | Shareholders of Tongaat Hulett | | **1 070** | 889 |
| | | Minority (non-controlling) interest | | **100** | 132 |
| 302 | 253 | | | **1 170** | 1 021 |
| | | **EARNINGS PER SHARE (cents)** | 23 | | |
| | | Basic | | **970,7** | 837,0 |
| | | Diluted | | **953,0** | 817,6 |

## STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2013

Tongaat Hulett Limited

| Company 2012 | Company 2013 | Rmillion | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|---|
| 302 | 253 | **NET PROFIT FOR THE YEAR** | **1 170** | 1 021 |
| (2) | (5) | **OTHER COMPREHENSIVE INCOME** | **1 138** | 1 360 |
| | | Movement in non-distributable reserves: | | |
| | | Foreign currency translation | **1 143** | 1 362 |
| (3) | (6) | Hedge reserve | **(6)** | (3) |
| 1 | 1 | Tax on movement in hedge reserve | **1** | 1 |
| 300 | 248 | **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **2 308** | 2 381 |
| | | **Total comprehensive income attributable to:** | | |
| 300 | 248 | Shareholders of Tongaat Hulett | **2 014** | 2 125 |
| | | Minority (non-controlling) interest | **294** | 256 |
| 300 | 248 | | **2 308** | 2 381 |

for the year ended 31 March 2013 — 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 | Hedging and Translation Reserves | Retained Income | Shareholders' Interest | Minority (non-controlling) Interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | | | | | | | | |
| **Balance at 1 April 2011** | 105 | 10 | 25 | 1 524 | (868) | 33 | 376 | (1 710) | 5 305 | 4 800 | 840 | 5 640 |
| Share capital issued | | | | 4 | | | | | | 4 | | 4 |
| Amortisation of BEE IFRS 2 charge | | | | | 42 | | | | | 42 | | 42 |
| Share-based payment charge | | | | | | | 47 | | | 47 | | 47 |
| Settlement of share-based payment awards | | | | | | | (30) | | | (30) | | (30) |
| Reallocation | | | | | 27 | | | | (27) | | | |
| Dividends paid | | | | | | | | | (279) | (279) | | (279) |
| Dividends paid - minorities | | | | | | | | | | | (9) | (9) |
| Total comprehensive income for the year | | | | | | | | 1 236 | 889 | 2 125 | 256 | 2 381 |
| Retained earnings | | | | | | | | | 889 | 889 | 132 | 1 021 |
| Movement in hedge reserve | | | | | | | | (2) | | (2) | | (2) |
| Foreign currency translation | | | | | | | | 1 238 | | 1 238 | 124 | 1 362 |
| **Balance at 31 March 2012** | 105 | 10 | 25 | 1 528 | (799) | 33 | 393 | (474) | 5 888 | 6 709 | 1 087 | 7 796 |
| Share capital issued | | | | 5 | | | | | | 5 | | 5 |
| Vesting of ESOP / MSOP shares | 4 | (10) | | 6 | | | | | | | | |
| Amortisation of BEE IFRS 2 charge | | | | | 37 | | | | | 37 | | 37 |
| Share-based payment charge | | | | | | | 57 | | | 57 | | 57 |
| Settlement of share-based payment awards | | | | | | | (94) | | | (94) | | (94) |
| Reallocation | | | | | 15 | | | | (15) | | | |
| Dividends paid | | | | | | | | | (347) | (347) | | (347) |
| Dividends paid - minorities | | | | | | | | | | | (10) | (10) |
| Total comprehensive income for the year | | | | | | | | 944 | 1 070 | 2 014 | 294 | 2 308 |
| Retained earnings | | | | | | | | | 1 070 | 1 070 | 100 | 1 170 |
| Movement in hedge reserve | | | | | | | | (5) | | (5) | | (5) |
| Foreign currency translation | | | | | | | | 949 | | 949 | 194 | 1 143 |
| **Balance at 31 March 2013** | 109 | | 25 | 1 539 | (747) | 33 | 356 | 470 | 6 596 | 8 381 | 1 371 | 9 752 |
| **COMPANY** | | | | | | | | | | | | |
| **Balance at 1 April 2011** | 105 | 10 | 25 | 1 524 | | 29 | 383 | 3 | 1 143 | 3 222 | | |
| Share capital issued | | | | 4 | | | | | | 4 | | |
| Share-based payment charge | | | | | | | 47 | | | 47 | | |
| Settlement of share-based payment awards | | | | | | | (28) | | | (28) | | |
| Dividends paid and accrued | | | | | | | | | (383) | (383) | | |
| Total comprehensive income for the year | | | | | | | | (2) | 302 | 300 | | |
| Retained earnings | | | | | | | | | 302 | 302 | | |
| Movement in hedge reserve | | | | | | | | (2) | | (2) | | |
| **Balance at 31 March 2012** | 105 | 10 | 25 | 1 528 | | 29 | 402 | 1 | 1 062 | 3 162 | | |
| Share capital issued | | | | 5 | | | | | | 5 | | |
| Vesting of ESOP / MSOP shares | 4 | (10) | | 6 | | | | | | | | |
| Share-based payment charge | | | | | | | 57 | | | 57 | | |
| Settlement of share-based payment awards | | | | | | | (91) | | | (91) | | |
| Dividends paid and accrued | | | | | | | | | (459) | (459) | | |
| Total comprehensive income for the year | | | | | | | | (5) | 253 | 248 | | |
| Retained earnings | | | | | | | | | 253 | 253 | | |
| Movement in hedge reserve | | | | | | | | (5) | | (5) | | |
| **Balance at 31 March 2013** | 109 | | 25 | 1 539 | | 29 | 368 | (4) | 856 | 2 922 | | |

## STATEMENTS OF CASH FLOWS

for the year ended 31 March 2013 | Tongaat Hulett Limited

| Company 2012 | Company 2013 | Rmillion | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|---|
| | | **Cash generated from operations** | | |
| 650 | 648 | Operating profit before dividends | **2 119** | 1 878 |
| 81 | 97 | Dividends received | | |
| 731 | 745 | Operating profit | **2 119** | 1 878 |
| (113) | (59) | Profit on disposal of property, plant and equipment | **(24)** | (10) |
| | | Adjustments for: | | |
| (73) | (148) | Growing crops and other non-cash flow items | **(385)** | (352) |
| 164 | 172 | Depreciation | **472** | 366 |
| 709 | 710 | Cash generated from operations | **2 182** | 1 882 |
| | | **Cash required by operations** | | |
| (35) | (74) | Inventories | **(264)** | (53) |
| (64) | (139) | Trade and other receivables | **(292)** | (454) |
| 4 | 243 | Trade and other payables | **500** | (12) |
| (95) | 30 | (Increase)/decrease in working capital | **(56)** | (519) |
| 614 | 740 | Cash flow from operations | **2 126** | 1 363 |
| (38) | (10) | Tax payments | **(239)** | (125) |
| (367) | (451) | Net financing costs | **(560)** | (507) |
| 209 | 279 | **Cash flow from operating activities** | **1 327** | 731 |
| | | **Cash flows from investing activities** | | |
| | | Expenditure on property, plant and equipment | | |
| (75) | (119) | New | **(447)** | (329) |
| (163) | (212) | Replacement | **(477)** | (336) |
| 10 | (51) | Major plant overhaul cost changes | **(93)** | (9) |
| (20) | (15) | Expenditure on intangible assets | **(15)** | (20) |
| (57) | (125) | Capital expenditure on growing crops | **(157)** | (57) |
| 116 | 72 | Proceeds on disposal of property, plant and equipment | **40** | 19 |
| | | Investments | **(1)** | (4) |
| (189) | (450) | Net cash used in investing activities | **(1 150)** | (736) |
| 20 | (171) | **Net cash flow before dividends and financing activities** | **177** | (5) |
| | | **Dividends paid** | | |
| (383) | (459) | Ordinary and preferred ordinary shares | **(347)** | (279) |
| | | Minorities | **(10)** | (9) |
| (383) | (459) | Dividends paid | **(357)** | (288) |
| (363) | (630) | Net cash flow before financing activities | **(180)** | (293) |
| | | **Cash flows from financing activities** | | |
| 976 | 720 | Borrowings raised | **503** | 516 |
| | | Non-recourse equity-settled BEE borrowings | **(15)** | (24) |
| 4 | 5 | Shares issued | **5** | 4 |
| (24) | (88) | Settlement of share-based payment awards | **(94)** | (30) |
| (629) | 12 | Inter-group loans | | |
| 327 | 649 | Net cash from financing activities | **399** | 466 |
| (36) | 19 | **Net increase/(decrease) in cash and cash equivalents** | **219** | 173 |
| 73 | 37 | Balance at beginning of year | **592** | 350 |
| | | Foreign exchange adjustment | **106** | 69 |
| 37 | 56 | **Cash and cash equivalents at end of year** | **917** | 592 |

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Interpretations issued by the IFRS Interpretations Committee (IFRIC), the requirements of the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and of its subsidiaries. The results of 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 recent 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 profit or loss 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. Maintenance expenditure on the company's sugar mills following the cessation of crushing for the season is carried forward as a current asset and charged against the following season's income. Where significant parts of a fixed asset item have different useful lives to the item itself, these component 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:

| | |
|---|---|
| Agricultural land improvements | 50 to 99 years |
| 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, as follows: software over four years, patents and licenses over four to twenty years and cane supply agreements over three to ten 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, amortised over the period of their productive life;
- Standing cane at the estimated cane price and sucrose content less harvesting, transport and over the weighbridge costs.

## GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 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. Livestock and game are valued at fair value less costs to sell, in accordance with IAS 41. 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 the date of each statement of financial position, 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. Bulk land sales are recognised when the relevant agreements are unconditional and binding on the purchaser and the purchaser has paid a meaningful deposit or has made arrangements to secure payment of the purchase price. 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 operate. 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 date of the statement of financial position.

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 at the date of the statement of financial position;
- 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 in the statement of financial position 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-to-maturity investments are held at amortised cost using the effective interest rate method after deducting accumulated impairment losses.
- Fair value through profit or loss financial assets, available for sale and cash equivalent investments are held at fair value.
- 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:

- Fair value through profit or loss 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, statement of cash flows and statement of financial position 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 and defined contribution schemes are held separately from those of Tongaat Hulett and are administered and controlled by trustees.

A defined benefit scheme in South Africa for employees previously covered The Tongaat-Hulett Group Limited and in 2010/11 covered Tongaat Hulett and Hulamin. In December 2010 approval was granted by the trustees for the filings with the Financial Services Board on the detail and basis of the splitting of the old fund into two new funds - one for Tongaat Hulett and one for Hulamin.

An actuarial valuation of liabilities, based on the existing benefits, carried out as at 31 March 2012 in accordance with IAS 19, showed the present value of the obligations to be adequately covered by the fair value of the scheme assets.

The IFRS standard IAS 19 required that the employer recognise on its statement of financial position the relevant "defined benefit asset" relating to the accounting surplus, with a corresponding increase in earnings at the time of recognition in 2011/12. The details of the accounting standards on this matter are contained in IAS 19, IFRIC 14 and AC 504. Where an asset is to be recognised, IAS 19 limits the amount that should be recognised. IFRIC 14, updated in January 2010, provides guidance on this matter. AC 504, issued in October 2010, provides guidance on the application of IFRIC 14.

The application of these standards confirms the recognition of the amounts currently and previously allocated to the Tongaat Hulett Employer Surplus Account in the Fund and recognised in Tongaat Hulett's financial statements. The employer surplus account is being utilised for a contribution holiday and, within the regulatory framework, there is a "loan" from the pension fund to the company in respect of the employer surplus account.

The abovementioned defined benefit arrangement has been converted to a defined contribution arrangement with the outsourcing of existing pensioner liabilities to an insurer.

The pension fund accounting disclosures are detailed in note 31.

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

## CORPORATE TRANSACTIONS CONCLUDED IN 2007
## 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 SPVs – the TH 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 recognised in profit or loss in 2007.

The BEE Infrastructure SPV participation interest, concluded in 2007, 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 SPVs 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. Thereafter 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 R112 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 million in respect of the BEE TH 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 reflected as treasury shares in the consolidated financial statements and are taken into account where relevant when calculating earnings per share. The external debt of the SPVs, amounting to R722 million in aggregate at 31 March 2013 (2012 – R737 million), is thus reflected on the consolidated statement of financial position 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. At the end of the seven year period, the preferred ordinary shares will convert into Tongaat Hulett listed ordinary shares.

### *Vesting of the BEE 7% employee interest*

The 7% BEE employee transaction of 2007, which comprises the Employee Share Ownership Plan (ESOP) and the Management Share Ownership Plan (MSOP) reached a point in August 2012 where vesting in the trusts took place.

The ESOP scheme consisted of a share appreciation right scheme and participants shared in 50% of the dividend payable to ordinary shareholders. The MSOP scheme consisted 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 had specific repurchase terms at maturity on 1 August 2012. They were 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 5 years from date of grant. The initial grant of awards occurred on 1 August 2007 and the amortisation of the IFRS 2 cost relating to this award commenced in the second half of 2007. These initial awards vested on 1 August 2012.

The BEE employee equity participation trusts' subscription consideration for the original issue in 2007 of 9 740 908 B ordinary shares was funded through contributions by the respective operating entities in Tongaat Hulett. The notional vendor finance provided to the employees was recovered at the maturity of the scheme through the repurchase by Tongaat Hulett of 6 383 283 B ordinary shares (as determined in accordance with predetermined repurchase formulae) on the fifth anniversary of the effective date, at R0,01 per B ordinary share. These B ordinary shares were repurchased by Tongaat Hulett for a consideration of R63 833 and immediately cancelled. The remaining 3 357 625 B ordinary shares were converted to listed ordinary shares in Tongaat Hulett Limited. Of these listed ordinary shares, 1 880 431 shares were delivered to beneficiaries who had participated in the initial award on 1 August 2007. Of the MSOP participants whose shares vested, 70% elected to hold their shares in Tongaat Hulett. A further 159 469 ordinary shares became available for delivery to employees who were awarded shares on 1 February 2008 and 4 057 shares were released in respect of those employees who had died before expiry of their 5 year service period. The remaining 1 313 393 listed ordinary shares are still time constrained for up to five years.

In accordance with IFRS, the ESOP Share Trust and MSOP Share Trust are consolidated by Tongaat Hulett and consequently the remaining 1 313 393 listed ordinary shares are reflected as treasury shares in the consolidated financial statements. These shares are taken into account for the purposes of the earnings per share and headline earnings per share calculations.

## JUDGEMENTS 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 judgements or assessments. The items for consideration have been identified as follows:

### *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 as well as the estimated cane price. These estimates can vary from the actuals when the cane is harvested.

### *In Tongaat Hulett Developments, project cost of sales determination and cost allocation to sites includes a future development expenditure accrual*

Judgement 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. At the outset as well as during the life of a project, judgement is applied in determining the sales prices per saleable sites or bulk square metres, which is supported with input from estate agents, external property valuers and management on an ongoing basis as well as during the forecasting process. For phased developments, judgement is applied to allocate common costs including bulk infrastructure expenditure to development phases, taking into account factors such as expected sales values, land areas and development intensity. Thereafter, cost of sales allocation to sites is determined in proportion to sales values after making allowance for site and phase specific infrastructural requirements.

### *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.

***Pension fund defined benefit asset and employer surplus account***

IAS 19 requires that the employer recognise on its statement of financial position the relevant "Defined Benefit Asset" and employer surplus account allocations relating to the accounting surplus in the defined benefit pension fund, with a corresponding increase in earnings at the time of recognition. This recognition takes into account, inter alia, trustee decisions, allocations and regulatory approvals. Where an asset is recognised, IAS 19 provides certain limits (asset restrictions) on the amounts that may be recognised. Further detail is provided in note 31.

***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 date of the statement of financial position.

## KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position 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.

## NEW OR REVISED IFRS STANDARDS APPLICABLE TO FUTURE PERIODS

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

***Effective for the next financial year:***

IFRS 10: Consolidated Financial Statements
IFRS 11: Joint Arrangements
IFRS 12: Disclosure of Interests in Other Entities
IFRS 13: Fair Value Measurement
IAS 19: Employee Benefits
IAS 27: Separate Financial Statements
IAS 28: Investments in Associates and Joint Ventures

Amendments to IFRS 1: Government Loans
Amendments to IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests
Amendments to IAS 1: Presentation of Items of Other Comprehensive Income

Annual Improvements to IFRSs (2009 – 2011 cycle):
IFRS 1: First time Adoption of IFRS
IAS 1: Presentation of Financial Statements
IAS 16: Property, Plant and Equipment
IAS 32: Financial Instruments: Presentation
IAS 34: Interim Financial Reporting

***Effective for annual periods beginning on or after 1 January 2014:***

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
Investment Entities: Amendments to IFRS 10: Consolidated Financial Statements, IFRS 12: Disclosure of Interests and IAS 27: Separate Financial Statements

***Effective for annual periods beginning on or after 1 January 2015:***

IFRS 9: Financial Instruments
Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7: Mandatory Effective Date of IFRS 9 and Transition Disclosures

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

| **Consolidated** | Total | Land, improvements and buildings | Plant and equipment | Vehicles and other | Capitalised leases | Capital work in progress |
|---|---|---|---|---|---|---|
| Carrying value at beginning of year | 9 026 | 2 420 | 4 344 | 1 816 | 63 | 383 |
| Additions | 924 | 92 | 284 | 416 | 2 | 130 |
| Disposals | (15) | (10) | (2) | (3) | | |
| Depreciation | (472) | (59) | (272) | (138) | (3) | |
| Transfers | | 10 | 94 | 21 | | (125) |
| Currency alignment | 831 | 345 | 258 | 200 | 5 | 23 |
| Transfer to intangible assets | (7) | | | (7) | | |
| Carrying value at end of year | 10 287 | 2 798 | 4 706 | 2 305 | 67 | 411 |
| Comprising: | | | | | | |
| **31 March 2013** | | | | | | |
| At cost | 13 952 | 3 281 | 7 061 | 3 101 | 98 | 411 |
| Accumulated depreciation | 3 665 | 483 | 2 355 | 796 | 31 | |
| | 10 287 | 2 798 | 4 706 | 2 305 | 67 | 411 |
| **31 March 2012** | | | | | | |
| At cost | 12 171 | 2 796 | 6 455 | 2 446 | 91 | 383 |
| Accumulated depreciation | 3 145 | 376 | 2 111 | 630 | 28 | |
| | 9 026 | 2 420 | 4 344 | 1 816 | 63 | 383 |
| **Company** | | | | | | |
| Carrying value at beginning of year | 2 439 | 477 | 1 629 | 166 | 1 | 166 |
| Additions | 331 | 9 | 108 | 48 | 2 | 164 |
| Disposals | (13) | (10) | | (3) | | |
| Depreciation | (172) | (7) | (139) | (25) | (1) | |
| Transfers | | 8 | 61 | 12 | | (81) |
| Transfer to intangible assets | (7) | | | (7) | | |
| Carrying value at end of year | 2 578 | 477 | 1 659 | 191 | 2 | 249 |
| Comprising: | | | | | | |
| **31 March 2013** | | | | | | |
| At cost | 4 729 | 581 | 3 456 | 437 | 6 | 249 |
| Accumulated depreciation | 2 151 | 104 | 1 797 | 246 | 4 | |
| | 2 578 | 477 | 1 659 | 191 | 2 | 249 |
| **31 March 2012** | | | | | | |
| At cost | 4 435 | 574 | 3 293 | 398 | 4 | 166 |
| Accumulated depreciation | 1 996 | 97 | 1 664 | 232 | 3 | |
| | 2 439 | 477 | 1 629 | 166 | 1 | 166 |

Plant and machinery of Mozambique and Zimbabwe subsidiaries with a book value of R748 million (2012: R957 million) are encumbered as security for the secured long-term borrowings and certain short-term borrowings of R92 million (2012: R132 million).

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

## 2. GROWING CROPS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Carrying value at beginning of year | **3 575** | 2 608 | 613 | 363 |
| Gain arising from physical growth and price changes | **418** | 375 | 164 | 102 |
| Increase due to increased area under cane | **107** | 135 | 107 | 122 |
| Expenditure on new area | **157** | 57 | 125 | 57 |
| Decrease due to reduced area under cane | **(57)** | (45) | (6) | (31) |
| Currency alignment | **383** | 445 | | |
| Carrying value at end of year | **4 583** | 3 575 | 1 003 | 613 |
| The carrying value comprises: | | | | |
| Roots | **2 289** | 1 668 | 705 | 367 |
| Standing cane | **2 294** | 1 907 | 298 | 246 |
| | **4 583** | 3 575 | 1 003 | 613 |
| Area under cane (hectares): | | | | |
| South Africa | **34 011** | 25 013 | 34 011 | 25 013 |
| Mozambique | **25 352** | 24 675 | | |
| Swaziland | **3 838** | 3 840 | | |
| Zimbabwe | **27 978** | 28 432 | | |
| | **91 179** | 81 960 | 34 011 | 25 013 |

In terms of IAS 41: Agriculture, sugar cane growing crops are accounted for as biological assets and are measured and recognised at fair value. Changes in the fair value, replanting and agricultural operating costs incurred are included in profit or loss.

- The fair value of roots is determined on a current amortised cost basis, which is adjusted for cost increases. The amortisation takes place over the life of the roots (between approximately 6 and 12 years).
- The fair value of standing cane is determined by the growth of the cane, the yield, sucrose content, selling prices (including specifics such as European Union exports), less costs to harvest and transport, over-the-weighbridge costs and costs into the market.

**The statement of financial position reflects the following in respect of growing crops:**

| | 2013 | | | | | 2012 |
|---|---|---|---|---|---|---|
| | South Africa | Swaziland | Zimbabwe | Mozambique | Total | |
| **Roots** | | | | | | |
| Hectares under cane | 34 011 | 3 838 | 27 978 | 25 352 | 91 179 | 81 960 |
| Amortised root value (Rand per hectare) | 20 732 | 13 658 | 24 418 | 33 475 | 25 108 | 20 355 |
| **Cane** | | | | | | |
| Hectares for harvest | 27 659 | 3 740 | 26 947 | 24 623 | 82 969 | 77 739 |
| Standing cane value (Rand per hectare) | 10 763 | 31 279 | 38 663 | 33 996 | 27 644 | 24 522 |
| **Yield** | | | | | | |
| Tons cane per hectare | 66 | 125 | 100 | 86 | 86 | 86 |
| **Statement of Financial Position** (Rmillion) | | | | | | |
| Roots | 705 | 52 | 683 | 849 | 2 289 | 1 668 |
| Standing cane | 298 | 117 | 1 042 | 837 | 2 294 | 1 907 |
| Total | 1 003 | 169 | 1 725 | 1 686 | 4 583 | 3 575 |

**The statement of financial position reflects the following in respect of growing crops:** continued

| Rmillion | **2013** | 2012 |
|---|---|---|
| Carrying value at beginning of year | **3 575** | 2 608 |
| Change in fair value * | **468** | 465 |
| Foreign currency translation | **383** | 445 |
| Expenditure on new area | **157** | 57 |
| Carrying value at end of year | **4 583** | 3 575 |

**The IAS 41 fair value change included in profit or loss for the year ended 31 March 2013 is as follows**:

| Rmillion | **2013** | 2012 |
|---|---|---|
| Roots | **303** | 201 |
| Standing cane | **165** | 264 |
| Change in fair value * | **468** | 465 |

| Rmillion | **2013** | 2012 |
|---|---|---|
| South Africa | **265** | 191 |
| Swaziland | **15** | 21 |
| Zimbabwe | **78** | 214 |
| Mozambique | **110** | 39 |
| Change in fair value * | **468** | 465 |

*This represents the gross change in fair value. The agricultural costs actually incurred in generating this increase in fair value are charged to cost of sales.

## 3. LONG-TERM RECEIVABLES, PENSION FUND ASSET AND PREPAYMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| **Long-term receivables** | | | | |
| Defined benefit pension fund asset and employer surplus account (refer to note 31) | **515** | 469 | 515 | 469 |
| Less current portion of employer surplus account allocation | **(60)** | (60) | (60) | (60) |
| Carrying value at end of year | **455** | 409 | 455 | 409 |
| **Prepayments** | | | | |
| Contribution to the BEE Employee Share Ownership Plan | **136** | 136 | 132 | 132 |
| Contribution to the BEE Management Share Ownership Plan | **91** | 91 | 78 | 78 |
| | **227** | 227 | 210 | 210 |
| Less accumulated amortisation at end of year | **(193)** | (156) | (180) | (145) |
| At beginning of year | **(156)** | (114) | (145) | (106) |
| Charge for the year | **(37)** | (42) | (35) | (39) |
| Less BEE share ownership plan consolidation shares | **(34)** | (71) | | |
| | | | 30 | 65 |
| Carrying value at end of year | **455** | 409 | 485 | 474 |

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 | |
|---|---|---|
| | **2013** | 2012 |
| Carrying value at beginning of year | **260** | 230 |
| Currency exchange rate changes | **40** | 30 |
| Carrying value at end of year | **300** | 260 |

Goodwill is attributable to the Mozambique and Zimbabwe sugar operations and a Botswana and a Namibian subsidiary. 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 five 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 March 2013, the carrying value of goodwill was considered not to require impairment.

## 5. INTANGIBLE ASSETS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| **Cost:** | | | | |
| At beginning of year | **89** | 50 | 83 | 45 |
| Additions | **15** | 20 | 15 | 20 |
| Transfer from property, plant and equipment | **7** | 18 | 7 | 18 |
| Currency alignment | | 1 | | |
| At end of year | **111** | 89 | 105 | 83 |
| **Accumulated amortisation:** | | | | |
| At beginning of year | **24** | 18 | 19 | 14 |
| Charge for the year | **9** | 5 | 9 | 5 |
| Currency alignment | | 1 | | |
| At end of year | **33** | 24 | 28 | 19 |
| Carrying value at end of year | **78** | 65 | 77 | 64 |
| The carrying value comprises: | | | | |
| Software | **59** | 28 | 59 | 27 |
| Patents and licences | **17** | 34 | 16 | 34 |
| Cane supply agreements | **2** | 3 | 2 | 3 |
| | **78** | 65 | 77 | 64 |

## 6. INVESTMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Unlisted shares at cost | **13** | 11 | | |
| Loans | **1** | 1 | | |
| Carrying value of investments (Directors' valuation) | **14** | 12 | | |

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

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

| | Company 2013 | Company 2012 |
|---|---|---|
| Shares at cost, less amounts written off | **4 397** | 4 397 |
| Indebtedness by | **809** | 514 |
| Indebtedness to | **(665)** | (366) |
| | **4 541** | 4 545 |

Details of principal subsidiary companies and joint ventures are included in note 26.

Tongaat Hulett's proportionate share of the assets, liabilities and post-acquisition reserves of joint ventures, which comprise in the main, Effingham Development (33%) and Tongaat Hulett/IFA Resort Developments (50%) and which are included in the consolidated financial statements are set out below.

| | Consolidated 2013 | Consolidated 2012 |
|---|---|---|
| Property, plant and equipment | **6** | 7 |
| Current assets | **208** | 238 |
| Current liabilities | **(47)** | (52) |
| Interest in joint ventures | **167** | 193 |
| Tongaat Hulett's proportionate share of the trading results of the joint ventures is as follows: | | |
| Revenue | **4** | 18 |
| Profit before tax | **(2)** | 6 |
| Tax | **1** | (2) |
| Net (loss)/profit after tax | **(1)** | 4 |
| Tongaat Hulett's proportionate share of cash flows of the joint ventures is as follows: | | |
| Cash flows from operating activities | **1** | 18 |
| Net cash used in investing activities | **(6)** | (2) |
| Movement in net cash resources | **(5)** | 16 |

## 8. **INVENTORIES** (Rmillion)

| | Consolidated 2013 | Consolidated 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|
| Raw materials | **389** | 251 | 269 | 217 |
| Work in progress | **17** | 21 | 16 | 20 |
| Finished goods | **217** | 192 | 135 | 103 |
| Consumables | **637** | 492 | 136 | 131 |
| Development properties | **493** | 441 | | |
| Livestock and game | **105** | 86 | | |
| | **1 858** | 1 483 | 556 | 471 |

Included in raw materials is an amount of R209 million (2012: R157 million) that relates to the constructive obligation that has been recognised on maize procurement contracts.

## 9. DERIVATIVE INSTRUMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| The fair value of derivative instruments at year end was: | | | | |
| Forward exchange contracts - hedge accounted | **(6)** | 2 | (6) | 2 |
| Futures contracts - hedge accounted | **(10)** | 1 | (10) | 1 |
| | **(16)** | 3 | (16) | 3 |
| Summarised as: | | | | |
| Derivative assets | | 4 | | 4 |
| Derivative liabilities | **(16)** | (1) | (16) | (1) |
| | **(16)** | 3 | (16) | 3 |

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| 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 | 30 | 30 |
| Nil (2012: 6 000 000) B1 ordinary shares of R1,00 each | | 6 | | 6 |
| Nil (2012: 10 500 000) B2 ordinary shares of R1,00 each | | 11 | | 11 |
| Nil (2012: 3 200 000) B3 ordinary shares of R1,00 each | | 3 | | 3 |
| 10 redeemable preference shares of R1,00 each | | | | |
| | **180** | 200 | 180 | 200 |
| Issued and fully paid: | | | | |
| 108 647 700 (2012: 105 143 181) ordinary shares of R1,00 each | **109** | 105 | 109 | 105 |
| 25 104 976 A preferred ordinary shares of R1,00 each | **25** | 25 | 25 | 25 |
| Nil (2012: 5 422 829) B1 ordinary shares of R1,00 each | | 6 | | 6 |
| Nil (2012: 3 296 657) B2 ordinary shares of R1,00 each | | 3 | | 3 |
| Nil (2012: 1 021 422) B3 ordinary shares of R1,00 each | | 1 | | 1 |
| | **134** | 140 | 134 | 140 |

Under control of the directors:
- for the purposes of the employee share option schemes in accordance with previous shareholder authority: 10 604 926 shares (2012: 10 086 316 shares).
- in terms of a shareholders' resolution: 5 257 159 shares (2012: 5 250 709 shares).

The employee (ESOP) and management (MSOP) share ownership plans, which were created in 2007 through the issue of unlisted B ordinary shares, vested in the trusts during the current year, being the fifth anniversary of the issue and allotment of the B ordinary shares. Tongaat Hulett repurchased from the ESOP and MSOP Trusts a total of 6 383 283 B ordinary shares, as determined in accordance with the repurchase formulae set out in the 2007 Circular to Shareholders, at an acquisition price of one cent per share, for a total amount of R63 833. The repurchased shares were cancelled immediately. The 3 357 625 remaining shares were converted into Tongaat Hulett ordinary shares of R1,00 each, ranking pari passu with the existing ordinary shares and listed on the Johannesburg Stock Exchange Limited on 25 September 2012.

| | Shares in issue | Share buyback | Remaining shares |
|---|---|---|---|
| B1 ordinary shares | 5 422 829 | 4 293 825 | 1 129 004 |
| B2 ordinary shares | 3 296 657 | 1 990 618 | 1 306 039 |
| B3 ordinary shares | 1 021 422 | 98 840 | 922 582 |
| | 9 740 908 | 6 383 283 | 3 357 625 |

## 11. SHARE CAPITAL (continued)

Details of the employee share incentive schemes are set out in note 33. Following the unbundling of Hulamin in 2007, 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, as described in note 33. At 31 March 2013, employees have an option to subscribe for 191 900 shares, at an average price of R33,86 per share (2012: 338 794 shares at an average price of R32,96 per share) in respect of the Tongaat Hulett component, and the equivalent of approximately 68 000 shares in respect of the Hulamin component (2012: 90 000 shares).

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. In 2010, shareholders approved that retention awards be included within the Long Term Incentive Plan 2005.

## 12. BEE HELD CONSOLIDATION SHARES (Rmillion)

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| 25 104 976 A preferred ordinary shares of R1,00 each | **839** | 839 |
| 1 313 393 (2012: nil) ordinary shares of R1,00 each | **34** | |
| Nil (2012: 5 422 829) B1 ordinary shares of R1,00 each | | 136 |
| Nil (2012: 3 296 657) B2 ordinary shares of R1,00 each | | 46 |
| Nil (2012: 1 021 422) B3 ordinary shares of R1,00 each | | 45 |
| | **873** | 1 066 |
| Less amount attributable to A preferred ordinary shareholders | **(126)** | (111) |
| Less amortisation of IFRS 2 charge on shares relating to the employee share ownership plans (notes 3 and 34) | | (156) |
| | **747** | 799 |

## 13. DEFERRED TAX (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Balance at beginning of year | **1 663** | 1 365 | 462 | 447 |
| Currency alignment | **194** | 94 | | |
| Accounted for in equity | **(1)** | 1 | (1) | 1 |
| Current year Income Statement charge / (relief) on: | | | | |
| Earnings before capital profits | **88** | 189 | 28 | 15 |
| Capital profits | **3** | 3 | 3 | 3 |
| Rate change adjustment | **5** | 16 | | |
| Prior year | **(1)** | (5) | | (4) |
| Balance at end of year | **1 951** | 1 663 | 492 | 462 |
| Comprising temporary differences relative to : | | | | |
| Property, plant and equipment | **1 345** | 1 264 | 517 | 483 |
| Growing crops | **842** | 598 | 281 | 172 |
| Long-term receivables and pension fund asset | **144** | 132 | 144 | 132 |
| Current assets | **151** | 126 | 8 | 8 |
| Current liabilities | **(124)** | (95) | (38) | (32) |
| Tax losses | **(279)** | (269) | (260) | (161) |
| Other | **(128)** | (93) | (160) | (140) |
| | **1 951** | 1 663 | 492 | 462 |

A deferred tax asset has been raised in respect of the tax losses of foreign subsidiaries only where these losses may be utilised in the short term or will not expire in terms of applicable tax legislation.

## 14. BORROWINGS (Rmillion)

| | Effective interest rate (%) | Consolidated 2013 | Consolidated 2012 | Company 2013 | Company 2012 |
|---|---|---|---|---|---|
| Long-term | | **3 481** | 1 732 | 3 202 | 1 419 |
| Short-term and bank overdraft | | **2 078** | 3 264 | 1 907 | 2 970 |
| | | **5 559** | 4 996 | 5 109 | 4 389 |
| Long-term borrowings comprise: | | | | | |
| Secured: | | | | | |
| SA Rand | | | | | |
| Repayable 2020/2021 | 8,20 | **308** | 339 | | |
| Finance leases (refer to note 28) | 7,00 | **3** | 2 | 3 | 2 |
| Foreign | | | | | |
| Finance leases (refer to note 28) | | | 5 | | |
| | | **311** | 346 | 3 | 2 |
| Unsecured: | | | | | |
| SA Rand | | | | | |
| Bond repayable 2018/19 | 3 month JIBAR + 2,60 | **350** | 350 | 350 | 350 |
| Bond repayable 2016/17 | 3 month JIBAR + 2,43 | **400** | 400 | 400 | 400 |
| Repayable 2014/15 | 3 month JIBAR + 1,35 | **668** | 736 | 668 | 736 |
| Repayable 2017/18 | 3 month JIBAR + 2,33 | **500** | | 500 | |
| Repayable 2016/17 | 3 month JIBAR + 2,17 | **250** | | 250 | |
| Repayable 2015/16 | 3 month JIBAR + 2,20 | **600** | | 600 | |
| Repayable 2014/15 | 3 month JIBAR + 2,50 | **500** | | 500 | |
| Foreign | | | | | |
| Indefinite | nil | **5** | 5 | | |
| | | **3 273** | 1491 | 3 268 | 1 486 |
| Long-term borrowings | | **3 584** | 1 837 | 3 271 | 1 488 |
| Less current portion included in short-term borrowings | | **103** | 105 | 69 | 69 |
| | | **3 481** | 1 732 | 3 202 | 1 419 |

Plant and machinery of Mozambique and Zimbabwe subsidiaries with a book value of R748 million (2012: R957 million) are encumbered as security for the secured long-term borrowings and certain short-term borrowings of R92 million (2012: R132 million).

Short-term borrowings comprise call loans and bank overdrafts with various South African financial institutions at interest rates linked to the prime overdraft rate, as well as short-term borrowings in Mozambique equivalent to R43 million (2012: R148 million) and in Zimbabwe equivalent to R79 million (2012: R108 million).

Summary of future loan repayments by financial year:

| Year | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Thereafter |
|---|---|---|---|---|---|---|
| Rmillion | 1 138 | 640 | 694 | 547 | 401 | 61 |

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

| | | Consolidated | |
|---|---|---|---|
| | | **2013** | 2012 |
| The non-recourse equity-settled BEE borrowings comprise: | | | |
| | Effective interest rate (%) | | |
| 4 122 000 Class A redeemable preference shares | 9,335 nacs | **98** | 167 |
| 4 122 000 Class B redeemable preference shares | 11,960 nacs | **605** | 551 |
| Accrued dividends | | **20** | 20 |
| | | **723** | 738 |
| Less BEE cash resources | | **1** | 1 |
| | | **722** | 737 |

These borrowings relate to Tongaat Hulett's black economic empowerment partners, yoMoba SPV (Pty) Limited and TH 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 TH 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 SPVs 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 SPVs will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

## 16. PROVISIONS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Post-retirement medical aid obligations | **396** | 357 | 298 | 274 |
| Retirement gratuity obligations | **136** | 116 | 83 | 77 |
| Other | **122** | 101 | | |
| | **654** | 574 | 381 | 351 |

Further details on provisions are set out in note 31.

## 17. TRADE AND OTHER PAYABLES (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Accounts payable | **2 356** | 1 836 | 1 137 | 951 |
| Maize obligation - interest bearing | **216** | 161 | 216 | 161 |
| | **2 572** | 1 997 | 1 353 | 1 112 |

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

## 18. OPERATING PROFIT (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Revenue | **14 373** | 12 081 | 7 643 | 7 006 |
| Cost of sales | **(11 223)** | (8 885) | (6 788) | (6 030) |
| Administration expenses | **(1 508)** | (1 664) | (510) | (449) |
| Marketing and selling expenses | **(287)** | (259) | (201) | (180) |
| Other income (including growing crops fair value change *) | **790** | 648 | 589 | 325 |
| **Profit from Tongaat Hulett operations** | **2 145** | 1 921 | 733 | 672 |
| Bulk sales/capital profit on land (refer to note 19) | **16** | 3 | 53 | 104 |
| Other capital items (refer to note 19) | **(1)** | | | |
| BEE IFRS 2 charge and transaction costs | **(44)** | (48) | (41) | (45) |
| Valuation adjustments | **3** | 2 | | |
| Operating profit after corporate transactions | **2 119** | 1 878 | 745 | 731 |
| Disclosable items included in operating profit: | | | | |
| Income from subsidiaries: | | | | |
| Dividends received | | | 97 | 81 |
| Management fees | | | 78 | 51 |
| Amortisation of intangible assets | **9** | 5 | 9 | 5 |
| Depreciation charged: | | | | |
| Buildings | **59** | 41 | 7 | 6 |
| Plant and equipment | **272** | 219 | 139 | 135 |
| Vehicles and other | **141** | 106 | 26 | 23 |
| Growing crops: change in fair value * | **468** | 465 | 265 | 192 |
| Profit/(loss) on disposal of plant and equipment | | (2) | 1 | (1) |
| Management fees paid to subsidiaries | | | 1 | 1 |
| Management fees paid to third parties | **4** | 4 | | |
| Technical fees paid | **13** | 12 | 13 | 12 |
| Operating lease charges (property, plant and vehicles) | **48** | 43 | 43 | 38 |
| Share-based payments: | | | | |
| IFRS 2 charge on share options, SARS, LTIP and DBP | **57** | 47 | 47 | 32 |
| BEE IFRS 2 charge | **37** | 42 | 35 | 39 |
| Auditors' remuneration: | | | | |
| Fees | **13** | 11 | 5 | 5 |
| Other services | **1** | 2 | 1 | 1 |
| Net (losses)/gains on: | | | | |
| Fair value hedges, losses on the hedged item | **(7)** | (40) | (7) | (40) |
| Fair value hedges, gains on the hedging instrument | **7** | 40 | 7 | 40 |
| Valuation adjustments on financial instruments and other items: | | | | |
| Translation of foreign currency: | | | | |
| - foreign cash holdings | **3** | 3 | | |
| - other | **7** | (15) | (2) | (1) |
| Other financial instruments | **9** | (1) | 9 | (5) |

* This represents the gross change in fair value. The agricultural costs actually incurred in generating this increase in fair value are charged to cost of sales.

## 19. CAPITAL PROFITS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Comprises: | | | | |
| Surplus on sale of land | **16** | 3 | 53 | 104 |
| Other | **(1)** | | | |
| Capital profits before tax | **15** | 3 | 53 | 104 |
| Tax (refer to note 21) | **(3)** | (3) | (3) | (3) |
| Capital profits after tax | **12** | | 50 | 101 |

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Net financing costs comprise: | | | | |
| Interest paid - external | **(596)** | (528) | (416) | (332) |
| Interest capitalised | | 1 | | |
| Interest paid - subsidiaries | | | (41) | (42) |
| Financing costs | **(596)** | (527) | (457) | (374) |
| Interest received - external | **36** | 20 | 4 | 5 |
| Interest received - subsidiaries | | | 2 | 2 |
| Finance income | **36** | 20 | 6 | 7 |
| Net financing costs | **(560)** | (507) | (451) | (367) |

## 21. TAX (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Earnings before capital profits: | | | | |
| Current | **294** | 108 | 10 | 7 |
| Deferred | **88** | 189 | 28 | 15 |
| Rate change adjustment (deferred) | **5** | 16 | | |
| Secondary tax on companies | | 36 | | 36 |
| Prior years | **(1)** | (1) | | 1 |
| | **386** | 348 | 38 | 59 |
| Capital profits: | | | | |
| Deferred | **3** | 3 | 3 | 3 |
| Tax charge for the year | **389** | 351 | 41 | 62 |
| Foreign tax included above | **250** | 225 | 10 | 7 |

**21. TAX** (Rmillion) (continued)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Tax charge at normal rate of South African tax | **436** | 384 | 82 | 102 |
| Adjusted for: | | | | |
| Non-taxable income and permanent allowances/deductions | **(63)** | (112) | (50) | (87) |
| Assessed losses of foreign subsidiaries | **1** | (3) | | |
| Non-allowable expenditure | **29** | 23 | 1 | 1 |
| Foreign tax rate variations | **(30)** | | | |
| Foreign withholding tax | **9** | 3 | 5 | 3 |
| Rate change adjustment (deferred) | **5** | 16 | | |
| Secondary tax on companies | | 36 | | 36 |
| Capital gains | **3** | 5 | 3 | 5 |
| Prior years | **(1)** | (1) | | 2 |
| Tax charge | **389** | 351 | 41 | 62 |
| Normal rate of South African tax | **28,0%** | 28,0% | 28,0% | 28,0% |
| Adjusted for: | | | | |
| Non-taxable income and permanent allowances/deductions | **(4,0)** | (8,2) | (17,0) | (23,9) |
| Assessed losses of foreign subsidiaries | **0,1** | (0,2) | | |
| Non-allowable expenditure | **1,9** | 1,7 | 0,3 | 0,3 |
| Foreign tax rate variations | **(1,9)** | | | |
| Foreign withholding tax | **0,5** | 0,2 | 1,7 | 0,8 |
| Rate change adjustment (deferred) | **0,3** | 1,2 | | |
| Secondary tax on companies | | 2,6 | | 9,8 |
| Capital gains | **0,2** | 0,4 | 1,0 | 1,4 |
| Prior years | **(0,1)** | (0,1) | | 0,6 |
| Effective rate of tax | **25,0%** | 25,6% | 14,0% | 17,0% |

**22. HEADLINE EARNINGS** (Rmillion)

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| Profit attributable to shareholders | **1 070** | 889 |
| Less after tax effect of: | **(12)** | 2 |
| Capital profit on sale of land | **(16)** | (3) |
| Capital loss on other items | **1** | |
| Loss on fixed assets and other disposals | | 2 |
| | **(15)** | (1) |
| Tax charge on profit on sale of land | **3** | 3 |
| Headline earnings | **1 058** | 891 |
| Headline earnings per share (cents) | | |
| Basic | **959,9** | 838,9 |
| Diluted | **942,3** | 819,4 |

## 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 was 110 225 436 (2012: 106 208 909). In respect of diluted earnings per share, the weighted average number of shares is 112 274 481 (2012: 108 738 956) and includes 2 049 045 (2012: 2 530 047) shares that relate to employee share award schemes.

## 24. DIVIDENDS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Ordinary share capital | | | | |
| Final for previous year, paid 19 July 2012: 170 cents (2012: 140 cents) | **179** | 147 | 179 | 147 |
| Interim for current period, paid 24 January 2013: 150 cents (2012: 120 cents) | **163** | 126 | 163 | 126 |
| B ordinary share capital | | | | |
| Final for previous year, paid 19 July 2012: 170 cents (2012: 140 cents) | **16** | 14 | 16 | 14 |
| Interim for current period, nil (2012: 120 cents) | | 12 | | 12 |
| A preferred ordinary share capital | | | | |
| Interim for current period, paid 30 June 2012: 223 cents (30 June 2011: 203 cents) | **56** | 51 | 56 | 51 |
| Final for current period, paid 31 December 2012: 223 cents (31 December 2011: 203 cents) | **56** | 51 | 56 | 51 |
| Accrued for three months to 31 March 2013: 223 cents (2012: 223 cents) | **28** | 28 | 28 | 28 |
| | **498** | 429 | 498 | 429 |
| Less dividends relating to BEE treasury shares | **(151)** | (150) | (11) | (19) |
| | **347** | 279 | 487 | 410 |

The final ordinary dividend for the year ended 31 March 2013 of 190 cents per share, declared on 23 May 2013 and payable on 18 July 2013, 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 are carried at fair value or amounts that approximate fair value.

| **Categories of financial instruments** | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Financial assets | | | | |
| Derivative instruments in designated hedge accounting relationships | | 4 | | 4 |
| Unlisted shares at cost | **14** | 12 | | |
| Loans and receivables at amortised cost | **3 672** | 2 683 | 1 305 | 851 |
| | **3 686** | 2 699 | 1 305 | 855 |
| Financial liabilities | | | | |
| Derivative instruments in designated hedge accounting relationships | **16** | 1 | 16 | 1 |
| Financial liabilities at amortised cost | **8 077** | 6 905 | 6 393 | 5 440 |
| Non-recourse equity-settled BEE borrowings | **722** | 737 | | |
| | **8 815** | 7 643 | 6 409 | 5 441 |

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 (FECs) 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 previous years.

**Capital risk management**

Tongaat Hulett's overall strategy around capital structure remains unchanged from previous years and is continually reviewed in budgeting and business planning processes. 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 (long-term and short-term bank debt and bonds issued in the debt capital market), cash and cash equivalents and equity.

**Credit risk**

Financial instruments do not represent a concentration of credit risk, because Tongaat Hulett deals with a variety of major banks, and its accounts receivable and loans are spread among a number of major industries, customers and geographic areas. The credit risk on liquid funds and derivative financial instruments is limited, because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. 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 expected collection date (past due) at the reporting date and no provision has been made, as there has not been a significant change in credit quality, and the amounts are still considered recoverable. No collateral is held over these balances. A summarised age analysis of past due debtors is set out below.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Less than 1 month | **41** | 44 | 26 | 20 |
| Between 1 to 2 months | **15** | 12 | 7 | 4 |
| Between 2 to 3 months | **11** | 8 | 1 | 1 |
| Greater than 3 months | **224** | 353 | 9 | 2 |
| Total past due | **291** | 417 | 43 | 27 |

**Provision for doubtful debts**

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Set out below is a summary of the movement in the provision for doubtful debts for the year: | | | | |
| Balance at beginning of year | **20** | 17 | 5 | 6 |
| Currency alignment | **2** | 2 | | |
| Amounts written off during the year | **(1)** | (1) | (1) | |
| (Decrease)/increase in allowance recognised in profit or loss | **(1)** | 2 | (2) | (1) |
| Balance at end of year | **20** | 20 | 2 | 5 |

**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 are used to minimise foreign currency exchange rate risk in terms of its 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. The fair values of the forward exchange contracts were established by reference to quoted prices and are categorised as Level 1 under the fair value hierarchy.

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

| | Consolidated | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | | | **2013** | 2012 | | | 2013 | 2012 |
| | Average contract rate | Commitment (Rmillion) | **Fair value of FEC (Rmillion)** | Fair value of FEC (Rmillion) | Average contract rate | Commitment (Rmillion) | Fair value of FEC (Rmillion) | Fair value of FEC (Rmillion) |
| **Imports** | | | | | | | | |
| Euro | 11,74 | 8 | | | 11,74 | 8 | | |
| US dollar | 9,32 | 6 | | | 9,32 | 6 | | |
| | | 14 | | | | 14 | | |
| **Exports** | | | | | | | | |
| US dollar | 9,26 | 331 | **(6)** | 2 | 9,26 | 331 | (6) | 2 |
| Net total | | 345 | **(6)** | 2 | | 345 | (6) | 2 |

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 date of the statement of financial position.

## 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) | **2013 Fair value of FEC (Rmillion)** | 2012 Fair value of FEC (Rmillion) | Average contract rate | Commitment (Rmillion) | 2013 Fair value of FEC (Rmillion) | 2012 Fair value of FEC (Rmillion) |
| **Imports** | | | | | | | | |
| US dollar | 8,70 | 6 | | | 8,70 | 6 | | |
| UK pound | 13,70 | 1 | | | 13,70 | 1 | | |
| Total | | 7 | | | | 7 | | |

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) | **2013 (Rmillion)** | 2012 (Rmillion) | Foreign amount (million) | 2013 (Rmillion) | 2012 (Rmillion) |
| US dollar | 5 | **45** | 10 | 4 | 42 | 8 |
| Australian dollar | 6 | **53** | 43 | 6 | 53 | 43 |
| New Zealand dollar | | **2** | 2 | | | |
| | | **100** | 55 | | 95 | 51 |

The impact of a 10% strengthening or weakening of the Rand on the uncovered Australian dollar receivable will have a R5 million (2012: R4 million) impact on profit before tax and a R4 million (2012: R3 million) impact on equity. The impact of a 10% strengthening or weakening of the Rand on the uncovered US dollar receivable will have a R5 million (2012: R1 million) impact on profit before tax and a R4 million (2012: R1 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 Starch has secured its maize requirements for the current maize season to 31 May 2013 and a significant portion of its requirements for the period to 31 May 2014, by using a combination of unpriced procurement contracts and purchases and sales of maize futures.

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

| | Consolidated | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Tons | Contract value (Rmillion) | **2013 Fair value (Rmillion)** | 2012 Fair value (Rmillion) | Tons | Contract value (Rmillion) | 2013 Fair value (Rmillion) | 2012 Fair value (Rmillion) |
| **Futures- hedge accounted:** | | | | | | | | |
| Maize futures sold | 2 900 | 7 | **(15)** | 2 | 2 900 | 7 | (15) | 2 |
| Maize futures purchased | 28 200 | 65 | **5** | (1) | 28 200 | 65 | 5 | (1) |
| | | | **(10)** | 1 | | | (10) | 1 |
| Period when cash flow is expected to occur | | | **2013/14** | 2012/13 | | | 2013/14 | 2012/13 |
| When expected to affect profit | | | **2013/14** | 2012/13 | | | 2013/14 | 2012/13 |
| (Loss)/gain recognised in hedge reserve during the year | | | **(4)** | 1 | | | (4) | 1 |
| (Gain) transferred from hedge reserve and recognised in profit or loss | | | **(1)** | (3) | | | (1) | (3) |

## 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 R29 million (2012: R26 million) effect on profit before tax and a R21 million (2012: R19 million) impact on equity.

**Liquidity risk**

Tongaat Hulett manages its liquidity risk by monitoring forecast cash flows on a weekly basis. There are unutilised established banking facilities of R1,75 billion (2012: R2 billion and 2011: R1,5 billion). Tongaat Hulett continues to meet the covenants associated with its long-term unsecured South African debt facilities.

Borrowings inclusive of interest projected at current interest rates:

| Consolidated | Weighted average effective interest rate (%) | Due within 1 year | 1 to 2 years | 2 to 5 years | After 5 years | Interest adjustment | Total |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Bank loans | 6,9 | 2 244 | 1 348 | 2 211 | 489 | (891) | 5 401 |
| Foreign loans | 10,0 | 138 | | | | (7) | 131 |
| Other borrowings | 6,3 | 242 | | | | (7) | 235 |
| Financial lease liability | 7,0 | 1 | 1 | 1 | | | 3 |
| Other non-interest bearing liabilities | | 2 302 | | | 5 | | 2 307 |
| Net settled derivatives | | 16 | | | | | 16 |
| Total for Tongaat Hulett | | 4 943 | 1 349 | 2 212 | 494 | (905) | 8 093 |
| Non-recourse equity-settled BEE borrowings | | 82 | 856 | | | (216) | 722 |
| Total including SPV debt | | 5 025 | 2 205 | 2 212 | 494 | (1 121) | 8 815 |
| **2012** | | | | | | | |
| Bank loans | 7,0 | 3 259 | 210 | 1 203 | 401 | (724) | 4 349 |
| Foreign loans | 10,0 | 346 | 60 | 179 | 181 | (157) | 609 |
| Other borrowings | 6,8 | 185 | | | | (6) | 179 |
| Financial lease liability | 5,1 | 6 | 1 | 1 | | (1) | 7 |
| Other non-interest bearing liabilities | | 1 747 | | | 14 | | 1 761 |
| Net settled derivatives | | 1 | | | | | 1 |
| Total for Tongaat Hulett | | 5 544 | 271 | 1 383 | 596 | (888) | 6 906 |
| Non-recourse equity-settled BEE borrowings | | 87 | 87 | 732 | | (169) | 737 |
| Total including SPV debt | | 5 631 | 358 | 2 115 | 596 | (1 057) | 7 643 |

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

| | Interest of Holding Company | | | |
|---|---|---|---|---|
| | Equity | | Indebtedness | |
| | **2013** | 2012 | **2013** | 2012 |
| Tongaat Hulett Starch (Pty) Limited | **15** | 15 | **51** | 36 |
| Tongaat Hulett Developments (Pty) Limited<br>Tongaat Hulett Estates (Pty) Limited | | | **(578)** | (269) |
| Tongaat Hulett Sugar South Africa Limited<br>Tambankulu Estates Limited (Swaziland)<br>Tongaat Hulett Acucareira de Mocambique, SA (Mozambique) (85%)<br>Tongaat Hulett Acucareira de Xinavane, SA (Mozambique) (88%)<br>Tongaat Hulett Acucar Limitada (Mozambique)<br>Triangle Sugar Corporation Limited (Zimbabwe)<br>Triangle Limited (Zimbabwe)<br>Hippo Valley Estates Limited (Zimbabwe) (50,3%) | **4 328** | 4 328 | **730** | 440 |
| The Tongaat Group Limited | **54** | 54 | **(59)** | (59) |
| | **4 397** | 4 397 | **144** | 148 |

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 | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Guarantees in respect of obligations of Tongaat Hulett and third parties | **38** | 14 | 7 | 7 |
| Contingent liabilities | | 10 | | 10 |
| | **38** | 24 | 7 | 17 |

## 28. LEASES (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| **Amounts payable under finance leases** | | | | |
| Minimum lease payments due: | | | | |
| Not later than one year | **1** | 6 | 1 | 1 |
| Later than one year and not later than five years | **2** | 1 | 2 | 1 |
| | **3** | 7 | 3 | 2 |
| Less future finance charges | | | | |
| Present value of lease obligations | **3** | 7 | 3 | 2 |
| Payable: | | | | |
| Not later than one year | **1** | 6 | 1 | 1 |
| Later than one year and not later than five years | **2** | 1 | 2 | 1 |
| | **3** | 7 | 3 | 2 |
| **Operating lease commitments, amounts due:** | | | | |
| Not later than one year | **41** | 36 | 38 | 32 |
| Later than one year and not later than five years | **58** | 59 | 52 | 50 |
| Later than five years | **5** | | 4 | |
| | **104** | 95 | 94 | 82 |
| In respect of: | | | | |
| Property | **86** | 78 | 78 | 68 |
| Plant and machinery | **4** | 9 | 4 | 9 |
| Other | **14** | 8 | 12 | 5 |
| | **104** | 95 | 94 | 82 |

## 29. CAPITAL EXPENDITURE COMMITMENTS (Rmillion)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Contracted | **175** | 132 | 60 | 56 |
| Approved but not contracted | **312** | 210 | 202 | 114 |
| | **487** | 342 | 262 | 170 |

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| Goods and services: | | | | |
| Transacted between operating entities within the company | | | 1 | 1 |
| Between the company and its subsidiaries | | | 706 | 588 |
| Transacted between subsidiaries within Tongaat Hulett | **260** | 400 | | |
| Tongaat Hulett Pension Fund contribution cost | **56** | 55 | 53 | 53 |
| Administration fees and other income: | | | | |
| Transacted between operating entities within the company | | | 5 | 9 |
| Between the company and its subsidiaries | | | 82 | 55 |
| Transacted between subsidiaries within Tongaat Hulett | **119** | 109 | | |
| Transacted with/between joint ventures within Tongaat Hulett | **8** | 4 | | |
| Paid to external related parties | **4** | 4 | | |
| Interest paid: | | | | |
| Transacted between operating entities within the company | | | 9 | 12 |
| Between the company and its subsidiaries | | | 41 | 42 |
| Transacted with/between joint ventures within Tongaat Hulett | **4** | 2 | | |
| Interest received: | | | | |
| Transacted between operating entities within the company | | | 458 | 391 |
| Between the company and its subsidiaries | | | 2 | 2 |
| Transacted between subsidiaries within Tongaat Hulett | **57** | 50 | | |
| Transacted with/between joint ventures within Tongaat Hulett | **5** | 1 | | |
| Sales of fixed assets: | | | | |
| Between the company and its subsidiaries | | | 55 | 110 |
| Loan balances: | | | | |
| Between operating entities within the company | | | 6 054 | 5 606 |
| Between the company and its subsidiaries | | | 143 | 148 |
| Pension Fund Loan - Employer Surplus Account | **69** | 96 | 69 | 96 |
| Dividends received: | | | | |
| Between the company and its subsidiaries | | | 97 | 81 |
| Transacted between subsidiaries within Tongaat Hulett | **90** | 75 | | |

Other related party information:

Total dividends paid - refer to note 24

Directors - refer to notes 32 and 33

Tongaat Hulett Developments is a guarantor for a Tongaat Hulett Limited South African long-term unsecured loan facility

## 31. RETIREMENT BENEFITS (Rmillion)

### 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 Benefit Pension Scheme

As explained in the Accounting Policies and Framework, a defined benefit scheme in South Africa which previously covered the old Tongaat-Hulett Group was split between Tongaat Hulett and Hulamin in 2012 and then, in 2013, the defined benefit arrangement was converted to a defined contribution arrangement with the existing pensioner liabilities being outsourced to an insurer. The following analyses are of the defined benefit arrangements:

| | **2013** | 2012 |
|---|---|---|
| **Details of the IAS 19 valuation of the DB Fund (South Africa):** | | |
| **Fair value of fund assets** | | |
| Balance at beginning of year | **5 076** | 4 662 |
| Expected return on scheme assets | **366** | 416 |
| Contributions by plan members | **18** | 29 |
| Benefits paid | **(192)** | (205) |
| Actuarial (loss)/gain | **(72)** | 174 |
| Settlements/conversion | **(4 459)** | |
| Balance at end of year | **737** | 5 076 |
| **Present value of defined benefit obligation** | | |
| Balance at beginning of year | **3 794** | 3 519 |
| Current service cost | **56** | 91 |
| Interest cost | **261** | 321 |
| Contributions by plan members | **18** | 29 |
| Benefits paid | **(192)** | (205) |
| Actuarial loss | **111** | 39 |
| Settlements/conversion | **(4 048)** | |
| Balance at end of year | **0** | 3 794 |
| **Fund assets less member liabilities** | **737** | 1 282 |
| Employer surplus account | **(515)** | (175) |
| | **222** | 1 107 |
| Defined benefit pension fund asset | | (296) |
| Provisions and reserves (2012: asset restriction) | **222** | 811 |
| **Amounts included in the statement of financial position:** | | |
| Balance at beginning of year | **469** | 510 |
| Amounts recognised in profit or loss: | **46** | (41) |
| Net expense in respect of defined benefit accounting | **(22)** | (41) |
| Employer surplus account recognition | **68** | |
| Balance at end of year | **515** | 469 |

## 31. RETIREMENT BENEFITS (Rmillion) continued

**Defined benefit pension scheme** continued:

| | 2013 | 2012 |
|---|---|---|
| **Amounts recognised in profit or loss:** | | |
| Service costs | **56** | 91 |
| Interest costs | **261** | 321 |
| Expected return on scheme assets | **(366)** | (416) |
| Net actuarial losses recognised | **183** | 45 |
| Loss on settlement | **411** | |
| Effect of change in asset ceiling | **(591)** | |
| Net (income)/expense in respect of defined benefit accounting | **(46)** | 41 |
| **Asset information** | | |
| Equities | | 3 046 |
| Fixed interest bonds | | 1 015 |
| Property | | 102 |
| Cash and other | **737** | 913 |
| | **737** | 5 076 |
| Included in the assets of the scheme are ordinary shares held in Tongaat Hulett Limited, stated at fair value | | 105 |
| Actual return on scheme assets | **294** | 590 |
| **The principal actuarial assumptions are:** | | |
| Discount rate | **8,00%** | 8,90% |
| Salary cost and pension increase | **5,75%** | 6,25% |
| Expected rate of return on assets | **8,00%** | 8,90% |
| **Experience gains/(losses) on:** | | |
| Plan liabilities: | | 55 |
| Percentage of the present value of the plan liabilities | | 1,4% |
| Plan assets: | **(72)** | 174 |
| Percentage of plan assets | **(9,8%)** | 3,4% |

**Basis used to determine the rate of return on assets**

The expected rate of return on assets has been calculated using the discount rate at the beginning of the year, which corresponds to that used in the previous valuation. 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.

**Estimated contributions payable in the next financial year**

Following the transfer of business from the Tongaat Hulett Defined Benefit Pension Fund to the Tongaat Hulett Pension Fund 2010, no further contributions are payable to the Tongaat Hulett Defined Benefit Pension Fund. The employer surplus account will be used for contributions to the Tongaat Hulett Pension Fund 2010, which is a defined contribution fund. The benefit in the next financial year is R60 million.

**Defined Contribution Pension and Provident Schemes**

The latest audited financial statements of the defined contribution schemes, including the scheme in Swaziland, reflect a satisfactory state of affairs. Contributions of R55 million, which include R23 million in respect of the Tongaat Hulett Pension Fund 2010 with effect from 1 November 2012, were expensed during the year (2012: R29 million).

**Zimbabwe Pension Funds**

The post-retirement benefit provisions for the Zimbabwe operations at 31 March 2013 amount to R269 million (2012: R219 million), including the post-retirement medical aid and the retirement gratuity provisions.

**31. RETIREMENT BENEFITS** (Rmillion) continued

**Post-Retirement Medical Aid Benefits**

In the South African operations, the obligation to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 30 June 1996. 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 Zimbabwe operations provide post-retirement medical benefits for pensioners and current employees. In Mozambique, Acucareira de Xinavane subsidises the medical contributions in respect of its pensioners.

The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| **Amounts recognised in the statement of financial position:** | | | | |
| Present value of unfunded obligations | **448** | 391 | 383 | 335 |
| Unrecognised actuarial losses | **(52)** | (34) | (85) | (61) |
| Net liability in the statement of financial position | **396** | 357 | 298 | 274 |
| **The liability is reconciled as follows:** | | | | |
| Net liability at beginning of year | **357** | 323 | 274 | 254 |
| Currency alignment | **16** | 9 | | |
| Net expense recognised in income statement | **50** | 49 | 47 | 42 |
| Contributions | **(27)** | (24) | (23) | (22) |
| Net liability at end of year | **396** | 357 | 298 | 274 |
| **Amounts recognised in the income statement:** | | | | |
| Service costs | **6** | 5 | 3 | 3 |
| Interest costs | **34** | 36 | 29 | 28 |
| Net actuarial losses recognised | **10** | 8 | 15 | 11 |
| | **50** | 49 | 47 | 42 |
| **The principal actuarial assumptions applied are:** | | | | |
| **Discount rate** | | | | |
| South Africa | **8,00%** | 8,90% | 8,00% | 8,90% |
| Mozambique | **6,75%** | 8,00% | | |
| Zimbabwe | **7,60%** | 8,00% | | |
| **Health care cost inflation rate** | | | | |
| South Africa | **6,75%** | 7,00% | 6,75% | 7,00% |
| Mozambique | **6,00%** | 6,00% | | |
| Zimbabwe | **6,35%** | 6,50% | | |
| **Sensitivity of healthcare cost trend rates:** | | | | |
| 1% increase in trend rate - effect on the aggregate of the service and interest costs | **2** | 2 | 1 | 1 |
| 1% increase in trend rate - effect on the obligation | **59** | 50 | 45 | 38 |
| 1% decrease in trend rate - effect on the aggregate of the service and interest costs | **1** | 1 | 1 | |
| 1% decrease in trend rate - effect on the obligation | **50** | 42 | 38 | 32 |
| **Estimated contributions payable in the next financial year** | **29** | 26 | 25 | 23 |

| **Plan liabilities and experience gains/(losses):** | **Plan liability** | **Experience gain/(loss)** | Plan liability | Experience gain/(loss) |
|---|---|---|---|---|
| Year ended 31 March 2013 | **448** | **(17)** | 383 | (15) |
| Year ended 31 March 2012 | **391** | **(3)** | 335 | (4) |
| Year ended 31 March 2011 | **361** | **4** | 314 | (5) |
| Year ended 31 March 2010 (15 months) | **346** | **3** | 289 | (9) |
| Year ended 31 December 2008 | **281** | **(22)** | 281 | (22) |

## 31. RETIREMENT BENEFITS (Rmillion) continued

**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 benefit is applicable to employees in the South African and Zimbabwean operations. The unfunded liability for retirement gratuities, which is determined actuarially each year comprises:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | 2013 | 2012 |
| **Amounts recognised in the statement of financial position:** | | | | |
| Present value of unfunded obligations | **152** | 124 | 102 | 88 |
| Unrecognised actuarial losses | **(16)** | (8) | (19) | (11) |
| Net liability in the statement of financial position | **136** | 116 | 83 | 77 |
| **The liability is reconciled as follows:** | | | | |
| Net liability at beginning of year | **116** | 97 | 77 | 68 |
| Currency alignment | **8** | 4 | | |
| Net expense recognised in income statement | **21** | 20 | 15 | 14 |
| Payments made | **(9)** | (5) | (9) | (5) |
| Net liability at end of year | **136** | 116 | 83 | 77 |
| **Amounts recognised in the income statement:** | | | | |
| Service costs | **8** | 7 | 5 | 5 |
| Interest costs | **11** | 12 | 8 | 7 |
| Net actuarial losses recognised | **2** | 1 | 2 | 2 |
| | **21** | 20 | 15 | 14 |
| **The principal actuarial assumptions applied are:** | | | | |
| **Discount rate** | | | | |
| South Africa | **8,00%** | 8,90% | 8,00% | 8,90% |
| Zimbabwe | **7,60%** | 8,00% | | |
| **Salary inflation rate** | | | | |
| South Africa | **6,50%** | 7,00% | 6,50% | 7,00% |
| Zimbabwe | **5,60%** | 6,00% | | |
| **Estimated contributions payable in the next financial year** | **16** | 15 | 12 | 9 |

| **Plan liabilities and experience gains/(losses):** | **Plan liability** | **Experience gain/(loss)** | Plan liability | Experience gain/(loss) |
|---|---|---|---|---|
| Year ended 31 March 2013 | **152** | **(7)** | 102 | (6) |
| Year ended 31 March 2012 | **124** | **2** | 88 | 1 |
| Year ended 31 March 2011 | **107** | **(1)** | 80 | (4) |
| Year ended 31 March 2010 (15 months) | **155** | **(2)** | 71 | (2) |
| Year ended 31 December 2008 | **67** | **(9)** | 67 | (9) |

## 32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (R000)

**Executive directors' remuneration**

**The executive directors' remuneration for the year ended 31 March 2013 was as follows:**

| **Name** | **Cash Package** | **Cash Bonus*** | **Retirement and medical contributions** | **Total** |
|---|---|---|---|---|
| **B G Dunlop** | **3 743** | **2 033** | **469** | **6 245** |
| **M H Munro** | **3 665** | **2 041** | **474** | **6 180** |
| **P H Staude** | **7 019** | **4 794** | **835** | **12 648** |
| | **14 427** | **8 868** | **1 778** | **25 073** |

The executive directors' remuneration for the year ended 31 March 2012 was as follows:

| Name | Cash Package | Cash Bonus* | Retirement and medical contributions | Total |
|---|---|---|---|---|
| B G Dunlop | 3 466 | 2 059 | 390 | 5 915 |
| M H Munro | 3 363 | 2 034 | 392 | 5 789 |
| P H Staude | 6 381 | 4 869 | 679 | 11 929 |
| | 13 210 | 8 962 | 1 461 | 23 633 |

The requirement to include prescribed officers is covered by the above executive directors, as they exercise effective management and control.

*Bonuses are reported to match the amount payable to the applicable financial period.

**Executive directors' share incentive gains:**

| | **2013** | 2012 |
|---|---|---|
| B G Dunlop | **2 132** | 737 |
| M H Munro | **2 421** | 1 941 |
| P H Staude | **5 880** | 2 188 |
| | **10 433** | 4 866 |

## 32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (R000) continued

**Non-executive directors' remuneration**

| | **12 months to 31 March 2013** | | | 12 months to 31 March 2012 | | |
|---|---|---|---|---|---|---|
| Name | **Fees** | **Other** | **Total** | Fees | Other | Total |
| F Jakoet | **282** | **214** | **496** | 255 | 201 | 456 |
| J John | **258** | **277** | **535** | 255 | 253 | 508 |
| R P Kupara | **282** | **138** | **420** | 255 | 131 | 386 |
| J B Magwaza | **994** | **95** | **1 089** | 901 | 100 | 1 001 |
| A A Maleiane | **282** | | **282** | 236 | | 236 |
| T N Mgoduso | **255** | **95** | **350** | 255 | 103 | 358 |
| M Mia (to 27 July 2012) | **95** | **112** | **207** | 255 | 326 | 581 |
| N Mjoli-Mncube | **282** | **286** | **568** | 255 | 274 | 529 |
| S G Pretorius | **282** | **103** | **385** | 168 | | 168 |
| C B Sibisi | **282** | **95** | **377** | 255 | 87 | 342 |
| Directors who retired during the year | | | | 67 | | 67 |
| | **3 294** | **1 415** | **4 709** | 3 157 | 1 475 | 4 632 |

In the above table, "fees" relates to services as directors on the board and "other" relates to fees paid for services as committee members.

**Declaration of full disclosure**

Other than the remuneration disclosed in this note, which was paid by the company, no consideration was paid to, or by any third party, or by the company itself, in respect of services of the company's directors, as directors of the company, during the year ended 31 March 2013.

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

The aggregate holdings as at 31 March 2013 of those directors of the company holding issued ordinary shares of the company are detailed below. Holdings are direct and beneficial except where indicated otherwise.

| Name | **2013** | 2012 |
|---|---|---|
| Executive directors: | | |
| B G Dunlop | **70 223** | 57 369 |
| M H Munro | **63 662** | 46 358 |
| P H Staude | **236 046** | 199 682 |
| | **369 931** | 303 409 |
| Non-executive directors: | | |
| F Jakoet | **5 000** | 5 000 |
| J B Magwaza | **12 111** | 12 111 |
| | **17 111** | 17 111 |

## 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 Share Appreciation Right Scheme 2005 (SARS), the Long Term Incentive Plan 2005 (LTIP), the Deferred Bonus Plan 2005 (DBP) and the Long Term Incentive Plan introduced in 2010 for retention awards.

**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, as detailed in the 2007 Annual Report. 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 the SARS grants of 2005 and 2006 and the original share options for its own employees using Tongaat Hulett shares. It will settle the outstanding share scheme instruments that arise after the award adjustments for its own employees, by purchasing Tongaat Hulett shares in the market, or by 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 Group Limited 2001 Share Option Scheme (the Original Share Option Scheme)**

Under the original share option scheme, 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 option price and number of unexercised options after the unbundling of Hulamin were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin), as detailed in the 2007 Annual Report.

| Expiring ten years from | Option price (Rand) Apportioned | | Number of options at 31 March 2012 | | Options exercised 2012/13 | Options lapsed 2012/13 | Number of options at 31 March 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| 13 May 2002 | 37,88 | 11,72 | 36 900 | 177 200 | 36 900 | 177 200 | | |
| 14 April 2003 | 24,37 | 7,53 | 67 994 | 144 100 | 58 894 | | 9 100 | 144 100 |
| 1 October 2003 | 26,35 | 8,15 | 30 000 | 30 000 | | | 30 000 | 30 000 |
| 21 April 2004 | 35,90 | 11,10 | 203 900 | 392 100 | 51 100 | | 152 800 | 392 100 |
| | | | 338 794 | 743 400 | 146 894 | 177 200 | 191 900 | 566 200 |

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 R16,06 per share respectively (2012: R11,14 and R16,06).

No awards have been made since 21 April 2004 under the original share option scheme, which was replaced by share schemes based on equity-settled share appreciation rights, conditional shares, and a deferred annual bonus plan.

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

| | |
|---|---|
| Exercise price | The exercise price is the share price at grant date, as noted above, allocated between Tongaat Hulett and Hulamin. |
| 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: R33,86 (2012: R32,96) and Hulamin component R10,04 (2012: R10,44) |
| 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 | 10 months (2012: 19 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.

The grant price and number of unexercised rights after the unbundling of Hulamin were apportioned into a Tongaat Hulett component and a Hulamin component as detailed in the 2007 Annual Report.

| Expiring seven years from | Grant price (Rand) Apportioned | | Number of rights at 31 March 2012 | | Rights granted in 2012/13 | Rights exercised in 2012/13 | Rights lapsed/forfeited in 2012/13 | | Number of rights at 31 March 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | Tongaat Hulett | Tongaat Hulett | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin |
| 10 May 2005 | 43,98 | 13,60 | 28 980 | 633 070 | | 28 980 | | 633 070 | | |
| 22 April 2006 | 73,39 | 22,70 | 504 197 | 796 962 | | 459 627 | | 3 860 | 44 570 | 793 102 |
| 20 August 2007 | 88,84 | | 899 662 | | | 268 855 | | | 630 807 | |
| 25 April 2008 | 92,74 | | 1 129 163 | | | 322 587 | | | 806 576 | |
| 22 May 2009 | 75,06 | | 1 504 187 | | | 513 666 | 4 998 | | 985 523 | |
| 31 May 2010 | 97,49 | | 1 230 462 | | | 4 390 | 8 366 | | 1 217 706 | |
| 31 May 2011 | 90,42 | | 1 475 541 | | | 5 109 | 9 600 | | 1 460 832 | |
| 29 May 2012 | 110,21 | | | | 1 376 435 | | 8 989 | | 1 367 446 | |
| | | | 6 772 192 | 1 430 032 | 1 376 435 | 1 603 214 | 31 953 | 636 930 | 6 513 460 | 793 102 |

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:

| | |
|---|---|
| Exercise price | The share price at grant date, as noted above. |
| Expected option life | 80 months (assume contractual plus a leaving percentage of 5%). |
| Risk-free interest rate | 2012 award: 7,26% (2011 award: 7,95%, 2010 award: 7,71%, 2009 award: 7,66%, 2008 award: 8,75%, 2007 award: 8,19% and 2006 award: 7,22%). |
| Expected volatility | Expected volatility of 28,51% (2011: 30%, 2010: 26,78%, 2009: 28%, 2008 and 2007: 27% and 2006: 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 2,6% was used for the 2012 award (2011 award: 2,75%, 2010 award: 2,5%, 2009 award: 3,5%, 2008 and 2007 awards: 3,44% and 2006 award: 4,00%). |
| 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 not allowed with effect from the 2010 award. |
| Non-market performance conditions | Growth in headline earnings per share. |
| Market performance conditions | No market conditions. |
| Estimated fair value per right at grant date | 2012 award: R21,73 (2011 award: R17,50; 2010 award: R20,00; 2009 award: R12,54; 2008 award: R16,93; 2007 award: R15,97 and the combined TH and Hulamin components: 2006 award: R18,11). |
| Weighted average remaining life: | |
| Expected | 2012 award: 74 months (2011 award: 62 months; 2010 award: 50 months; 2009 award: 38 months; 2008 award: 25 months; 2007 award: 17 months and 2006 award: 1 month). |
| 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.

| Expiring three years from | Issue price (Rand) | Number of conditional awards at 31 March 2012 | Conditional awards granted in 2012/13 | Conditional awards settled in 2012/13 | Conditional awards lapsed/ forfeited in 2012/13 | Number of conditional awards at 31 March 2013 |
|---|---|---|---|---|---|---|
| 22 May 2009 | 75,06 | 151 739 | | 29 838 | 121 901 | |
| 31 May 2010 | 97,49 | 171 916 | | | | 171 916 |
| 31 May 2011 | 90,42 | 202 238 | | | | 202 238 |
| 29 May 2012 | 110,21 | | 342 992 | | 1 503 | 341 489 |
| | | 525 893 | 342 992 | 29 838 | 123 404 | 715 643 |

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:

| | |
|---|---|
| Exercise price | The share price at grant date, as noted above. |
| Expected option life | 34 months (assume contractual plus a leaving percentage of 5%). |
| 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 2,6% was used for the 2012 award (2011 award: 2,75% and 2010 award: 2,5%). |
| Weighted average share price | As above. |
| Time constraints | Three years from grant date. |
| Performance (vesting) conditions | For the 29 May 2012 award, 25% of the award will be subject to the TSR condition, 25% to the ROCE condition, 25% to a sugar production condition and 25% will be subject to the establishment of a regulatory framework for electricity in South Africa. For awards made up to 31 May 2011, 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 | - For the 29 May 2012 award, Return on Capital Employed (ROCE), sugar production and the establishment of a regulatory framework for electricity in South Africa.<br>- For awards made up to 31 May 2011, ROCE. |
| Market performance conditions | Total shareholder return (TSR). |
| Estimated fair value per conditional award at grant date | 2012 award: R47,69 (2011 award: R40,54 and 2010 award: R46,55). |
| Weighted average remaining life: | |
| Expected | 2012 award: 26 months (2011 award: 14 months and 2010 award: 2 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

**Long-Term Incentive Plan 2005 - Retention Awards**

Under the long term incentive plan participating employees are granted conditional awards which are converted into shares after the required service period is completed.

| Expiring four years from | Issue price (Rand) | Number of conditional awards at 31 March 2012 | Conditional awards granted in 2012/13 | Number of conditional awards at 31 March 2013 |
|---|---|---|---|---|
| 31 May 2011 | 90,42 | 13 200 | | 13 200 |
| 14 November 2011 | 94,26 | 20 000 | | 20 000 |
| 28 November 2011 | 90,86 | 20 000 | | 20 000 |
| 16 November 2012 | 126,71 | | 72 442 | 72 442 |
| 11 March 2013 | 139,39 | | 15 000 | 15 000 |
| | | 53 200 | 87 442 | 140 642 |

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

| | |
|---|---|
| Exercise price | The share price at grant date, as noted above. |
| Expected option life | 46 months (assume contractual plus a leaving percentage of 5%) for the May 2011, 2012 and 2013 awards and 48 months (assume contractual plus a leaving percentage of 0%) for the November 2011 awards. |
| 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 2,6% was used for the 2012 and 2013 awards (2011 awards: 2,75%). |
| Weighted average share price | As above. |
| Time constraints | Four 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 conditional award at grant date | 16 November 2012 award: R92,88 and 11 March 2013 award: R102,18 (31 May 2011 award: R65,87; 14 November 2011 award: R84,31 and 28 November 2011 award: R81,27). |
| Weighted average remaining life: | |
| Expected | 16 November 2012 award: 44 months and 11 March 2013 award: 47 months (31 May 2011 award: 26 months; 14 November 2011 award: 31 months and 28 November 2011 award: 32 months). |
| Contractual | 48 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.

| Expiring three years from | Issue price Rand | Number of conditional awards at 31 March 2012 | Conditional awards granted in 2012/13 | Conditional awards settled in 2012/13 | Number of conditional awards at 31 March 2013 |
|---|---|---|---|---|---|
| 3 March 2010 | 97,32 | 39 651 | | 39 651 | |
| 1 June 2010 | 100,40 | 10 768 | | | 10 768 |
| 30 May 2011 | 93,35 | 37 885 | | | 37 885 |
| 30 May 2012 | 111,11 | | 66 008 | | 66 008 |
| | | 88 304 | 66 008 | 39 651 | 114 661 |

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. |
| Expected option life | 34 months (assume contractual plus a leaving percentage of 5%). |
| 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. A continuous dividend yield of 2,6% was used for the 2012 award (2011 award: 2,75% and the June 2010 award: 2,5%). |
| Weighted average share price | As above. |
| 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 | 2012 award: R87,31 (2011 award: R71,30 and June 2010 award: R81,18). |
| Weighted average remaining life: | |
| Expected | 2012 award: 26 months (2011 award: 14 months and June 2010 award: 2 months). |
| Contractual | 36 months. |

The deferred bonus shares were purchased by the participating employees on 30 May 2012 in respect of the 2012 award (2011 award: purchased 30 May 2011 and the June 2010 award: purchased 4 June 2010).

## 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 Scheme**

The option price and number of unexercised options after the unbundling of Hulamin were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as detailed in the 2007 Annual Report.

| | | Option price (Rand) Apportioned | | Number of options at 31 March 2012 | | Options exercised | Options lapsed | Number of options at 31 March 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Expiring ten years from | Tongaat Hulett | Hulamin | Tongaat Hulett | Hulamin | in 2012/13 Tongaat Hulett | in 2012/13 Hulamin | Tongaat Hulett | Hulamin |
| **Executive directors:** | | | | | | | | | |
| B G Dunlop | 21 April 2004 | 35,90 | 11,10 | | 1 100 | | | | 1 100 |
| M H Munro | 14 April 2003 | 24,37 | 7,53 | 4 900 | 4 900 | 4 900 | | | 4 900 |
| | 1 October 2003 | 26,35 | 8,15 | 30 000 | 30 000 | | | 30 000 | 30 000 |
| | 21 April 2004 | 35,90 | 11,10 | 32 000 | 32 000 | | | 32 000 | 32 000 |
| | | | | 66 900 | 66 900 | 4 900 | | 62 000 | 66 900 |
| P H Staude | 13 May 2002 | 37,88 | 11,72 | | 17 000 | | 17 000 | | |
| | 21 April 2004 | 35,90 | 11,10 | | 28 000 | | | | 28 000 |
| | | | | | 45 000 | | 17 000 | | 28 000 |
| **Non-executive director:** * | | | | | | | | | |
| J B Magwaza | 13 May 2002 | 37,88 | 11,72 | | 6 000 | | 6 000 | | |
| Total | | | | 66 900 | 119 000 | 4 900 | 23 000 | 62 000 | 96 000 |

* The non-executive director's share options were awarded when he was an executive director more than ten years ago.

## 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**

The grant price and number of unexercised rights after the unbundling of Hulamin were apportioned into a Tongaat Hulett component (Tongaat Hulett) and a Hulamin component (Hulamin) as detailed in the 2007 Annual Report.

| Name of executive director | Expiring seven years from | Grant price (Rand) Apportioned Tongaat Hulett | Grant price (Rand) Apportioned Hulamin | Number of rights at 31 March 2012 Tongaat Hulett | Number of rights at 31 March 2012 Hulamin | Rights granted in 2012/13 Tongaat Hulett | Rights exercised in 2012/13 Tongaat Hulett | Rights lapsed in 2012/13 Hulamin | Number of rights at 31 March 2013 Tongaat Hulett | Number of rights at 31 March 2013 Hulamin | Rights time constrained Tongaat Hulett |
|---|---|---|---|---|---|---|---|---|---|---|---|
| B G Dunlop | 10 May 2005 | 43,98 | 13,60 | | 40 597 | | | 40 597 | | | |
| | 22 April 2006 | 73,39 | 22,70 | 23 737 | 23 737 | | 23 737 | | | 23 737 | |
| | 20 August 2007 | 88,84 | | 25 382 | | | | | 25 382 | | |
| | 25 April 2008 | 92,74 | | 27 276 | | | | | 27 276 | | |
| | 22 May 2009 | 75,06 | | 32 736 | | | | | 32 736 | | |
| | 31 May 2010 | 97,49 | | 25 698 | | | | | 25 698 | | 25 698 |
| | 31 May 2011 | 90,42 | | 29 552 | | | | | 29 552 | | 29 552 |
| | 29 May 2012 | 110,21 | | | | 25 700 | | | 25 700 | | 25 700 |
| | | | | 164 381 | 64 334 | 25 700 | 23 737 | 40 597 | 166 344 | 23 737 | 80 950 |
| M H Munro | 10 May 2005 | 43,98 | 13,60 | | 21 185 | | | 21 185 | | | |
| | 22 April 2006 | 73,39 | 22,70 | 20 472 | 20 472 | | 20 472 | | | 20 472 | |
| | 20 August 2007 | 88,84 | | 23 830 | | | | | 23 830 | | |
| | 25 April 2008 | 92,74 | | 25 807 | | | | | 25 807 | | |
| | 22 May 2009 | 75,06 | | 30 857 | | | | | 30 857 | | |
| | 31 May 2010 | 97,49 | | 23 638 | | | | | 23 638 | | 23 638 |
| | 31 May 2011 | 90,42 | | 28 669 | | | | | 28 669 | | 28 669 |
| | 29 May 2012 | 110,21 | | | | 31 873 | | | 31 873 | | 31 873 |
| | | | | 153 273 | 41 657 | 31 873 | 20 472 | 21 185 | 164 674 | 20 472 | 84 180 |
| P H Staude | 10 May 2005 | 43,98 | 13,60 | | 92 810 | | | 92 810 | | | |
| | 22 April 2006 | 73,39 | 22,70 | 62 082 | 62 082 | | 62 082 | | | 62 082 | |
| | 20 August 2007 | 88,84 | | 71 073 | | | | | 71 073 | | |
| | 25 April 2008 | 92,74 | | 75 720 | | | | | 75 720 | | |
| | 22 May 2009 | 75,06 | | 91 120 | | | | | 91 120 | | |
| | 31 May 2010 | 97,49 | | 74 289 | | | | | 74 289 | | 74 289 |
| | 31 May 2011 | 90,42 | | 87 397 | | | | | 87 397 | | 87 397 |
| | 29 May 2012 | 110,21 | | | | 93 530 | | | 93 530 | | 93 530 |
| | | | | 461 681 | 154 892 | 93 530 | 62 082 | 92 810 | 493 129 | 62 082 | 255 216 |

**Long Term Incentive Plan 2005**

| Name of executive director | Expiring three years from | Original Issue price (Rand) | Number of conditional awards at 31 March 2012 | Conditional awards granted in 2012/13 | Conditional awards settled in 2012/13 | Conditional awards lapsed in 2012/13 | Number of conditional awards at 31 March 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|---|
| B G Dunlop | 22 May 2009 | 75,06 | 9 421 | | 1 853 | 7 568 | | |
| | 31 May 2010 | 97,49 | 10 160 | | | | 10 160 | 10 160 |
| | 31 May 2011 | 90,42 | 11 734 | | | | 11 734 | 11 734 |
| | 29 May 2012 | 110,21 | | 11 439 | | | 11 439 | 11 439 |
| | | | 31 315 | 11 439 | 1 853 | 7 568 | 33 333 | 33 333 |
| M H Munro | 22 May 2009 | 75,06 | 8 880 | | 1 746 | 7 134 | | |
| | 31 May 2010 | 97,49 | 9 345 | | | | 9 345 | 9 345 |
| | 31 May 2011 | 90,42 | 11 384 | | | | 11 384 | 11 384 |
| | 29 May 2012 | 110,21 | | 12 696 | | | 12 696 | 12 696 |
| | | | 29 609 | 12 696 | 1 746 | 7 134 | 33 425 | 33 425 |
| P H Staude | 22 May 2009 | 75,06 | 26 316 | | 5 175 | 21 141 | | |
| | 31 May 2010 | 97,49 | 29 475 | | | | 29 475 | 29 475 |
| | 31 May 2011 | 90,42 | 34 829 | | | | 34 829 | 34 829 |
| | 29 May 2012 | 110,21 | | 39 355 | | | 39 355 | 39 355 |
| | | | 90 620 | 39 355 | 5 175 | 21 141 | 103 659 | 103 659 |

## 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 March 2012 | Conditional awards granted in 2012/13 | Conditional awards delivered in 2012/13 | Number of conditional awards at 31 March 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|
| B G Dunlop | 3 March 2010 | 97,32 | 3 838 | | 3 838 | | |
| | 1 June 2010 | 100,40 | 1 031 | | | 1 031 | 1 031 |
| | 30 May 2011 | 93,35 | 3 383 | | | 3 383 | 3 383 |
| | 30 May 2012 | 111,11 | | 5 559 | | 5 559 | 5 559 |
| | | | 8 252 | 5 559 | 3 838 | 9 973 | 9 973 |
| M H Munro | 3 March 2010 | 97,32 | 3 609 | | 3 609 | | |
| | 1 June 2010 | 100,40 | 979 | | | 979 | 979 |
| | 30 May 2011 | 93,35 | 3 492 | | | 3 492 | 3 492 |
| | 30 May 2012 | 111,11 | | 5 493 | | 5 493 | 5 493 |
| | | | 8 080 | 5 493 | 3 609 | 9 964 | 9 964 |
| P H Staude | 3 March 2010 | 97,32 | 11 959 | | 11 959 | | |
| | 1 June 2010 | 100,40 | 3 272 | | | 3 272 | 3 272 |
| | 30 May 2011 | 93,35 | 10 856 | | | 10 856 | 10 856 |
| | 30 May 2012 | 111,11 | | 17 090 | | 17 090 | 17 090 |
| | | | 26 087 | 17 090 | 11 959 | 31 218 | 31 218 |

The deferred bonus shares were purchased by the participating employees on 30 May 2012 in respect of the 2012 award (2011 award: purchased 30 May 2011 and the June 2010 award: purchased 4 June 2010).

The share awards were made and exercised at various times and the average share price for the period was R130,03 (2012: R95,46).

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

## 34. BEE EMPLOYEE SHARE OWNERSHIP PLANS

The BEE employee transaction, which comprises the Employee Share Ownership Plan (ESOP) and the Management Share Ownership Plan (MSOP), vested during the current financial year.

The ESOP scheme consisted of a share appreciation right scheme and participants shared in 50% of the dividend payable to ordinary shareholders. The MSOP scheme consisted 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 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 pari passu with ordinary shares and become ordinary shares at maturity of the scheme on 1 August 2012.

Tongaat Hulett repurchased from the ESOP and MSOP Trusts a total of 6 383 283 B shares, as determined in accordance with the repurchase formulae set out in the 2007 Circular to Shareholders, at an acquisition price of one cent per share, for a total amount of R63 833. The repurchased shares were cancelled immediately. The 3 357 625 remaining shares were converted into Tongaat Hulett ordinary shares of R1,00 each, ranking pari passu with the existing ordinary shares and listed on the JSE on 25 September 2012.

The tables below provide a detailed summary of the share buyback and the conversion to listed ordinary shares.

**Employee Share Ownership Plan**

| Grant date | B1 ordinary shares | Share buyback | Converted to ordinary shares | Released including deaths in service | Forefeited / adjustments | Balance time constrained |
|---|---|---|---|---|---|---|
| 1 August 2007 | 4 385 140 | (3 477 644) | 907 496 | (907 496) | | |
| 1 February 2008 | 207 940 | (170 618) | 37 322 | (37 070) | (252) | |
| 1 August 2008 | 252 460 | (200 754) | 51 706 | (690) | (1 862) | 49 154 |
| 1 February 2009 | 141 230 | (112 138) | 29 092 | (324) | (204) | 28 564 |
| 1 August 2009 | 113 480 | (88 664) | 24 816 | (179) | (1 113) | 23 524 |
| 1 February 2010 | 116 430 | (91 644) | 24 786 | (152) | (304) | 24 330 |
| 1 August 2010 | 56 600 | (43 172) | 13 428 | (125) | 133 | 13 436 |
| 1 February 2011 | 52 880 | (39 763) | 13 117 | (93) | (336) | 12 688 |
| 1 August 2011 | 47 910 | (35 216) | 12 694 | (252) | (559) | 11 883 |
| Unallocated | 48 759 | (34 212) | 14 547 | | 4 222 | 18 769 |
| | 5 422 829 | (4 293 825) | 1 129 004 | (946 381) | (275) | 182 348 |

**Management Share Ownership Plan**

| Grant date | B2 ordinary shares | B3 ordinary shares | Share buyback B2 ordinary | Share buyback B3 ordinary | Converted to ordinary shares | Released including deaths in service | Awarded | Balance time constrained |
|---|---|---|---|---|---|---|---|---|
| 1 August 2007 | 1 541 530 | 477 290 | (971 175) | (74 710) | 972 935 | (972 935) | | |
| 1 February 2008 | 167 710 | 51 950 | (95 971) | (1 290) | 122 399 | (122 399) | | |
| 1 August 2008 | 176 460 | 54 620 | (107 959) | (6 270) | 116 851 | | | 116 851 |
| 1 February 2009 | 96 110 | 29 740 | (68 158) | (10 030) | 47 662 | (2 242) | | 45 420 |
| 1 August 2009 | 72 920 | 22 560 | (45 263) | (3 050) | 47 167 | | | 47 167 |
| 1 February 2010 | 108 470 | 33 580 | (63 690) | (1 970) | 76 390 | | | 76 390 |
| 1 August 2010 | 61 640 | 19 100 | (34 600) | | 46 140 | | 3 609 | 49 749 |
| 1 February 2011 | 36 250 | 11 210 | (22 510) | (1 520) | 23 430 | | | 23 430 |
| 1 August 2011 | 110 440 | 34 190 | (61 992) | | 82 638 | | | 82 638 |
| 1 February 2012 | 125 280 | 38 780 | (70 323) | | 93 737 | | | 93 737 |
| 1 June 2012 | 58 620 | 18 170 | (32 905) | | 43 885 | | | 43 885 |
| 1 July 2012 | 56 020 | 17 360 | (31 445) | | 41 935 | | | 41 935 |
| 1 August 2012 | | | | | | | 2 782 | 2 782 |
| 1 November 2012 | | | | | | | 267 587 | 267 587 |
| 7 January 2013 | | | | | | | 5 000 | 5 000 |
| 1 March 2013 | | | | | | | 4 855 | 4 855 |
| Unallocated | 685 207 | 212 872 | (384 627) | | 513 452 | | (283 833) | 229 619 |
| | 3 296 657 | 1 021 422 | (1 990 618) | (98 840) | 2 228 621 | (1 097 576) | | 1 131 045 |

# FIVE YEAR REVIEW

| FINANCIAL STATISTICS | | **12 months to 31 March 2013** | 12 months to 31 March 2012 | 12 months to 31 March 2011 | 15 months to 31 March 2010 | 12 months to 31 December 2008 |
|---|---|---|---|---|---|---|
| **TRADING RESULTS** (Rmillion) | | | | | | |
| Revenue | | **14 373** | 12 081 | 9 681 | 11 136 | 7 106 |
| Profit from operations | | **2 145** | 1 921 | 1 338 | 1 691 | 1 132 |
| Other net (expenses)/income | | **(26)** | (43) | 268 | 1 996# | 40 |
| Operating profit | | **2 119** | 1 878 | 1 606 | 3 687 | 1 172 |
| Net financing costs | | **(560)** | (507) | (472) | (452) | (280) |
| Share of associate company's profit/(loss) | | | 1 | (2) | 1 | |
| Profit before tax | | **1 559** | 1 372 | 1 132 | 3 236 | 892 |
| Tax | | **(389)** | (351) | (261) | (208) | (212) |
| Minority shareholders | | **(100)** | (132) | (38) | (130) | (31) |
| Net profit attributable to shareholders | | **1 070** | 889 | 833 | 2 898 | 649 |
| Headline earnings attributable to shareholders | | **1 058** | 891 | 806 | 858 | 583 |
| SOURCE OF CAPITAL (Rmillion) | | | | | | |
| Shareholders' interest | | **8 381** | 6 709 | 4 800 | 4 573 | 3 059 |
| Minority interests in subsidiaries | | **1 371** | 1 087 | 840 | 870 | 276 |
| Equity | | **9 752** | 7 796 | 5 640 | 5 443 | 3 335 |
| Deferred tax | | **1 951** | 1 663 | 1 365 | 1 272 | 582 |
| Borrowings - long and short-term | | **5 559** | 4 996 | 4 275 | 3 180 | 2 585 |
| Non-recourse equity-settled BEE borrowings | | **722** | 737 | 761 | 787 | 792 |
| Provisions | | **654** | 574 | 510 | 546 | 279 |
| Capital employed | | **18 638** | 15 766 | 12 551 | 11 228 | 7 573 |
| EMPLOYMENT OF CAPITAL (Rmillion) | | | | | | |
| Property, plant, equipment, investments and intangibles | | **10 679** | 9 363 | 7 934 | 7 969 | 5 032 |
| Growing crops | | **4 583** | 3 575 | 2 608 | 2 041 | 742 |
| Long-term receivables, pension fund asset and prepayments | | **455** | 409 | 429 | | 196 |
| Inventories receivables and derivative instruments | | **4 667** | 3 843 | 3 170 | 3 218 | 3 358 |
| Cash and cash equivalents | | **917** | 592 | 350 | 140 | 229 |
| Total assets | | **21 301** | 17 782 | 14 491 | 13 368 | 9 557 |
| Current liabilities (excluding short-term borrowings) | | **2 663** | 2 016 | 1 940 | 2 140 | 1 984 |
| | | **18 638** | 15 766 | 12 551 | 11 228 | 7 573 |
| **RATIOS AND STATISTICS** | | | | | | |
| EARNINGS | | | | | | |
| Headline earnings per share - (cents) | | **959,9** | 838,9 | 760,5 | 826,5 | 565,6 |
| Dividends per share - (cents) | | **340,0** | 290,0 | 250,0 | 275,0 | 310,0 |
| Dividend cover - (times) | | **2,8** | 2,9 | 3,0 | 3,0 | 1,8 |
| PROFITABILITY | | | | | | |
| Operating margin | | **14,9%** | 15,9% | 13,8% | 15,2% | 15,9% |
| Return on capital employed | | **12,8%** | 13,9% | 11,5% | 19,3% | 18,8% |
| FINANCE | | | | | | |
| Debt to equity | | **57,0%** | 64,1% | 75,8% | 58,4% | 77,5% |
| Net debt to equity | | **47,6%** | 56,5% | 69,6% | 55,9% | 70,6% |
| SHARES | | | | | | |
| Shares in issue - (millions) | - issued | **109** | 105 | 105 | 104 | 103 |
| | - weighted | **110** | 106 | 106 | 104 | 103 |
| Market capitalisation | - Rmillion | **15 586** | 10 934 | 10 238 | 10 679 | 6 556 |
| Value of shares traded | - Rmillion | **7 348** | 2 833 | 3 173 | 12 490 | 1 609 |
| Share price - (cents) | - balance sheet date | **14 345** | 10 399 | 9 749 | 10 300 | 6 350 |
| | - high | **14 940** | 10 770 | 11 000 | 10 628 | 10 250 |
| | - low | **10 301** | 8 547 | 9 300 | 6 260 | 4 900 |
| Volume of shares traded | - (millions) | **56** | 30 | 34 | 138 | 21 |

# Other income includes the gain of R1,969 billion arising on consolidation of the Zimbabwe subsidiaries during the year ended 31 March 2010.

**PROFIT FROM TONGAAT HULETT OPERATIONS**

Profit from Tongaat Hulett operations comprises results of continuing operations, centrally accounted and consolidation items and included dividends from Triangle prior to the March 2010 reporting period.

**HEADLINE EARNINGS**

Headline earnings are calculated in note 22, in accordance with the South African Institute of Chartered Accountants' Circular 3/2009: Headline Earnings.

**HEADLINE EARNINGS PER SHARE**

Headline earnings divided by the weighted average number of shares in issue.

**OPERATING MARGIN**

Profit from Tongaat Hulett operations expressed as a percentage of revenue.

**RETURN ON CAPITAL EMPLOYED**

Profit from Tongaat Hulett operations expressed as a percentage of average capital employed, excluding capital work in progress.

**DEBT TO EQUITY**

Long and short-term borrowings divided by equity.

**NET DEBT TO EQUITY**

Long and short-term borrowings less cash and cash equivalents divided by equity.

**CAPITAL EMPLOYED**

Equity, minority interests, deferred tax, long and short-term borrowings and provisions.

**TOTAL LIABILITIES**

Long and short-term borrowings, provisions, trade and other payables and derivative liabilities.

# SHARE OWNERSHIP ANALYSIS

at 31 March 2013 Tongaat Hulett Limited

| Number of shareholders | Spread | Shares held | % Held |
|---|---|---|---|
| 8 464 | 1 - 1 000 shares | 3 068 728 | 2,29 |
| 2 860 | 1 001 - 10 000 shares | 8 045 134 | 6,02 |
| 590 | 10 001 - 100 000 shares | 18 681 583 | 13,97 |
| 141 | 100 001 - 1 000 000 shares | 39 806 465 | 29,76 |
| 16 | more than 1 000 000 shares | 64 150 766 | 47,96 |
| 12 071 | Total | 133 752 676 | 100,00 |
| | **Category** | | |
| 117 | Banks | 12 604 071 | 9,42 |
| 2 | BEE Infrastructure and yoMoba SPVs | 25 104 976 | 18,77 |
| 2 | BEE Share Ownership Plans | 1 313 393 | 0,98 |
| 115 | Close Corporations | 148 508 | 0,11 |
| 128 | Endowment Funds | 830 600 | 0,62 |
| 8 458 | Individuals | 8 582 869 | 6,42 |
| 56 | Insurance Companies | 2 922 845 | 2,19 |
| 53 | Investment Companies | 1 312 744 | 0,98 |
| 20 | Medical Aid Funds | 398 784 | 0,30 |
| 205 | Mutual Funds | 32 816 102 | 24,53 |
| 2 144 | Nominees and Trusts | 6 718 329 | 5,02 |
| 68 | Other Corporations | 331 988 | 0,25 |
| 413 | Pension Funds | 39 147 396 | 29,27 |
| 280 | Private Companies | 1 355 036 | 1,01 |
| 6 | Public Companies | 30 537 | 0,03 |
| 4 | Share Schemes | 134 498 | 0,10 |
| 12 071 | Total | 133 752 676 | 100,00 |
| | **Type of shareholder** | | |
| | Non-public | | |
| 5 | Directors and associates of the company | 387 042 | 0,29 |
| 4 | BEE entities | 26 418 369 | 19,75 |
| 4 | Share Schemes | 134 498 | 0,10 |
| 1 | Issuer's retirement funds | 30 676 | 0,02 |
| 14 | Total non-public | 26 970 585 | 20,16 |
| 12 057 | Public | 106 782 091 | 79,84 |
| 12 071 | Total | 133 752 676 | 100,00 |
| | **Beneficial shareholdings over three percent** | | |
| | Public Investment Corporation (GEPF) | 21 325 727 | 15,94 |
| | BEE - TH Infrastructure SPV (Pty) Ltd | 13 947 209 | 10,43 |
| | Allan Gray | 11 771 871 | 8,80 |
| | BEE - yoMoba SPV (Pty) Ltd | 11 157 767 | 8,34 |
| | Investment Solutions | 5 886 327 | 4,40 |

# CORPORATE INFORMATION

Tongaat Hulett Limited
Registration Number: 1892/000610/06
JSE Share Code: TON
ISIN Number: ZAE 000096541

**Company Secretary**

M A C Mahlari

**Business and Postal Address**

Amanzimnyama Hill Road
Tongaat
KwaZulu-Natal
P O Box 3
Tongaat 4400

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Facsimile: +27 31 570 1055
Website: www.tongaat.com
E-mail: info@tongaat.com

**Attorneys**

Bowman Gilfillan
Cox Yeats
Garlicke & Bousfield
Shepstone & Wylie
Taback & Associates

**Independent External Auditors**

Deloitte & Touche

**Internal Auditors**

KPMG

**Sponsor**

Investec Bank Limited
100 Grayston Drive
Sandown
Sandton 2196

**Securities Exchange Listings**

South Africa (Primary):
JSE Limited
United Kingdom (Secondary):
London Stock Exchange

**Transfer Secretaries**

South Africa:
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2001
P O Box 61051
Marshalltown 2107

United Kingdom:
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

# SHAREHOLDERS' DIARY

| | | |
|---|---|---|
| Financial year end | | 31 March |
| Annual general meeting | | July |
| Reports and profit statements: | | |
| Interim results | | November |
| Annual results and final dividend declaration | | May |
| Integrated annual report | | June |
| Dividends: | | |
| Interim | Declared | November |
| | Paid | January |
| Final | Declared | May |
| | Paid | July |

**Notice is hereby given that the one hundred and twenty-first annual general meeting of shareholders will be held at the Corporate Office, Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal on Wednesday 31 July 2013 at 09h00.**

**Order of business**

1. To receive and adopt the annual financial statements of the company for the year ended 31 March 2013, such annual financial statements having been approved by the Board as required by Section 33(c) of the Companies Act 2008 ("the Act"), including the reports of the directors, the Risk, SHE, Social and Ethics Committee, the Audit and Compliance Committee and the auditors, which are presented to the shareholders in the integrated annual report.

2. To re-appoint Deloitte & Touche (with Wentzel Moodley as designated auditor) as external auditors.

3. To re-elect directors in place of J John, R P Kupara, A A Maleiane and M H Munro who retire by rotation in terms of article 61 of the memorandum of incorporation and who, being eligible, offer themselves for re-election. Motions for re-election will be moved individually. Details of each of these retiring directors are set out on pages 60 to 62 of the integrated annual report.

4. To elect the Audit and Compliance committee in terms of the Companies Act 2008. The committee will comprise a minimum of three members. The proposed members of the committee are J John (Chairman), F Jakoet and R P Kupara. Details of each of these committee members are set out on pages 60 to 61 of the integrated annual report.

5. To consider and, if deemed fit, to pass, with or without modification, the following resolutions, subject to the approval of the JSE Limited (JSE):

**Special Resolution Number 1**

"Resolved as a special resolution that:

a. the acquisition by the company of shares or debentures (securities) issued by it on such terms and conditions as the directors of the company may deem fit; and

b. the acquisition by any subsidiary of the company of securities issued by the company on such terms and conditions as the directors of any such subsidiary may deem fit;

be and it is hereby approved as a general approval in terms of JSE Listings Requirements; provided that:

1. the number of ordinary shares acquired in any one financial year shall not exceed five percent of the ordinary shares in issue at the date on which this resolution is passed;

2. such general approval

2.1 shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first, or until varied or revoked prior thereto by special resolution at any general meeting of the company; and

2.2 is subject to compliance with the requirements of sections 46 and 48 of the Companies Act 2008.

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

4. the acquisitions be effected through the order book operated by the JSE trading system;

5. the company appoints, at any point in time, only one agent to effect any acquisition/s on the company's behalf;
6. acquisitions will not be undertaken by the company or its subsidiaries during a prohibited period, as defined by the JSE Listings Requirements;
7. when the company and/or its subsidiaries have cumulatively repurchased three percent of the initial number (the number of that class of shares in issue at the time that general authority from shareholders is granted) of the relevant class of securities, and for each three percent in aggregate of the initial number of that class acquired thereafter, a press announcement must be made giving the details required in terms of the JSE Listings Requirements, in respect of such acquisitions;
8. the company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the company's shares on the open market;
9. before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will

9.1 authorize the general repurchase;

9.2 resolve that the Company has passed the solvency and liquidity test described in Section 4 of the Act; and

9.3 resolve that they are satisfied that the company's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes during the 12 month period referred to in Section 4 of the Act;

10. this 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."

The general information regarding the company, referred to in paragraph 11.26(b) of the JSE Listings Requirements, is contained in the integrated annual report on the page references as follows:

a. directors of the company: pages 60 to 62;
b. major shareholders: page 120;
c. directors' interests in the company's securities: page 108;
d. directors' responsibility statement: page 66;
e. share capital: page 88.

There have been no material changes since 31 March 2013. The company is not a party to any material litigation nor is it aware of any pending material litigation to which it may become a party.

The directors collectively and individually accept full responsibility for the accuracy of the information given and certify, that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of the annual general meeting contains all information required by law and the JSE Listings Requirements.

The effect of special resolution number 1 is to provide a general authority for the company and its subsidiaries to acquire shares issued by it in accordance with the provisions of the Companies Act and the JSE Listings Requirements.

**Ordinary Resolution Number 1**

"Resolved as an ordinary resolution that the directors be and are hereby authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to the approval granted in terms of special resolution number 1."

**Ordinary Resolution Number 2**

"Resolved as an ordinary resolution that the unissued shares in the capital of the company (other than the shares reserved for the purposes of The Tongaat-Hulett Group Limited 2001 Share Option Scheme) be and are hereby placed under the control of the directors of the company who are hereby authorised to allot and issue such shares at their discretion, including for scrip dividend distribution or capital funding optimisation if appropriate, upon such terms and conditions as they may determine, subject to the proviso that the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to five percent of the number of shares in issue at 31 July 2013 and subject to the provisions of the Companies Act and the JSE Listings Requirements."

**Ordinary Resolution Number 3**

"Resolved as an ordinary resolution that subject to the passing of ordinary resolution number 2 and the approval of a 75 percent majority of the votes cast by shareholders present in person or represented by proxy at the annual general meeting at which this resolution is proposed, and the JSE Listings Requirements, the directors of the company be and are hereby authorised and empowered to allot and issue for cash, without restriction, all or any of the unissued shares in the capital of the company placed under their control in terms of ordinary resolution number 2 as they in their discretion may deem fit (including for the reasons explained in ordinary resolution number 2), provided that:

a. this authority shall not extend beyond 15 months from the date of this annual general meeting;
b. a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, five percent or more of the number of ordinary shares of the company's ordinary share capital in issue prior to such issues provided further that such issues shall not in any one financial year exceed five percent of the company's issued ordinary share capital; and
c. in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted shall be ten percent of the weighted average traded price of the shares in question over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period."

**Special Resolution Number 2**

"Resolved as a special resolution that the remuneration, as set out in the table below, to be paid to directors for their service as directors of the company for the ensuing year, as recommended by the Remuneration Committee and the Board, subject to approval by the shareholders at the annual general meeting, be and are hereby approved."

Sections 66(8) and (9) of the Companies Act 2008 provide that the company may pay remuneration to its directors for their service as directors in accordance with a special resolution approved by the shareholders.

Any special committee meeting, if required, would earn the same fees as the Remuneration Committee or Risk, SHE, Social and Ethics Committee.

**Proposed Directors' Fees from 31 July 2013 to 2014 AGM**

| Type of fee | Existing annual fees | | Proposed annual fees from July 2013 AGM to 2014 AGM | |
|---|---|---|---|---|
| | Annual Fixed/Retainer Fee<br>R | Attendance Fee Per Meeting<br>R | Annual Fixed/Retainer Fee<br>R | Attendance Fee Per Meeting<br>R |
| Tongaat Hulett Board: | | | | |
| Chairman | 617 717 | 82 361 | 660 957 | 88 126 |
| Non-Executive Directors | 174 905 | 23 321 | 187 148 | 24 953 |
| Audit and Compliance Committee: | | | | |
| Chairman | 171 723 | 38 161 | 183 743 | 40 832 |
| Non-Executive Directors | 85 870 | 19 078 | 91 880 | 20 413 |
| Remuneration Committee: | | | | |
| Chairman | 137 009 | 30 432 | 146 600 | 32 562 |
| Non-Executive Directors | 68 499 | 15 216 | 73 294 | 16 281 |
| Risk, SHE, Social and Ethics Committee | | | | |
| Chairman | 137 009 | 30 432 | 146 600 | 32 562 |
| Non-Executive Directors | 68 499 | 15 216 | 73 294 | 16 281 |

**Special Resolution Number 3**

The company acts, inter alia, as treasury manager to its subsidiary and associate companies providing financial assistance, including in the form of inter-company loans and the guaranteeing of their debts, as and when appropriate in the course of business.

"Resolved as a special resolution that the directors be and are hereby granted the authority, subject to and as required in terms of the provisions of section 45 of the Companies Act 2008, as amended, to authorise the company to provide direct or indirect financial assistance (as defined in the Companies Act) that the directors may deem fit to any related or inter-related company or corporation of the company (as defined in the Companies Act), on the terms and conditions and for amounts that the directors may determine."

Prior to the commencement of the Companies Act 2008 on 1 May 2011, the directors were entitled in general to authorise the company to provide such financial assistance without the need to obtain shareholder approval. The above special resolution number 3 (approved by shareholders for the first time in 2011) grants the directors the authority (in place for a period of two years from the date of its adoption) now required by the Companies Act to authorise the company to provide financial assistance for purposes of funding group activities. It does not authorise the provision of financial assistance to a director or prescribed officer of the company.

In order for this special resolution number 3 to be adopted, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution is required.

**Non-binding advisory vote on remuneration policy**

"Resolved to endorse, through a non-binding advisory vote, the company's remuneration policy and its implementation as set out in the Remuneration report contained on pages 57 to 58 of this integrated annual report."

6. To transact such other business as may be transacted at a general meeting.

**Voting**

Any shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such shareholder's stead.

Should any shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such shareholder should timeously inform his CSDP or broker for the purposes of obtaining the necessary letter of representation from such shareholder's CSDP or broker to attend the annual general meeting or timeously provide such shareholder's CSDP or broker with such shareholder's voting instruction in order for the CSDP or broker to vote on such shareholder's behalf at the annual general meeting. A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed should be forwarded to reach the transfer secretaries of the company, by no later than 09h00 on Monday 29 July 2013. The completion of a proxy form will not preclude a member from attending the meeting.

By order of the Board

**M A C Mahlari**

Company Secretary

Amanzimnyama

Tongaat, KwaZulu-Natal

23 May 2013

Tongaat Hulett

Registration Number: 1892/000610/06   Share Code: TON   ISIN: ZAE000096541

# FORM OF PROXY FOR ANNUAL GENERAL MEETING

Note: All beneficial shareowners that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must NOT COMPLETE THIS FORM.

Instead, they must either provide the CSDP or broker with their voting instructions, or alternatively, should they wish to attend the meeting themselves, they may request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

A member entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy to attend, speak and, on a poll, to vote in his stead. A proxy need not be a member of the company.

I / We ............................................................................................................
(Name in block letters)

of ............................................................................................................
(Address in block letters)

being the holder/holders of............................................................ ordinary shares in Tongaat Hulett Limited do hereby appoint

............................................................................................................

or failing him, Mr J B Magwaza or failing him, Mr P H Staude as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held at 09h00 on Wednesday 31 July 2013 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, at each adjournment thereof and to vote on the resolutions in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions.

| Proposed resolution | For | Against | Abstain |
|---|---|---|---|
| Adoption of financial statements. | | | |
| Re-appointment of Deloitte & Touche as auditors (with Mr W Moodley as designated auditor). | | | |
| Re-election of directors: | | | |
| J John | | | |
| R P Kupara | | | |
| A A Maleiane | | | |
| M H Munro | | | |
| Election of Audit and Compliance Committee until the next AGM: | | | |
| J John | | | |
| F Jakoet | | | |
| R P Kupara | | | |
| Special Resolution Number 1 authorising the repurchase of issued ordinary shares to a maximum of five percent in any year. | | | |
| Ordinary Resolution Number 1 authorising directors to give effect to Special Resolution No.1 | | | |
| Ordinary Resolution Number 2 authorising the placing of unissued share capital under the control of directors to a maximum of five percent of the issued share capital. | | | |
| Ordinary Resolution Number 3 authorising directors to issue for cash unissued shares in terms of Ordinary Resolution No. 2. | | | |
| Special Resolution Number 2 authorising the remuneration payable to directors for their service as directors of the company. | | | |
| Special resolution Number 3 giving authority to directors to authorise the company, which acts, inter alia, as treasury manager to its subsidiaries and associates, to provide funding assistance as per section 45 of the Companies Act. | | | |
| Non-binding advisory vote endorsing the company's remuneration policy. | | | |

Signed this ............................ day of ............................ 2013   Signature ............................

Completed forms of proxy must be received at the office of the company's transfer secretaries by not later than 09h00 on Monday, 29 July 2013.

South Africa: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

United Kingdom: Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

**Notes:**

1. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.

2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chair of the annual general meeting.

3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.

5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.

Sugarcane cutters Wellness Day - Tongaat

Tongaat Hulett

www.tongaat.com