

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

	Consolidated		Company	
	2016	2015	2016	2015
Financing costs:				
Interest paid - external	(778)	(685)	(631)	(524)
Interest capitalised	28	1	28	1
Interest paid - subsidiaries			(101)	(113)
	(750)	(684)	(704)	(636)
Finance income:				
Interest received - external	70	67	6	14
Net financing costs	(680)	(617)	(698)	(622)

**21. TAX** (Rmillion)

	Consolidated		Company	
	2016	2015	2016	2015
Earnings before capital profits:				
Current	287	260	14	13
Deferred	65	161	(66)	(17)
Prior years	3	1	2	
	355	422	(50)	(4)
Capital profits:				
Current	1			
Deferred	2	3	2	3
	3	3	2	3
Tax charge/(relief) for the year	358	425	(48)	(1)
Foreign tax included above	84	194	14	13
Reconciliation of statutory rate to effective rate:				
Tax charge at normal rate of South African tax	316	412	60	145
Adjusted for:				
Non-taxable income and permanent allowances/ deductions	(37)	(56)	(141)	(164)
Assessed losses of foreign subsidiaries	9	10		
Non-allowable expenditure	26	33	9	9
Foreign tax rate variations	15	12		
Foreign withholding tax	10	10	7	6
Capital gains	16	3	15	3
Prior years	3	1	2	
Tax charge/(relief)	358	425	(48)	(1)
Normal rate of South African tax	28,0%	28,0%	28,0%	28,0%
Adjusted for:				
Non-taxable income and permanent allowances/ deductions	(3,3)	(3,8)	(65,8)	(31,7)
Assessed losses of foreign subsidiaries	0,8	0,7		
Non-allowable expenditure	2,3	2,2	4,2	1,7
Foreign tax rate variations	1,3	0,8		
Foreign withholding tax	0,9	0,7	3,2	1,2
Capital gains	1,4	0,2	7,0	0,6
Prior years	0,3	0,1	1,0	
Effective rate of tax	31,7%	28,9%	(22,4%)	(0,2%)

## NOTES TO THE FINANCIAL STATEMENTS continued

### 22. HEADLINE EARNINGS (Rmillion)

	Consolidated	
	2016	2015
Profit attributable to shareholders	820	989
Less after tax effect of:	(37)	(44)
Capital profit on disposal of land and buildings	(42)	(48)
Capital profit on other items		(2)
Loss on disposal of property, plant and equipment	4	4
	(38)	(46)
Minority (non-controlling) interest	(1)	
Tax charge on capital profit on sale of land	3	3
Tax charge on disposal of other fixed assets	(1)	(1)
Headline earnings	783	945
Headline earnings per share (cents)		
Basic	678,1	826,1
Diluted	678,1	826,1

### 23. EARNINGS PER SHARE

Earnings and headline earnings per share are calculated using the weighted average number of relevant ordinary shares in issue during the year. The weighted average number of shares in issue during the year for both basic earnings per share and diluted earnings per share was 115 471 378 (2015: 114 388 093).

### 24. DIVIDENDS (Rmillion)

	Consolidated		Company	
	2016	2015	2016	2015
Ordinary share capital				
Final for previous year, paid 25 June 2015: 210 cents (2015: 210 cents)	283	231	283	231
Interim for current year, paid 4 February 2016: 170 cents (2015: 170 cents)	229	229	229	229
A preferred ordinary share capital				
Interim for previous year, paid 30 June 2014: 223 cents		28		28
	512	488	512	488
Less dividends relating to BEE SPV consolidation shares	(95)	(71)		
	417	417	512	488

The final ordinary dividend for the year ended 31 March 2016 of 60 cents per share declared on 26 May 2016 and payable on 30 June 2016 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, amortised cost or amounts that approximate fair value.

Categories of financial instruments	Consolidated		Company	
	2016	2015	2016	2015
Financial assets				
Derivative instruments in designated hedge accounting relationships	60	1	60	1
Unlisted shares	26	27		
Loans and receivables at amortised cost	5 242	3 808	1 467	1 308
Cash and cash equivalents	1 877	1 668	100	97
	<b>7 205</b>	<b>5 504</b>	<b>1 627</b>	<b>1 406</b>
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	1	28	1	28
Financial liabilities at amortised cost	10 788	8 688	8 517	6 687
Non-recourse equity-settled BEE borrowings	605	654		
	<b>11 394</b>	<b>9 370</b>	<b>8 518</b>	<b>6 715</b>

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. The gross carrying amounts of financial assets best represent the maximum exposure to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 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 other than in respect of the land conversion activities where legal ownership of the underlying land asset is usually only transferred to the purchaser on receipt of the full proceeds. A summarised age analysis of past due debtors is set out below.

	Consolidated		Company	
	2016	2015	2016	2015
Less than 1 month	77	41	30	25
Between 1 to 2 months	15	13	2	2
Between 2 to 3 months	12	6	2	
Greater than 3 months	266	319	4	3
Total past due	370	379	38	30

#### Provision for doubtful debts

Set out below is a summary of the movement in the provision for doubtful debts for the year:

Balance at beginning of year	25	21	2	1
Currency alignment	3	2		
Amounts written-off	(2)		(2)	
Increase in allowance recognised in profit or loss	10	2	4	1
Balance at end of year	36	25	4	2

#### 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 the 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 and are accounted for as cash flow hedges.

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

	Consolidated				Company			
	Average contract rate	Commitment (Rmillion)	2016 Fair value of FEC (Rmillion)	2015 Fair value of FEC (Rmillion)	Average contract rate	Commitment (Rmillion)	2016 Fair value of FEC (Rmillion)	2015 Fair value of FEC (Rmillion)
<b>Imports</b>								
US Dollar	15,51	1		1	15,51	1		1
Euro	17,33	1			17,33	1		
<b>Exports</b>								
US Dollar	15,78	10	6	(4)	15,78	10	6	(4)
Net total			6	(3)			6	(3)

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.

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)	2016 Fair value of FEC (Rmillion)	2015 Fair value of FEC (Rmillion)	Average contract rate	Commitment (Rmillion)	2016 Fair value of FEC (Rmillion)	2015 Fair value of FEC (Rmillion)
<b>Imports</b>								
US Dollar	16,10	1	(1)		16,10	1	(1)	
Euro	15,42	1			15,42	1		
UK Pound	22,16	4			22,16	4		
<b>Exports</b>								
US Dollar	15,64	45	2		15,64	45	2	
Net total			1				1	

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

Tongaat Hulett has the following uncovered foreign receivables:

	Consolidated			Company		
	Foreign amount (million)	2016 (Rmillion)	2015 (Rmillion)	Foreign amount (million)	2016 (Rmillion)	2015 (Rmillion)
Australian Dollar	6	68	42	6	68	42
New Zealand Dollar	1	7	3	1	7	
US Dollar			8			8
		75	53		75	50

The impact of a 10% strengthening or weakening of the Rand on the uncovered Australian Dollar receivable will have a R7 million (2015: R4 million) impact on profit before tax and a R5 million (2015: R3 million) impact on equity. The impact of a 10% strengthening or weakening of the Rand on the uncovered New Zealand Dollar receivable will have a R1 million (2015: nil) impact on profit before tax and a R1 million (2015: nil) 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 2016 and a significant portion of its requirements for the period to 31 May 2017 by using a combination of unpriced procurement contracts and purchases and sales of maize futures.

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

	Consolidated				Company			
	Tons	Contract value (Rmillion)	2016 Fair value (Rmillion)	2015 Fair value (Rmillion)	Tons	Contract value (Rmillion)	2016 Fair value (Rmillion)	2015 Fair value (Rmillion)
<b>Futures - hedge accounted:</b>								
Maize futures sold	49 400	217	67	(32)	49 400	217	67	(32)
Maize futures purchased	42 800	137	(15)	8	42 800	137	(15)	8
			52	(24)			52	(24)
Period when cash flow is expected to occur			2016/17	2015/16			2016/17	2015/16
When expected to affect profit or loss			2016/17	2015/16			2016/17	2015/16
Gain/(loss) recognised in equity during the year			7	(2)			7	(2)

## NOTES TO THE FINANCIAL STATEMENTS continued

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

#### Growing crops fair value measurement

Growing crops, comprising roots and standing cane, are measured at fair value which is determined using unobservable inputs and is categorised as Level 3 under the fair value hierarchy. The fair value of roots is determined on a current amortised cost basis, which is adjusted for cost increases, and the amortisation takes place over the life of the roots (between 6 and 12 years). The fair value of standing cane is determined by the growth of the cane, an estimate of the yield of the standing cane, sucrose content, selling prices, less costs to harvest and transport, over-the-weighbridge costs and costs into the market. Changes in the fair value are included in profit or loss, with a benefit of R237 million (2015: R96 million) being recognised in profit or loss in the current year. A reconciliation of the change in fair value for the year is included in note 2.

The effect of an increase in yield or in selling prices will result in an increase in the fair value of the standing cane. The key unobservable inputs, used in determining fair value and which are not interrelated, are yield of the standing cane of 73 tons per hectare (2015: 83 tons per hectare), and prices. For commercial reasons, selling prices cannot be disclosed. A change in yield of one ton per hectare would result in a R37 million (2015: R25 million) change in fair value while a change of one percent in the cane price would result in a R33 million (2015: R26 million) change in fair value.

#### 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 R27 million (2015: R21 million) effect on profit before tax and a R20 million (2015: R15 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 R2,43 billion (2015: R2,55 billion). Tongaat Hulett continues to meet the covenants associated with its long-term unsecured South African debt facilities.

Maturity profile of 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
<b>2016</b>							
Bank loans	9,1%	3 451 *	1 993	2 162		(998)	6 608
Foreign loans	9,8%	236	63	125		(59)	365
Other borrowings	8,7%	392				(16)	376
Financial lease liability	11,5%	2	1	1		(1)	3
Other non-interest bearing liabilities		3 433			3		3 436
Net settled derivatives		1					1
<b>Total for Tongaat Hulett</b>		<b>7 515</b>	<b>2 057</b>	<b>2 288</b>	<b>3</b>	<b>(1 074)</b>	<b>10 789</b>
Non-recourse equity-settled BEE borrowings		623				(18)	605
<b>Total including SPV debt</b>		<b>8 138</b>	<b>2 057</b>	<b>2 288</b>	<b>3</b>	<b>(1 092)</b>	<b>11 394</b>
<b>2015</b>							
Bank loans	8,0%	1 699	1 749	2 754		(1 023)	5 179
Foreign loans	10,1%	303	61	182		(73)	473
Other borrowings	7,4%	255				(9)	246
Financial lease liability	9,2%	2	1	2		(1)	4
Other non-interest bearing liabilities		2 782			4		2 786
Net settled derivatives		28					28
<b>Total for Tongaat Hulett</b>		<b>5 069</b>	<b>1 811</b>	<b>2 938</b>	<b>4</b>	<b>(1 106)</b>	<b>8 716</b>
Non-recourse equity-settled BEE borrowings		666				(12)	654
<b>Total including SPV debt</b>		<b>5 735</b>	<b>1 811</b>	<b>2 938</b>	<b>4</b>	<b>(1 118)</b>	<b>9 370</b>

\* Comprises mainly ongoing short-term loans subject to 365-day notice, which has not been served and therefore unlikely to become due in the next year.

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

Name	Principal activity	Interest of holding company			
		Equity		Indebtedness	
		2016	2015	2016	2015
Tongaat Hulett Starch (Pty) Ltd	Wet maize milling, starch & glucose manufacturing operation	15	15	56	35
Tongaat Hulett Developments (Pty) Ltd Tongaat Hulett Estates (Pty) Ltd	Land & property development activities			(792)	(922)
Tongaat Hulett Sugar SA Limited Tambankulu Estates Limited (Swaziland) Tongaat Hulett Acucareira de Mocambique, SA (Mozambique) (85%) Tongaat Hulett Acucareira de Xinavane, SA (Mozambique) (88%) Tongaat Hulett Acucar Limitada (Mozambique) Triangle Sugar Corporation Limited (Zimbabwe) Triangle Limited (Zimbabwe) Hippo Valley Estates Limited (Zimbabwe) (50,3%)	Agriculture, raw sugar production, refining, packaging and production of liquid and dry speciality sugars	4 238	4 238	968	646
The Tongaat Group Limited		54	54	(59)	(59)
		<b>4 307</b>	<b>4 307</b>	<b>173</b>	<b>(300)</b>

Except where otherwise indicated, principal country of business is South Africa and effective participation is 100 percent. A full list of all subsidiaries and joint operations is available from the company secretary on request.

### Non-wholly owned subsidiary with material non-controlling interests: Hippo Valley Estates Limited (Zimbabwe)

Hippo Valley Estates Limited is listed on the Zimbabwe Stock Exchange. It is engaged in the growing and milling of sugarcane and other farming operations.

	Consolidated	
	2016	2015
<b>Summarised financial information as consolidated in Tongaat Hulett's financial statements:</b>		
Non-current assets	4 001	3 378
Current assets	1 214	1 260
Non-current liabilities	(1 682)	(1 672)
Current liabilities	(386)	(231)
Equity attributable to Tongaat Hulett	(1 584)	(1 356)
Non-controlling interests	1 563	1 379
Revenue	1 614	1 621
(Loss)/profit attributable to Tongaat Hulett	(66)	37
(Loss)/profit attributable to non-controlling interests	(65)	36
(Loss)/profit for the year	(131)	73

## NOTES TO THE FINANCIAL STATEMENTS continued

<b>Summarised financial information</b> continued	Consolidated	
	2016	2015
Other comprehensive income attributable to Tongaat Hulett	293	178
Other comprehensive income attributable to non-controlling interests	289	176
Other comprehensive income for the year	582	354
Total comprehensive income attributable to Tongaat Hulett	227	215
Total comprehensive income attributable to non-controlling interests	224	212
Total comprehensive income for the year	451	427
Net cash flow from operating activities	(52)	389
Net cash flow from investing activities	(72)	(406)
Net cash flow from financing activities	(137)	24
Net cash (outflow)/inflow for the year	(261)	7

<b>27. GUARANTEES AND CONTINGENT LIABILITIES</b> (Rmillion)	Consolidated		Company	
	2016	2015	2016	2015
Guarantees in respect of obligations of Tongaat Hulett and third parties	101	33	53	6

<b>28. LEASES</b> (Rmillion)	Consolidated		Company	
	2016	2015	2016	2015
<b>Amounts payable under finance leases</b>				
Minimum lease payments due:				
Not later than one year	2	2	2	2
Later than one year and not later than five years	2	3	2	3
	4	5	4	5
Less future finance charges	(1)	(1)	(1)	(1)
Present value of lease obligations	3	4	3	4
Payable:				
Not later than one year	1	1	1	1
Later than one year and not later than five years	2	3	2	3
	3	4	3	4
<b>Operating lease commitments, amounts due:</b>				
Not later than one year	36	30	33	27
Later than one year and not later than five years	39	52	38	48
	75	82	71	75
In respect of:				
Property	36	39	33	33
Plant and machinery		3		4
Other	39	40	38	38
	75	82	71	75



**29. CAPITAL EXPENDITURE COMMITMENTS** (Rmillion)

	Consolidated		Company	
	2016	2015	2016	2015
Contracted	196	163	83	74
Approved but not contracted	213	478	153	388
	<b>409</b>	<b>641</b>	<b>236</b>	<b>462</b>

These commitments relate to expenditure on property, plant, equipment and intangible assets (SAP ERP). 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	
	2016	2015	2016	2015
Goods and services:				
Between the company and its subsidiaries			519	605
Administration fees and other income:				
Between the company and its subsidiaries			111	188
Transacted with/between joint operations within Tongaat Hulett	3	2		
Paid to external related parties	5	5		
Interest received/paid:				
Paid by the company to its subsidiaries			101	113
Transacted with/between joint operations within Tongaat Hulett	4	4		
Sales of fixed assets:				
Between the company and its subsidiaries			140	93
Loan balances:				
Between the company and its subsidiaries			173	300
Pension Fund loan	85	79	85	79
Dividends received:				
Between the company and its subsidiaries			333	425

## Other related party information:

Total dividends paid - refer to note 24

Executive directors/key management personnel - refer to pages 75 to 76 and 81 to 82 of the Remuneration Report

Non-executive directors - refer to page 76 of the Remuneration Report

Tongaat Hulett Developments is a guarantor on Tongaat Hulett Limited's South African long-term unsecured loan facility - refer to note 14.

