Tongaat Hulett

INTEGRATED ANNUAL REPORT 2017

VALUE CREATION FOR ALL STAKEHOLDERS THROUGH AN ALL-INCLUSIVE APPROACH TO GROWTH AND DEVELOPMENT

CONTENTS

ABOUT THIS REPORT

Tongaat Hulett endorses the principles of transparency and accountability, and particularly the concomitant commitment to report on the business's performance, strategy and prospects in a manner that is meaningful to all stakeholders.

This integrated annual report is Tongaat Hulett's primary communication to shareholders, investors and analysts, farmers, government authorities and regulators, local communities, employees, customers, suppliers and service providers. It provides an overview of Tongaat Hulett's financial and non-financial performance for the 12 months ended 31 March 2017, with comparative data for the prior period.

MATERIALITY PROCESS

The content of the integrated annual report was developed by considering regulatory requirements, guidelines, previous reports and a combination of feedback from internal subject matter experts, stakeholder expectations and analysis of the external environment, as well as a materiality determination process that included a diverse group of stakeholders. The principles embodied in the King Report on Governance for South Africa and the King Code on Governance Principles 2009 (King III), the International Integrated Reporting Framework and the Global Reporting Initiative's (GRI) Standards contributed to the compilation of this report. Matters that have a high likelihood of impacting the company's ability to create value in the short, medium and long term were considered material.

ASSURANCE AND APPROVAL

Tongaat Hulett has adopted a combined assurance strategy and framework to provide assurance to the Board on the company's performance in the context of material matters in its operating environment. The Audit and Compliance, Risk, SHE and Social and Ethics Committees consider all material matters facing the company to ensure that these are adequately managed and that internal assurance activities are integrated and co-ordinated efficiently and proficiently. The following service providers provided external assurance of various elements of the integrated annual report:

- Annual financial statements - Deloitte & Touche
- Review of internal controls and risk review - KPMG
- Sustainability - Environmental Resources Management (ERM)
- B-BBEE contributor level - AQRate Verification Services

This report is the product of several iterative processes of approval and refinement, with oversight at executive level. It was approved by the Board for release to shareholders on 25 May 2017.

CAPITALS OF VALUE CREATION

Tongaat Hulett's impact on and contributions to the six capitals of value creation described in the International Integrated Reporting Framework are addressed in an integrated manner throughout this report.

The following table provides an overview of how the capitals are indicated in the report and where the bulk of the commentary pertaining to each can be found:

MANUFACTURED CAPITAL	Tongaat Hulett profile	Page 8
FINANCIAL CAPITAL	Financial and operations review	Page 31
HUMAN CAPITAL	Human resources Stakeholder relationships	Page 38 Page 46
SOCIAL AND RELATIONSHIP CAPITAL	Stakeholder relationships	Page 46
INTELLECTUAL CAPITAL	Intellectual property	Page 54
NATURAL CAPITAL	Environment	Page 56

Tongaat Hulett's GRI Index provides a thorough breakdown of the financial and non-financial information which the company has reported and is available for download at www.tongaat.com/annualreport2017/gri.pdf.

REQUEST FOR FEEDBACK

Tongaat Hulett would like to hear from all stakeholders on their views of the 2017 integrated annual report, including the accessibility of the information provided and opportunities to expand and improve the company's future reporting.

Please contact Corporate Communications, Tongaat Hulett, PO Box 3, Tongaat, 4400, South Africa (email: info@tongaat.com / telephone +27 32 439 4365)

FURTHER DETAILS

This icon indicates where more details can be accessed online

This icon indicates where more details can be accessed elsewhere in this report

The electronic version of this 2017 integrated annual report and other relevant documents are available at www.tongaat.com

AT A GLANCE

AGRICULTURE AND AGRI-PROCESSING (SUGARCANE/SUGAR AND MAIZE/STARCH) WITH RENEWABLE ENERGY OPPORTUNITIES (ELECTRICITY GENERATION AND ETHANOL PRODUCTION)

PORTFOLIO OF LAND FOR CONVERSION (UNIQUE PORTFOLIO AND WELL-ESTABLISHED DEVELOPMENT PLATFORM IN KWAZULU-NATAL)

OPERATIONS LOCATED IN SIX COUNTRIES IN SUB-SAHARAN AFRICA

LARGEST PRIVATE SECTOR EMPLOYER IN BOTH MOZAMBIQUE AND ZIMBABWE

APPROXIMATELY ONE MILLION PEOPLE IN SOUTH AFRICA ARE DIRECTLY IMPACTED BY THE SOUTH AFRICAN SUGAR INDUSTRY

Agriculture and agri-processing is a fundamental element of socio-economic development in Africa - particularly in the development of rural communities, farming activities, food security and water management, housing and land conversion to development as urban areas expand. This is also linked to the socio-political dynamics of the region.
Tongaat Hulett is well positioned in the nexus of these dynamics.

TONGAAT HULETT CREATES VALUE FOR ALL STAKEHOLDERS THROUGH AN ALL-INCLUSIVE APPROACH TO GROWTH AND DEVELOPMENT, WHICH FOLLOWS THE INTERCONNECTED NATURE OF ITS ACTIVITIES

STARCH OPERATIONS

- 630 000 tons of maize converted to starch and glucose per annum
- Available wet-milling capacity and enhanced product mix
- Only wet-miller of maize in Africa south of Egypt

SUGAR OPERATIONS

- 201 153 hectares (own and third-party) of sugarcane supplying eight Tongaat Hulett sugar mills
- Intensive agricultural improvement programmes to grow cane yields and increase sugar production
- Low-cost incremental sugar production from existing 2 million tons milling capacity

LAND CONVERSION AND DEVELOPMENT ACTIVITIES

- 7 709 hectares of developable land identified for conversion
- Act 70 of 1970 approvals (release from agriculture for development) on some 3 582 developable hectares
- 1 314 developable hectares in the portfolio have EIA approval, while a further 1 100 developable hectares are well advanced in EIA processes

CONSTRUCTIVE INTERFACE WITH GOVERNMENTS AND SOCIETY

SALIENT FINANCIAL FEATURES 2016/17

REVENUE	OPERATING PROFIT	HEADLINE EARNINGS	CASH FLOW FROM OPERATIONS	ANNUAL DIVIDEND
R17,915 BILLION	R2,333 BILLION	R982 MILLION	R3,176 BILLION	300 CENTS PER SHARE
+7,4%	+39,8%	+44,6%	+70,5%	+30,4%
(2016: R16,676 BILLION^)	(2016: R1,669 BILLION^)	(2016: R679 MILLION^)	(2016: R1,863 BILLION^)	(2016: 230C / SHARE)

THE RESULTS FOR THE YEAR ENDED 31 MARCH 2017 SHOW

- an improvement in sugar revenue and operating profit under difficult conditions
- starch operations negatively impacted by maize costs that traded at import parity levels as a result of the past season's drought
- sales concluded in land conversion and developments lower than the prior year
- operating cash flow, after working capital movements, advanced substantially

SUGAR OPERATIONS

- Operating profit of R1,271 billion (2016: loss of R15 million)
- Sugar production totaled 1 056 000 tons (2016: 1 023 000 tons)
- Volumes impacted by low cane yields due to drought and poor growing conditions

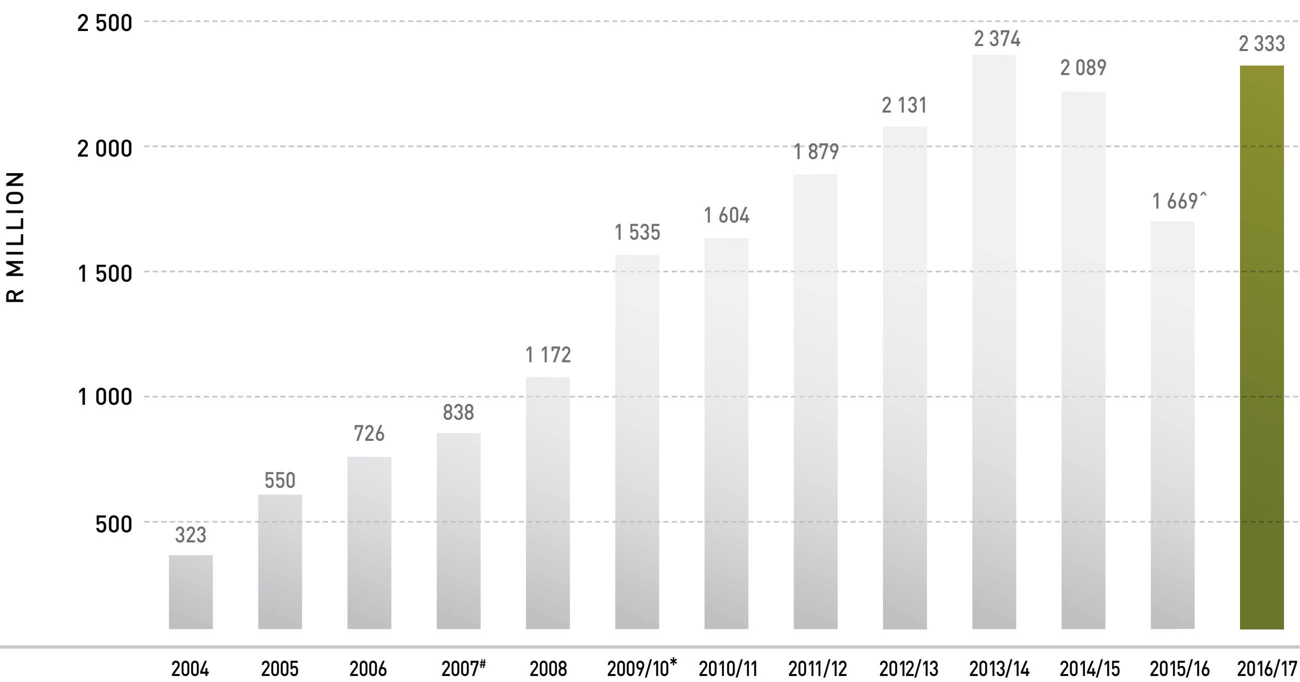
STARCH OPERATIONS

- Operating profit of R510 million (2016: R658 million)
- Margins negatively impacted in the second half of the year by maize costs which were at import parity levels
- Improved sales mix achieved by replacement of imported volumes with local production and ongoing market development, offset by lower volumes as the prevailing economic climate led to lower consumer demand

LAND CONVERSION AND DEVELOPMENT ACTIVITIES

- The sale of 75 developable hectares resulted in operating profit of R641 million (2016: R1,115 billion from the sale of 121 developable hectares)
- Negotiations on some 233 developable hectares are underway, representing profit potential of around R1,58 billion

OPERATING PROFIT



2007 and prior: profit from Tongaat Hulett operations within the old Tongaat-Hulett Group * Change in financial year end from December to March
^Restated for revised international financial reporting standards on accounting for sugarcane roots (IAS 41 and IAS 16)

INVESTMENT CASE

Tongaat Hulett strives to be a proactive and resilient organisation working in collaboration with all its stakeholders in a focused, constructive, mutual value-adding and developmental manner. It has operations in six countries in the Southern African Development Community (SADC), significant sugarcane and maize processing facilities, a unique land conversion platform, a sizeable animal feeds thrust and possibilities to further grow ethanol and electricity generation.

TONGAAT HULETT'S STRATEGIC POSITIONING AND OBJECTIVES FOCUS ON THE FOLLOWING KEY POINTS:

INCREASING RETURNS FROM THE SUGAR ASSET BASE - RECOVERING CANE YIELDS, GROWING SUGAR PRODUCTION, USING EXISTING CAPACITY, WITH LOW INCREMENTAL COSTS

- The primary focus is on increasing cane supplies through higher yields from existing hectares under cane, which benefit when there are better growing conditions. It further entails improving sugar content/extraction, leading to additional sugar production which typically has a low incremental cost as milling and agricultural costs per hectare are mostly fixed.
- Weather and growing conditions over the past two years have masked substantial progress made with intensive agricultural improvement programmes, increased hectares under cane, irrigation efficiency and power reliability. The estimated impact is an increase of some 500 000 tons of annual sugar production.
- The existing sugarcane footprint, with regular growing conditions, the agricultural improvement programmes and the completion of the few new planting partnership initiatives underway, should produce some 1 650 000 tons of sugar. Tongaat Hulett's objective is to continue with these actions until it fully uses its installed milling capacity of more than 2 000 000 tons per annum.
- An early season estimate for total sugar production in 2017/18 is between 1 176 000 tons and 1 278 000 tons, compared to 1 056 000 tons in 2016/17. Total sugar production is expected to recover over two years, to between some 1 485 000 and 1 588 000 tons in 2018/19. Tongaat Hulett's marginal cost of additional sugar production is typically some US$100 per ton from own cane (40%) and US$280 per ton from third-party cane (60%). Realisations, ex-mill, based on current regional and EU market dynamics are approximately US$390 per ton.
- The decrease in costs achieved over the previous four years (equivalent to some R1,45 billion in real terms) provides good momentum for ongoing cost reduction in the sugar operations. Unit costs of sugar production will benefit substantially from future volume increases.
- The recent completion in Zimbabwe of the Tokwe-Mukorsi dam and, in Mozambique (Xinavane), the raising of the Corumana dam wall and the construction of the new Moamba dam on the Incomati river, will diversify the water catchment area and provide increased stability in future water supply.
- Tongaat Hulett benefits from multiple market positions, strong brands, distribution, packing and market opportunities in local, regional, African, EU and other international markets.
- Domestic markets, where Tongaat Hulett produces sugar, remain a key focus. There has been some progress in South Africa and significant success in Zimbabwe and Mozambique with the required protection from imports, with government support.
- Key market positions and experience in both the region (southern and eastern Africa) and the EU will drive the sale of additional sugar. Tongaat Hulett is developing and expanding its positions in regional deficit markets, where a premium is earned over world market prices, as well as broadening its footprint in key value-add markets in the EU where it enjoys preferential access.

STARCH AND GLUCOSE - MORE COMPETITIVE MAIZE AND BETTER VOLUME PROSPECTS

- The starch and glucose operation is well-positioned strategically and is focused on growing its sales volume, as it consolidates its gains from replacement of imports in the coffee and coffee creamer and other sectors. It continues enhancing its product mix and developing opportunities which have been identified and targeted for growth through exports.
- Working together with customers, further opportunities are being targeted for growth through customer exports. Market development to increase the production of value added modified starches is progressing.
- These initiatives are underpinned by improving use of available capacity and the efficiency of operations.

VALUE CREATION FROM LAND CONVERSION AND DEVELOPMENT

- Tongaat Hulett has a unique land portfolio and well-established development platform in the fastest growing area of KwaZulu-Natal.
- The value creating capability of the land conversion activities continues to increase, with good progress in the important value drivers.
- The positive, constructive and inextricable link to sugarcane farming activities and rural socio-economic development is maintained. Over the past five years 24 560 hectares of new cane land have been planted, mainly in communal areas.
- 3 582 developable hectares have been released from agriculture (Act 70 of 1970) out of the 7 709 developable hectares in the portfolio. Currently 1 314 developable hectares have environmental impact assessment (EIA) approvals, with a further 1 100 developable hectares being well advanced in EIA processes.
- Negotiations on some 233 developable hectares are currently underway, representing profit potential of around R1,58 billion.

LEADERSHIP AND STRENGTH OF MANAGEMENT TEAM

- Ability and multiple advanced core competencies, good governance, strong executive and Board leadership.

SOCIO-ECONOMIC POSITIONING AND CONSTRUCTIVE INTERFACE WITH GOVERNMENTS AND SOCIETY

- Tongaat Hulett's strategic positioning in the region is underpinned by the fundamental link between agriculture, sugar production, rural jobs and community development, government and local authorities, unlocking infrastructure investment, and the conversion of cane land to development.

STRONG BALANCE SHEET WITH HIGH QUALITY ASSETS

- Increase ROCE through growth in operating profit and cash flow from existing asset base.

ADDITIONAL FUTURE GROWTH OPPORTUNITIES

- Expand white sugar refining capacity, replacing imports.
- Increased beneficiation of molasses and fibre into animal feeds, electricity, fuel ethanol and potable alcohol.
- Ethanol production - to replace export sugar.
- Electricity generation - to generate more electricity from sugarcane fibre than at present, using modern technology.

BUSINESS MODEL

PEOPLE | LAND | COMMUNITIES

BUSINESS PROCESSES AND INPUTS

MAIZE SUPPLIES

SUGARCANE FARMING AND SUPPLIES

MILLING

PRODUCTION

DISTRIBUTION

AGRICULTURAL LAND IDENTIFIED FOR DEVELOPMENT

CONVERSION AND DEVELOPMENT ACTIVITIES OVER TIME

SOCIO-ECONOMIC DEVELOPMENT

SOCIAL SUSTAINABILITY AND INNOVATION

SHARED VALUE PARTNERSHIPS WITH GOVERNMENT AND COMMUNITIES

SYNERGIES, PRODUCT INNOVATION AND SOCIO-ECONOMIC DEVELOPMENT

OUTPUTS

STARCH PRODUCTS

SUGAR PRODUCTS

ANIMAL FEEDS

CO-PRODUCTS

RENEWABLE ENERGY - ELECTRICITY AND ETHANOL

SHOVEL READY LAND USED TO ENABLE THIRD-PARTY INVESTMENT IN MULTIPLE MARKET SECTORS

OUTCOMES

SUSTAINABLE REGIONAL DEVELOPMENT

EMPLOYMENT AND ECONOMIC ACTIVITY

FOOD SECURITY

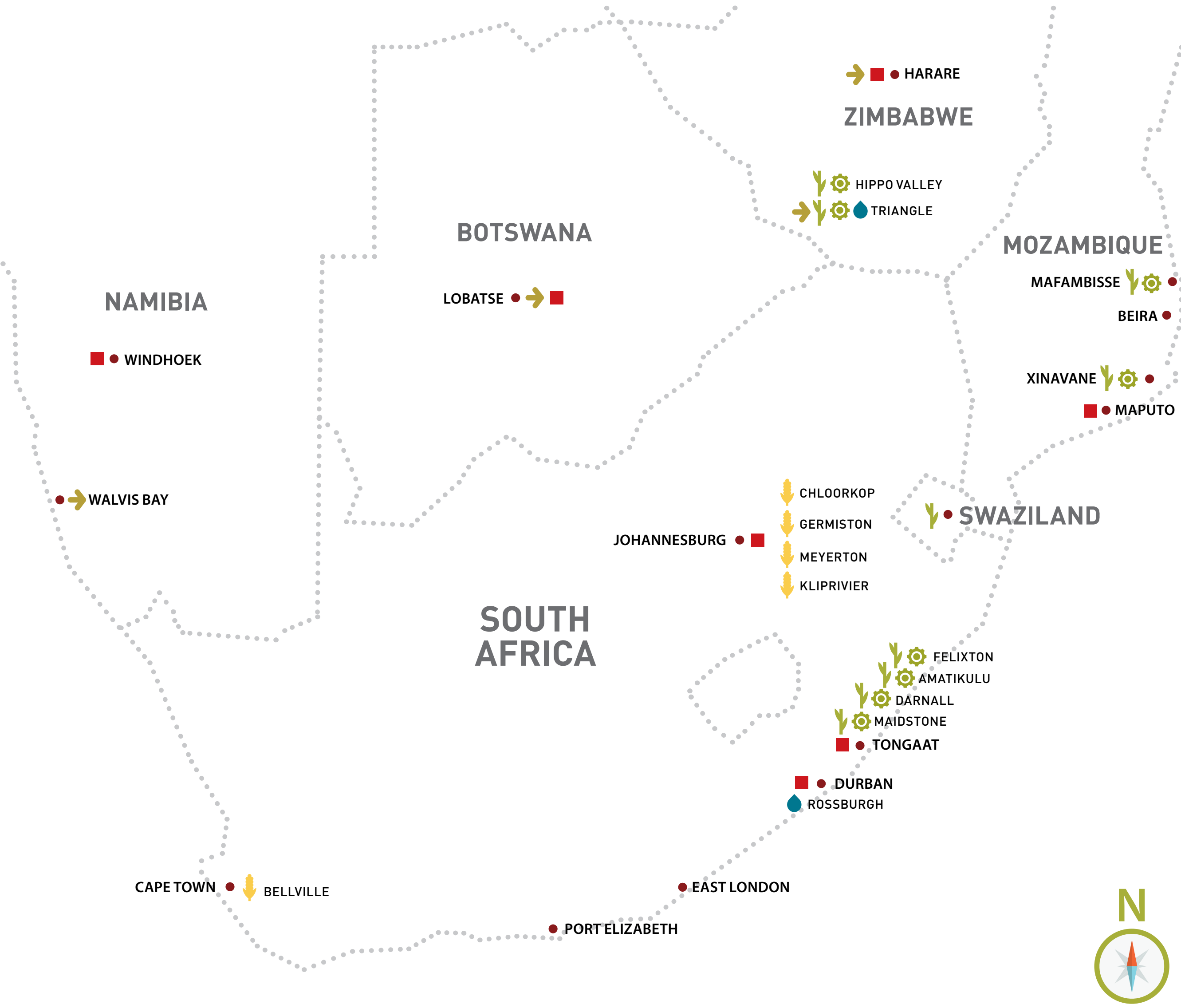
RURAL DEVELOPMENT

SHAREHOLDERS, INVESTORS AND ANALYSTS	GOVERNMENT AUTHORITIES AND REGULATORS	SOCIETY AND COMMUNITIES	PRIVATE FARMERS	EMPLOYEES	CUSTOMERS, SUPPLIERS AND SERVICE PROVIDERS

KEY STAKEHOLDER RELATIONSHIPS UNDERPINNING STRONG SOCIO-ECONOMIC POSITIONING

GEOGRAPHIC FOOTPRINT

- THE EIGHT SUGAR MILLS ARE SUPPLIED BY SOME 201 153 HECTARES OF SUGARCANE, SOURCED FROM A COMBINATION OF OWN ESTATES, LARGE-SCALE, SMALL-SCALE AND LAND REFORM FARMERS
- MORE THAN 30 YEARS SELLING TO REGIONAL MARKETS WITH ESTABLISHED OPERATIONS IN SIX COUNTRIES
- THE THIRD LARGEST MAIZE BUYER IN SOUTH AFRICA
- THE ONLY MAIZE WET-MILLER SOUTH OF EGYPT
- TOTAL PORTFOLIO OF 7 709 HECTARES AVAILABLE FOR LAND CONVERSION IN SOUTH AFRICA



KEY

- OFFICES
- STARCH MILLS
- CANE FARMING
- SUGAR MILLS
- SUGAR/ETHANOL REFINERIES
- DISTRIBUTION AND PACKAGING FACILITIES

SUGARCANE HECTARES SUPPLYING TONGAAT HULETT'S MILLS IN 2016/17

SOUTH AFRICA	122 856 HA	61%
ZIMBABWE	45 339 HA	23%
MOZAMBIQUE	29 120 HA	14%
SWAZILAND	3 838 HA	2%

TONGAAT HULETT PROFILE

MANUFACTURED CAPITAL

>630 000 TONS
OF MAIZE CONVERTED TO STARCH AND GLUCOSE PER ANNUM

>2 MILLION TONS
INSTALLED SUGAR MILLING CAPACITY

7 709 HECTARES
DEVELOPABLE LAND IDENTIFIED FOR CONVERSION

SUGAR OPERATIONS

STARCH OPERATIONS

LAND CONVERSION ACTIVITIES

Tongaat Hulett is an agriculture and agri-processing business, focusing on the complementary feedstocks of sugarcane and maize. Its ongoing activities in agriculture have resulted in the company having a substantial land portfolio within the primary growth corridors of KwaZulu-Natal with strong policy support for conversion at the appropriate time. A core element of Tongaat Hulett's strategic vision is to maximise the value generated from the conversion of land in the portfolio by responding to key demand drivers and identifying its optimal end use for all stakeholders. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugarcane and maize, with a number of products being interchangeable. Global sweetener markets continue to be dynamic and the business seeks to optimise its various market positions, leveraging off its current base to maximise revenue from these products. The business's sugar operations are well placed to benefit from evolving dynamics of renewable electricity and ethanol in South Africa, and the SADC region. Value creation for all stakeholders through an all-inclusive approach to growth and development is a key focus area for the business and Tongaat Hulett regards its constructive interfaces with governments and society to be of significant importance.

The current structure of the company arose from the merger of the Tongaat Group Limited and the Huletts Corporation Limited, and its operations date back to the mid-1800s. The company has a primary listing on the Johannesburg Stock Exchange dating back to 1952, and a secondary listing on the London Stock Exchange since 1939.

Societal dynamics are increasingly relevant, and therefore the strong relationships that Tongaat Hulett has developed with various stakeholders are of significant importance. These partnering relationships continue to contribute towards the achievement of the business's strategic objectives, while also meeting the objectives of its various stakeholders, including shareholders, governments, private farmers and their representative bodies, communities, employees and people impacted by the company's operations and its growth and development activities.

SUGAR OPERATIONS

SOUTH AFRICA

The company's South African sugar operations on the KwaZulu-Natal north coast and in the Zululand region operate four sugar mills at Maidstone, Darnall, Amatikulu and Felixton. These mills have an installed capacity to produce more than 1 million tons of sugar per annum. Cane supplies come from a combination of predominately rain-fed own-estates, large-scale commercial and small-scale private farmers in rural KwaZulu-Natal. At the beginning of the 2016/17 season, the South African operations were supplied by 122 856 hectares. The operation's central refinery in Durban produces some 600 000 tons of high-quality refined sugar per annum, with the primary product being the leading Huletts® brand. The South African sugar product range offers a total sweetener solution including a range of high-intensity sweeteners.

ZIMBABWE

The sugar operations in Zimbabwe consist of Triangle and a 50,3% stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of more than 640 000 tons.

At the beginning of the 2016/17 season, the Zimbabwe operations were supplied by 45 339 hectares of sugarcane land (own-estates and private farmers) with a potential to produce more than four million tons of sugarcane. The total refined sugar installed capacity is 140 000 tons and the Triangle ethanol plant has an installed capacity of 42 million litres over a 48-week production season. The securing of adequate water availability is important, and the completion of the Tokwe-Mukorsi dam (1,803 million megalitre capacity), in addition to the existing 1,740 million megalitres of the Mutirikwi dam, significantly improves water security of the operation.

The Huletts Sunsweet® brand is the leading sugar brand in the country. The Lowveld in Zimbabwe, with excellent topography, climate and established water storage and conveyance infrastructure for irrigation, is recognised globally as a highly competitive sugar producer. The Zimbabwean operations include the business running the largest cattle herd and extensive game reserves, which have significant potential for tourism.

MOZAMBIQUE

The Mozambique sugar operations comprise the expanded sugar mills and estates surrounding Xinavane and Mafambisse. At the beginning of the 2016/17 season, 29 120 hectares supplied Tongaat Hulett operated mills. Sugar production capacity at the Xinavane mill is more than 250 000 tons in a 32-week crushing season, while the Mafambisse mill has an existing 90 000 tons of sugar production capacity. The two operations have a combined installed milling capacity in excess of 340 000 tons of 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. The larger Xinavane operation will benefit from the construction of the Moamba dam (760 000 megalitre capacity) and the extension of the Corumana dam wall which will result in its capacity being increased from 880 000 megalitres to 1,260 million megalitres by May 2019.

The favourable agricultural conditions, proximity to ports, and the technical support from South Africa, position the Mozambique operations well for further growth. The operations

also include extensive landholdings, which border the Kruger National Park, and have high tourism potential.

SWAZILAND

Tongaat Hulett's Tambankulu sugarcane estate in Swaziland is situated in the north east of the country and comprises 3 838 hectares of fully-irrigated farms of which approximately 3 740 hectares are harvested annually. The estate has consistently achieved excellent sucrose yields due to the good soil and growing conditions in the region and delivers its cane to the nearby Simunye and Mhlume sugar mills. The estate has the capacity to produce a Raw Sugar Equivalent (RSE) of some 60 000 tons per annum.

NAMIBIA AND BOTSWANA

The Namibian operation has the capacity to pack and distribute 80 000 tons of sugar per annum using its Marathon® brand while in Botswana, Tongaat Hulett has a 60 000 ton per annum packing and distribution operation with its leading Blue Crystal® brand.

RENEWABLE ENERGY

The eight sugar mills in Mozambique, South Africa and Zimbabwe all generate electricity from bagasse during the sugarcane crushing season. In some instances, these operations supply electricity to the grid. In Zimbabwe, Triangle has an ethanol plant which provided 21,4 million litres for blending with petrol during the 2016/17 year. Tongaat Hulett is well placed to benefit from evolving renewable energy dynamics with the potential to build large-scale renewable electricity plants, as well as the opportunity to convert its export sugar to ethanol in its southern African operations.

VOERMOL 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, using bagasse and molasses. The production and marketing of high-quality, cost-effective products over more than 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.

STARCH AND GLUCOSE OPERATION

Tongaat Hulett's wet-milling operation is the major producer of starch and glucose on the African continent. Established in 1919, the starch operation is 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 630 000 tons of bought-in 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 co-products that are produced during the starch and glucose manufacturing process supply the animal feed industry. The business operates a dedicated Sorbitol facility, which is in Chloorkop in Gauteng, and has distribution networks and facilities in Zimbabwe, Australasia and the Far East.

The world is continuing to evolve in terms of the selection of a feedstock to produce 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.

LAND CONVERSION ACTIVITIES

Tongaat Hulett has an unequalled portfolio of some 7 709 developable hectares of land in prime positions near Durban and on the north coast of KwaZulu-Natal earmarked for conversion from agriculture to a range of urban and tourism uses over time. The company's sugar mills in South Africa are supplied by more than 120 000 hectares of sugarcane land, of which some 34% is farmed by communal or small-scale farmers and land reform growers, and just over 7% is owned by Tongaat Hulett. The business is focused on creating stakeholder value through converting land within its portfolio of prime land near Durban and Ballito to enable investors, developers, end-users and authorities to access bankable shovel-ready real estate investment projects that yield the best possible urban use.

Durban is one of the fastest growing cities and as part of its endevours to improve its sustainability the city has joined the Rockefeller Foundation's 100 Resilient Cities Programme. Tongaat Hulett has partnered with the city on this initiative which aims to improve the city's resilience and long-term sustainability.

These activities are underpinned by ongoing use of the land under agriculture throughout the development cycle and commence with collaborative planning with authorities on optimum use of land for all stakeholders. This leads to the release from agriculture and other development approvals, simultaneously strengthening demand drivers and unlocking infrastructure at key points, while executing optimal sales and development strategies for the various parcels of land.

Further details regarding these ongoing processes are provided in Tongaat Hulett's Portfolio of Land for Conversion in KwaZulu-Natal, available at www.tongaat.com.

CASE STUDY
RESILIENT CITIES PROGRAMME

Tongaat Hulett's commitment to ZERO HARM and sustainable development has been reinforced by its recent partnership with the eThekwini Municipality and Dube TradePort Corporation, through which Durban has joined the Rockefeller Foundation's 100 Resilient Cities Programme. Focused on building a city that will withstand the changes of time, climate and society, it aims to create a city that will survive and thrive in spite of environmental and societal changes.

To read more go to www.tongaat.com/2017/rcp

CHAIRMAN'S STATEMENT

Tongaat Hulett continues to be a resilient and dynamic company, delivering a pleasing set of financial results, albeit under difficult conditions, for the year ended 31 March 2017. The results show a 39,8% increase in operating profit, particularly including an improvement in sugar revenue and operating profit. Tongaat Hulett's sugar production is expected to increase significantly over the next two years, in the recovery from drought conditions of the past two years. Sales concluded in land conversion and developments were lower than the prior year. The past season's drought had a negative impact on starch operations with maize costs that traded at import parity levels in the second half of the year.

We remain confident with the strategic direction of the business and are encouraged by the good progress made in the implementation of the strategy. The company will keep building on its multiple strategic thrusts, with earnings growth and cash flow momentum expected to continue.

SUSTAINABILITY

Tongaat Hulett has a proud history, with its sustainability model underpinning continued business growth. The company appreciates that its core purpose, risks and opportunities, strategy, business model, performance and sustainable business development are all inseparable elements of the value creation process and its approach to safety, health and the environment.

"ZERO HARM" objectives are the foundation of the company's safety framework and continue to be a high priority. Regrettably three lives were lost in separate work related fatalities at the Developments and Hippo Valley operations during the year, despite tireless efforts and continued initiatives to ensure the highest standards of safety. On behalf of the Board and all employees, I express our deep regret, and extend heartfelt condolences to affected families, friends and colleagues. The business remains committed to the safety programme as a whole, and in particular to preventing further loss of lives, with the CEO and his team leading a series of new interventions. Various stakeholder engagement initiatives also continue to be pursued to ensure that employees, contractors, service providers and surrounding communities actively participate in the company's safety programmes, to successfully embed an interdependent safety culture for the benefit of all.

Tongaat Hulett continues to actively participate in various sustainability reporting initiatives, including the UN Global Compact, CEO Water Mandate and Alliance for Water Stewardship. The company will also continue participating in the FTSE/JSE Responsible Investment Index series, CDP carbon disclosure, CDP water disclosure, and Sustainable Development Goals (SDGs). The sustainability element of this report provides more detail of the company's ongoing commitment and various activities in this arena. By participating in these initiatives and incorporating best practice principles into the strategies, policies and procedures, and embedding a culture of ethics and integrity in the company, the Board believes that people and the environment will greatly benefit, and the business will continue to be sustainable and primed for long-term success.

The business is aligned with the United Nations Sustainable Development Goals (SDGs) and believes that these complement its strategic goal of value creation for all stakeholders through an all-inclusive approach to growth and development. The SDGs set out a vision for ending poverty, hunger and inequality, and protecting the earth's natural resources by 2030. The 17 goals are closely interlinked and are being integrated into the Tongaat Hulett sustainability framework, with an emphasis on those where we can make the most meaningful, positive impact.

Sustainability is embedded in the business strategy and constitutes an integral component of the corporate culture. This is reflected in all stages of the company's value chain, particularly in the implementation of numerous cost reduction measures related to the use and sourcing of materials and energy, resulting in higher efficiency and lower resources requirements. The company's sustainability reporting meets the Global Reporting Initiative (GRI) standard, and focuses, among others, on the environmental and social aspects of the company's activities. This includes future measures to be taken with regard to production, products, social responsibility and employees. Various sustainability components are addressed throughout this report, and are described within the broad framework of the six capitals of value creation: natural; financial; manufactured; social and relationship; human and intellectual.

With a footprint in six SADC countries, the company's role and responsibility in community upliftment and rural development continues unabated. The sustainability element of this integrated report addresses these and various other milestones achieved in the reporting period. Tongaat Hulett's commitment to social sustainability and innovation had a positive impact on the communities where we operate and this continues to be a priority. Stakeholders are encouraged to view business performance holistically, both in financial and social development terms, and assess how these concepts are integrated in meaningful outcomes-based governance, successful strategy implementation and business sustainability.

STAKEHOLDER ENGAGEMENT

Tongaat Hulett strives to ensure that communication and engagement with stakeholders is effective and comprehensive, and enables stakeholders to make informed assessments about the performance of the company and its prospects in the long term. The Board fully appreciates that tangible value creation and the achievement of key strategic objectives depend on managing stakeholder relationships effectively.

The company's approach to stakeholder engagement is inclusive in nature, with various processes implemented to improve an understanding of the needs, expectations and interests of its stakeholders, while remaining cognisant of the company's best interests over time. The various governments across the SADC region, small-scale and commercial farmers and their representative bodies, institutional investors, shareholders, employees, customers, suppliers and surrounding communities all continue to be a priority. This reflects the commitment to create value for all stakeholders. The various sections of this integrated annual report highlight the proactive engagements with various stakeholders and includes the nature of engagement, the priorities as highlighted by the stakeholders, as well as the outcomes. The link between the ongoing interface with various stakeholders and the company's success in delivering on strategic thrusts is also highlighted. Regular interface with shareholders on key strategic themes and the performance of the company, through various presentations and scheduled meetings continues to be a priority. This includes roadshows in South Africa and overseas, and participating in selected conferences. Detailed information on Tongaat Hulett's activities is available on the company website, including the integrated annual report, land portfolio document, results announcements, roadshow presentations and supplementary information.

One of the key business strategic goals is value creation for all stakeholders through an all-inclusive approach to growth and development. The premise of this goal is on building new and strengthening existing relationships with governments and society in all countries of operation. The company's various socio-economic development programmes focus mainly on agriculture, rural and urban development, healthcare (HIV/AIDS and malaria management among others), basic amenities (including food security projects), education initiatives as well as sports, arts and culture activities. The company takes pride in these programmes and some of the many successful case studies are highlighted in this annual report.

DIVIDEND

The Board declared a final gross cash dividend of 200 cents per share. The final dividend, together with the interim dividend of 100 cents per share, amounts to a total dividend of 300 cents per share for the financial year ended 31 March 2017, compared to the 230 cents per share paid out in the previous year, marking a 30% increase for the year.

CORPORATE GOVERNANCE AND GOOD FUNCTIONING OF THE BOARD

The Board continues to provide effective and ethical leadership. We view strong governance as the foundation for the long-term success of the company and believe that integrity and upholding the highest standards of corporate governance are essential to delivering on the company's strategic objectives. The Board continues to be cognisant of the regulatory environment that governs the business including King III, the JSE Listings Requirements, the Companies Act and other pertinent legislation. We welcome the enhancements presented by King IV and are currently exploring implementation.

There were no changes to the Board during this period. We remain pleased with the current composition of the Board with its gender and race diversity and the requisite level of skills, experience and demographic diversity that allow for fresh perspectives, robust discussions and better decision-making. The directorate section of this integrated report illustrates these facets. The most recent formal Board evaluation process confirmed that the Board continues to function well as a team, and presented an opportunity to reflect on areas that should receive future focus.

ACKNOWLEDGEMENTS

Peter Staude and the executive team have continued to perform commendably and took all business challenges in their stride. I have every confidence in the leadership team. They have proven to be agile and resilient. In addition, I acknowledge the guidance and wisdom of the Board throughout the period. We remain well-positioned to seize all opportunities that present themselves. All the Tongaat Hulett employees across the various operations were instrumental in the achievement of this year's results. I applaud their continued commitment and dedication to the company. To conclude, I am very appreciative of all the stakeholders of Tongaat Hulett who continue to play a key role in the success of the business. The outlook for the year ahead is a positive one.

CB Sibisi
Chairman

Amanzimnyama,
Tongaat, KwaZulu-Natal
25 May 2017

CHIEF EXECUTIVE'S REVIEW

Peter Staude
Chief Executive Officer

Murray Munro
Chief Financial Officer

Rosario Cumbi
MD Sugar Mozambique

Michael Deighton
MD Land Conversion and Development

Martin Mohale
MD Sugar South Africa

Garth Macpherson
MD Starch and Glucose

Sydney Mtsambiwa
MD Sugar Zimbabwe

Tongaat Hulett continues to focus its actions on its strategic opportunities that will lead to further increased profitability and cash generation. There has been significant progress in achieving goals in key focus areas and further significant outcomes are targeted for the year ahead.

The past year has seen the sugar operations maintain the momentum established in cost reduction, make good progress in the protection against imports, benefit from increased sugar pricing and the return to improved weather and growing conditions. The starch operation was adversely affected by higher maize costs and lower co-product revenues while the land conversion and development activities sold fewer hectares than the previous year. The implementation of multiple actions related to the sugar operations' intensive agricultural improvement plans is ongoing and, together with improved weather and growing conditions, will substantially improve sugar production over the next two years.

SUGAR: INCREASING RETURNS FROM THE ASSET BASE

RECOVERING CANE YIELDS, GROWING SUGAR PRODUCTION, UTILISING EXISTING CAPACITY WITH LOW INCREMENTAL COSTS

Weather and growing conditions over the past three years led to a low sugar production of 1,056 million tons in 2016/17. These conditions have masked the benefits from the intensive agricultural improvement programmes that Tongaat Hulett made in the four countries where it farms 88 159 hectares under cane. Good rains in key catchments in Mozambique and Zimbabwe in the 2016/17 summer have filled the dams supplying irrigation to Tongaat Hulett's operations, such that they now contain enough water for two full years of irrigation. Given average rainfall in South Africa in the summer of 2017/18, ongoing progress with the agricultural improvement programmes and replanting of fallow land, this should lead to sugar production of some 1,5 million tons in 2018/19.

Tons raw sugar	Historical peak production	2013/14 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate	2018/19 Early estimate	Capacity
South Africa	977 000 (2000/01)	634 000	323 000	353 000	500 000 - 564 0000	630 000 - 680 000	> 1 000 000
Mozambique	271 000 (2014/15)	249 000	232 000	198 000	205 000 - 221 0000	265 000 - 280 000	> 340 000
Zimbabwe	578 000 (2002/03)	488 000	412 000	454 000	421 000 - 440 0000	535 000 - 570 000	> 640 000
Swaziland^	59 000 (2011/12)	53 000	56 000	51 000	50 000 - 53 000	55 000 - 58 000	> 60 000
Total	**1 885 000**	**1 424 000**	**1 023 000**	**1 056 000**	**1 176 000 - 1 278 000**	**1 485 000 - 1 588 000**	**> 2 000 000**

^Raw Sugar Equivalent

Increased sugar production will be achieved using existing unutilised sugar milling capacity, the replacement value of which, in 2016/17, stood at approximately R20 billion. Production growth from existing cane land, through better yields and sugar content, has a low marginal cost as milling costs are 85 percent fixed. Tongaat Hulett's marginal costs of the additional sugar production to achieve the 1,5 million tons projected for 2018/19, drawing cane from both its own estates and third-party growers, in each of its key sugar-producing countries, are detailed in the table below. The average marginal cost of this increased production is US$100 per ton (4,5 US c/lb) if produced from Tongaat Hulett's own cane. For third-party cane, marginal cost moves in tandem with revenue, as growers are paid a share of this revenue. The table illustrates this for world raw price scenarios of 14 c/lb and 17 c/lb.

Tongaat Hulett achieves premiums over the world price in its EU and regional markets.

Marginal cost of additional sugar production (US$ per ton)	2018/19 Growth from Tongaat Hulett	Tongaat Hulett cane		Third-party cane			
				World price @ 14c/lb		World price @ 17c/lb	
South Africa	26%	$123	5,6 c/lb	$238	10,8 c/lb	$281	12,8 c/lb
Mozambique	62%	$102	4,6 c/lb	$230	10,5 c/lb	$273	12,4 c/lb
Zimbabwe	64%	$76	3,5 c/lb	$236	10,7 c/lb	$287	13,0 c/lb
Average	**40%**	**$100**	**4,5 c/lb**	**$235**	**10,7 c/lb**	**$280**	**12,7 c/lb**

STRONG VOLUME GROWTH IN ATTRACTIVELY PRICED DOMESTIC MARKETS IN THE COUNTRIES WHERE TONGAAT HULETT PRODUCES SUGAR

In 2016/17, Tongaat Hulett sold 76 percent of its sugar into the domestic markets in the countries where it produces sugar. In growing production, through to 2018/19, growth of sales into domestic markets of some 150 000 tons is targeted, benefiting from population growth, product availability and economic growth and development. This growth includes the commencement of sales into the Mozambican refined sugar market in the latter part of the period, following the commissioning of a refinery at Xinavane. There has been significant success in Mozambique and Zimbabwe, and some progress in South Africa, in establishing favourable local market pricing and protection against imports. The governments in these countries are increasingly supportive of their sugar industries' contribution to job creation and the social economy of rural areas (recognising, in domestic pricing policy, that sugar is not a staple food, but has one of the highest rates of job creation in agriculture).

- Mozambique is currently a deficit market despite having local raw sugar production that exceeds local market requirements because of a shortage of refined sugar production, some 90 percent of refined sugar requirements having been imported in 2016/17. Tongaat Hulett's Xinavane operation, as the largest and most efficient sugar production operation in the country, with good proximity to Maputo's concentration of industrial customers, is well placed to expand downstream into refining. Project preparations to build a refinery with a capacity of 90 000 tons, for some R500 million, are well underway. It will begin commercial production in the second half of 2018/19.

- The reference price used to calculate import duty in Mozambique is US$806 per ton (36,6 US c/lb) for brown sugar and US$932 per ton (42,3 US c/lb) for white sugar. Sales over the past year in Mozambique grew by 21 percent despite multiple increases in domestic sugar prices, arising from the devaluation of the Metical against the US Dollar, and despite a tight economic environment in the second half of the year.

- Current sugar consumption in Mozambique is a very low 9 kg/capita/annum following the past year's 21 percent increase in domestic consumption. In some rural areas consumption is as low as 4 kg/capita/annum. An increase to 20 kg/capita/annum represents an increase in the local market of some 275 000 tons. The company will build on its success in continuing to increase domestic sugar sales in Mozambique through:
  - continuing to expand the distribution network to match population demographics and tackling challenges with respect to logistical access;
  - streamlining logistics at the mills to respond to the peak demands, with an emphasis on packing capacity and dispatch; and
  - reviewing of pack sizes to match affordability while maintaining economic recoveries.

- In Zimbabwe, sales in the domestic market grew by 4 percent compared to the prior year despite a 5 percent US Dollar increase at the beginning of the year and difficult macro-economic conditions. Protection of local market pricing and local producers is via an import permit system and an import duty of 10 percent plus US$100 per ton.

- Zimbabwean sugar consumption of 21 kg/capita/annum is lower than where it has been historically, impacted by the non-availability of sugar impeding consumption growth in rural Zimbabwe. Growth in sales is targeted by improving access to sugar, in particular ensuring availability of small sugar pack sizes in rural communities.

- Effective sales into the South African domestic market will increase with Tongaat Hulett's ramp-up in production, as the company's local market share will increase with its share of domestic production.

- In South Africa, the Dollar Based Reference Price (DBRP) for sugar is currently US$566 (25,7 US c/lb) per ton. The sugar industry is in an engagement process with government to increase the DBRP, citing the fact that South Africa has the lowest domestic price in the region by a significant margin, and that, at the current level, imports become a threat when the Rand is strong against the US Dollar.

- South Africa's sugar consumption is 33 kg/capita/annum and has been around that level for some time as consumption has historically tracked population growth. While this is higher than the African average, it is moderate compared with the United States sugars consumption of some 60 kg/capita/annum, and the average for the Americas of 43 kg/capita/annum. Should the proposed tax on sugar-sweetened beverages in South Africa go ahead, its likely impact on domestic market volumes (volume will be moved to the export market) is estimated to be less than 5 percent; a

level that would be overtaken by population growth within three years. In its engagement with the industry on the tax, government has also invited the proposal of "mitigation" measures, and the following are under discussion, having received the support of organised labour:
- an increase in the DBRP;
- a programme of export incentives; and
- a national programme to produce fuel ethanol from sugar.

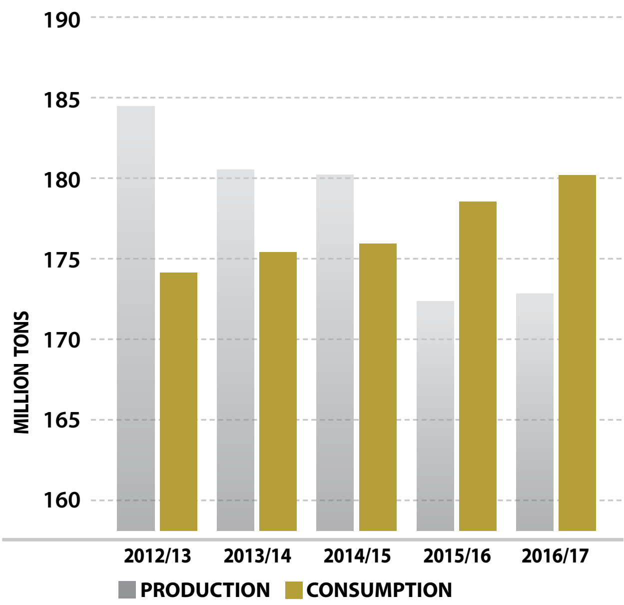
- Across all countries of operation, measures continue to be implemented to strengthen non-tariff barriers as well as actively monitoring imports and adherence to import protection measures, thereby maintaining domestic market prices that support development of sustainable cane-growing communities.

- Tongaat Hulett continues to develop its premium Huletts®, Huletts SunSweet®, Blue Crystal® and Marathon® sugar brands in the domestic and regional markets to drive the value earned from the premium-priced domestic markets. Huletts® has been classified as one of the leading Icon Brands in the ASK AFRIKA survey over the past five years and continues to be the top sugar brand.

TONGAAT HULETT HAS THE FLEXIBILITY TO RAPIDLY ADJUST EXPORT DESTINATIONS AND MARKET POSITIONS TO ACHIEVE BEST POSSIBLE PRICES, GIVEN GLOBAL SUGAR MARKET DYNAMICS

The businesses priority remains to first supply increasing demand in its countries of operation before considering other markets. The current market mix continues to be adapted to achieve an optimal balance between the EU and the regional deficit markets. Tongaat Hulett's sugar production is projected to increase by some 470 000 tons by the 2018/19 season. The company's exposure to the world market outside the African regional market is expected to remain constant over the period, at around 18 percent of total sales volumes.

GLOBAL PRODUCTION AND CONSUMPTION



Source : LMC International

- Global annual demand for sugar rises consistently, with 1994 being the last year in which per capita consumption fell year-on-year. Current growth is around 1,3 percent per annum, equal to some 2,3 million tons of additional demand each year, with growth in both Africa and Asia continuing to exceed population growth. Growth in global consumption is primarily driven by increasing demand in developing countries, which historically have a low per capita consumption rate because of limited availability, affordability and distribution capability.

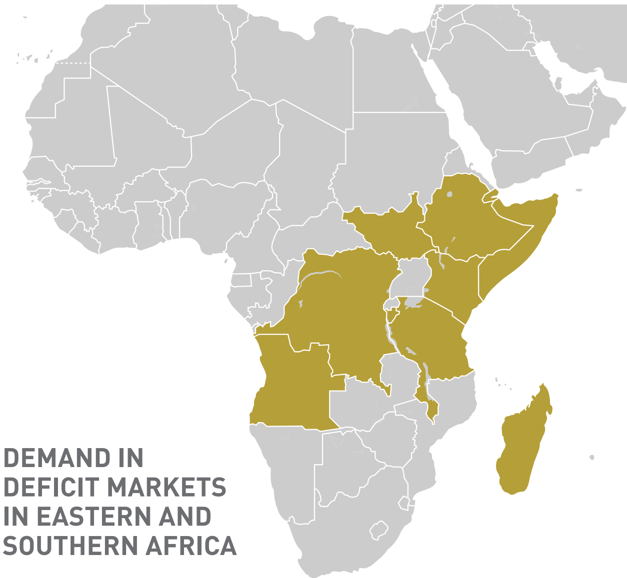
- The price of raw sugar in the world market, having traded in a wide range of some 14,0 to 23,8 US c/lb in the 12 months to March 2017 (13,2 to 16,7 US c/lb in the prior year), has come under pressure over the past six months.

- Increases in sugar prices can happen rapidly based upon emerging farmer behaviour and weather patterns. There remain key variables that could materially impact on the latest forecasts of global production to September 2018. The price of raw sugar is currently expected, in the coming year, to trade in a broad range of 14 to 18 US c/lb. Expectations are that decisions concerning the sugar/ethanol mix in Brazil will increasingly impact on world sugar prices.

- The probability of supply growth through sizeable investments in sugarcane growing and milling assets being triggered, at current pricing levels, is remote.

TONGAAT HULETT IS GROWING ITS REGIONAL PRESENCE THROUGH THE OPPORTUNITIES PRESENTED IN REGIONAL DEFICIT MARKETS

- Tongaat Hulett has more than 30 years experience trading sugar to the region's deficit markets, having delivered at a peak of some 180 000 tons per year.
- Sales by Tongaat Hulett in the past year into the regional markets were impacted by lower sugar production levels in the South African sugar industry, where quantities available for export were constrained by the lower levels of production.
- The Mafambisse and Xinavane sugar mills and the Huletts® refinery in Durban are close to ports, providing efficient access to regional markets.
- Zimbabwe and Mozambique are well positioned for supplying regional deficit markets. Zimbabwe benefits from being a member of the COMESA trade bloc, and both countries are members of the SADC trade bloc. Good progress was made in accessing regional markets with sugar from Zimbabwe and Mozambique.
- Existing alliances and resources are being expanded and deepened to better penetrate the markets more rapidly with increased volumes.
- Most deficit markets of southern and eastern Africa aspire to establish their own sugar industries - the development of such industries takes many years. Options to move down the value chain by establishing local packing, selling and distribution capabilities, similar to Tongaat Hulett's operations in Botswana and Namibia, are being developed.
- The company's premium brands, already present in African markets, will be leveraged to further develop market penetration.



DEMAND IN DEFICIT MARKETS IN EASTERN AND SOUTHERN AFRICA

- Demand for imported sugar in the countries where Tongaat Hulett has a competitive advantage, amounts to some 2,3 million tons of sugar per annum, which has been supplied by the region's producers and by India, Thailand, Saudi Arabia, Dubai and Brazil.
- Annual import demand in the deficit markets of the region over the period from 2016/17 to 2018/19 is forecast to grow from 2,3 million tons to some 2,7 million tons, an increase of some 372 000 tons over the period.
- Annual per capita sugar consumption is substantially lower (5 kg - 18 kg) than in the Southern African Customs Union.
- Sugar prices trade at a premium to world market prices and move mainly in tandem with changes in those prices. Premiums vary from market to market, and have traded in a broad range of 2 US c/lb - 4 US c/lb over the past year.

PROJECTED GROWTH IN DEMAND FOR IMPORTED SUGAR (TONS '000)

Country	2016/17	2018/19	Increase
Angola	361	400	39
Burundi	23	27	4
DR Congo	368	402	34
Eritrea	115	128	13
Ethiopia	253	293	40
Kenya	373	468	95
Madagascar	98	119	21
Rwanda	50	64	14
Somalia	354	395	41
South Sudan	117	127	10
Tanzania	228	289	61
Total	**2 340**	**2 712**	**372**

TONGAAT HULETT IS WELL POSITIONED TO TAKE ADVANTAGE OF EU SUPPLY AND DEMAND DYNAMICS, POST-BREXIT UK POSSIBILITIES, US QUOTAS AND THE GROWING MARKETS FOR ITS SPECIAL BROWN SUGARS

Going forward, EU prices are forecast to become more directly linked to the world market price for sugar, trading at a differential to that price based upon the internal EU supply and demand dynamics. Premiums could evolve to levels more attractive than those achievable in the regional African deficit markets.

- There is an emerging consensus that imports of 1 to 1,5 million tons of sugar per year will be required as from October 2017 to meet EU internal demand, particularly in areas where beet production is absent or uncompetitive, and for higher value, special brown sugars that are not produced within the EU.

- Significant duties on imported sugar are being retained, as are the duty-free access rights for many countries, including Mozambique and Zimbabwe.

- Tongaat Hulett has commenced delivering high-value, special brown sugar to EU buyers from its two Mozambican sugar mills. These products are expected to grow to a meaningful proportion of Tongaat Hulett's deliveries of sugar to the EU in future. Opportunities continue to be sought to benefit from the duty-free quota recently allocated to South Africa.

- Possibilities latent in the UK sugar market in a post-Brexit environment are emerging. Tongaat Hulett is positioning itself to influence the debate and outcomes in this regard to be able at least to continue with existing preferences, particularly for higher-margin, value-added sugars.

- In the US market, Tongaat Hulett continues to benefit from the premium prices available in that market via the tariff-rate quotas allocated to the countries in which it operates. There is also an opportunity to begin to supply special brown sugar from its two Mozambican sugar mills.

IMPROVED WATER AVAILABILITY SIGNIFICANTLY BENEFITING SUGAR PRODUCTION OVER THE NEXT TWO YEARS

- In Zimbabwe, the new 1,8 million megalitre Tokwe-Mukorsi dam commenced impounding water in December 2016, and the dam is currently 72 percent full. This, together with the traditional water supply, primarily received from the 1,7 million megalitre Mutirikwi dam system (currently 52 percent full), will ensure that the Zimbabwean operations have sufficient water available to irrigate cane for at least the next two years, irrespective of whether further rainfall is received during this period.
  - The improved water availability ensured that full irrigation of the crop commenced in March 2017 and, going forward, will substantially improve sugarcane yields over the next two seasons. In addition, the operation will accelerate its root replant programme from the standard 10 percent to 15 percent replant of hectares under cane, during the 2017/18 season.
  - The improvement in sugarcane yields, accelerated root replant and better crop positioning will result in sugar production rising to some 570 000 tons in 2018/19, which represents utilisation of 90 percent of the Zimbabwe operations installed sugar milling capacity.

- In Mozambique, significant inflows into the Corumana dam near Xinavane meant that full irrigation resumed in March 2017. The Corumana dam is currently 67 percent full and this provides sufficient water coverage for the next two years. Water security at the Xinavane operation will be significantly improved by the building of the 760 000 megalitre Moamba Major dams, which commenced in October 2015, and the alterations to the Corumana dam currently in progress, which will result in the dam capacity being increased by 380 000 megalitres in 2019.

- Sugarcane yields are projected to substantially increase over the next two seasons, as the operations benefit from the improved water availability combined with the impact of the ongoing intensive agricultural improvement programmes.
- Sugar production from the Mozambican operations is scheduled to rise to some 280 000 tons in 2018/19, reflecting the combined impact of improved water availability, higher sugarcane yields, accelerated root replant and improved crop positioning, which represents over 80 percent utilisation of the Mozambican operations installed milling capacity.

- In South Africa, the sugar production estimate for the 2017/18 season, of between 500 000 tons and 564 000 tons, benefited significantly from the improved rainfall received during the key sugarcane growing months of November 2016 to March 2017.

  - Over the past five years, Tongaat Hulett's South African sugar operations have planted an additional 24 560 hectares to cane as the operation partnered with various government agencies, including The Jobs Fund, to use existing and emerging opportunities for cane development. These opportunities prioritise the establishment of indigenous black farmers in collaboration with rural communities, local governments and other relevant stakeholders, in all the company's areas of operation.
  - Given ongoing average rainfall, particularly during the key sugarcane growing summer months of 2017/18, sugar production in the 2018/19 season is projected to grow to between 630 000 tons and 680 000 tons as the operations benefit from the growth in hectares harvested and improved sugarcane yields.

INTENSIVE AGRICULTURAL IMPROVEMENT PROGRAMMES HAVE ALREADY YIELDED CONSIDERABLE BENEFITS AND ARE ONGOING

Weather and growing conditions over the past two years have masked the substantial progress made with the intensive agricultural improvement programmes. Significant progress continues to be made on these programmes that have, as their primary focus, higher cane yields, improving sugar content and sugar extraction. Key themes include the following:

- Multiple initiatives to improve the quality and quantity of the cane have been implemented, and include soil health, root management and crop nutrition, optimising soil moisture management, adjustments to match fertiliser application to soil and crop requirements, cover cropping/green manure (alternative crop to break mono-cropping cycle) and additional measures to control weeds, pests and diseases.

- Improving water efficiencies, including the implementation of more efficient irrigation methods and upgrades to drainage systems, particularly in Mozambique. This process has also included actions to improve the availability of equipment, predominantly for items related to the irrigation of cane.

- The availability and reliability of electricity for irrigation in Mozambique and Zimbabwe has improved, with a reduction in load-shedding by the utilities and the success of a secure power agreement in Zimbabwe. Problems with the mills' own power generation equipment at Xinavane, Triangle and Hippo Valley, and with the utility's transformer at Mafambisse, were all addressed during 2016.

- Extensive training programmes have been implemented over several years to ensure that employees in the agricultural operations are equipped to diligently execute best farming practices. These programmes have been augmented with changes in management structures, including the appointment of additional field managers.

- Dissemination of best practices across operations.

- A common reporting framework, and the implementation of a peer review system that enables benchmarking and improved management of operational efficiencies.

REDUCING THE COST OF THE SUGAR PRODUCTION VALUE CHAIN, FROM CANE GROWING TO THE DELIVERY OF SUGAR TO THE CUSTOMER

Substantial reductions in the cost base have been achieved over the past four years.

- The decrease in costs achieved over the previous four years, equivalent to some R1,45 billion in real terms, provides good momentum for ongoing cost reduction in the sugar operations. The insights gained and the systems and disciplines put in place over previous years position the operations ideally to manage costs as sugar production increases. Unit costs of sugar production will benefit substantially from future volume increases, given the high proportion of fixed costs inherent in sugar milling and cane growing activities.
  - Generally, 85 to 90 percent of sugar milling and overhead costs are fixed. On average, the sugar milling and overhead costs account for 30 percent of the total cost of sugar production.
  - Agricultural costs related to sugarcane faming are largely fixed or directly linked to the extent of hectares being farmed.
  - Harvesting, loading and transport costs vary depending on the distance to the sugar mill, and generally mills are supplied by sugarcane that is farmed within a 100-kilometre radius. On average, these associated costs account for 20 percent of the total cost of sugar production.

- The implementation of the intensive agricultural improvement programmes is contributing to savings on electricity and fertiliser cost as the benefits of improved irrigation and precision farming are realised.

- Tongaat Hulett has developed, patented and proven, via a demonstration plant, a new sugar refining technology, called GREEN refining. When fully implemented, the technology will reduce the energy requirements of a refinery by approximately half. The first phase of this technology is currently being implemented at the refinery in Durban, at a cost of some R90 million. The technology will be commissioned in the last quarter of 2017/18, and the benefits in respect of the refinery's operating costs will accrue during the next financial period.

INCREASING VALUE OUT OF MOLASSES AND THE FIBRE IN SUGARCANE - ANIMAL FEEDS, ETHANOL AND ELECTRICITY

- Molasses, which is the liquid co-product arising from the production of raw crystal sugar at the sugar mills, is a valuable component of the sugar value chain. Tongaat Hulett is in the process of moving from a local approach in the use of molasses to a regional approach, in which the molasses arising from the various mills is utilised in the optimal way, taking account of the logistics costs involved in moving the product within the region. Currently, most of Tongaat Hulett's molasses is being used in South African animal feeds and Zimbabwean ethanol production.

- Tongaat Hulett has been producing fuel-grade ethanol in Zimbabwe for blending in the local market for the last few years. During the 2016/17 season it produced 21 million litres of which 5 million litres was supplied to industrial users, while the remaining 16 million litres was used for fuel blending. In South Africa, a decision by any of the sugar companies to invest in the production of fuel ethanol is dependent on regulatory certainty around the price support mechanism for sugar-based ethanol and finalisation of all the details around the regulatory framework.

- In South Africa, progress on the renewable energy and cogeneration independent power producer procurement programme nationally has been slow in the last 24 months, complicated by a current oversupply of generation capacity, and Eskom's consequent reluctance to deliver on its obligations in respect of the programme. A cogeneration programme for major sugarcane-based projects has not yet been issued by IPP and the Department of Energy. Tongaat Hulett and the South African sugar industry are continuing to engage with government at various levels to move the possibilities for electricity from cane fibre forward. It is not expected that any bidding will be possible in 2017.

- Work is in progress to put in place the necessary arrangements to wheel electrical power from the Felixton sugar mill to the Germiston starch factory.

- Both ethanol and electricity provide significant promise for rural development and job creation, and hence are important for the future development of the industry.

- The combined impact of Tongaat Hulett's Voermol operation and the co-product volumes produced by the starch operation, results in Tongaat Hulett having a significant footprint in the animal feeds industry. The business continues to explore opportunities to expand this footprint in the region, particularly at its Mozambican and Zimbabwean operations.

STARCH AND GLUCOSE - MORE COMPETITIVE MAIZE AND BETTER VOLUME PROSPECTS

The starch and glucose operation is well positioned strategically and is focused on growing its sales volumes, as it consolidates gains from the replacement of imports in the coffee and coffee creamer sector along with other sectors. It continues to enhance its product mix and to develop opportunities which have been identified and targeted for growth through exports. In the coming year, the benefit of the more competitive maize price, following the announcement of the 15,6 million-ton maize crop, will be particularly evident in the second half of the year, while the first half of the year will continue to see the impact of reduced co-product prices.

Tongaat Hulett's starch operation currently has about 15 percent of its installed upstream wet-milling capacity available after servicing existing markets. The operation has a well-developed source of raw materials, a strong South African domestic market presence and access to regional markets.

Following the drought of last year and a small maize crop of 7,8 million tons, higher prices led to a 35 percent increase in planting area. This, combined with ideal weather conditions, resulted in an estimated crop of 15,6 million tons, the largest crop in the country's history. This has seen maize prices fall from import parity levels to levels below export parity with absolute prices falling from levels of over R3 200 per ton to the current levels of below R1 900 per ton. Two areas of the starch operation are linked to the maize price, being maize as a raw material and second being the impact that it has on the revenues that Tongaat Hulett derive from some of its co-products, particularly Gluten 20, a feed product, which is sold to the animal feed industry.

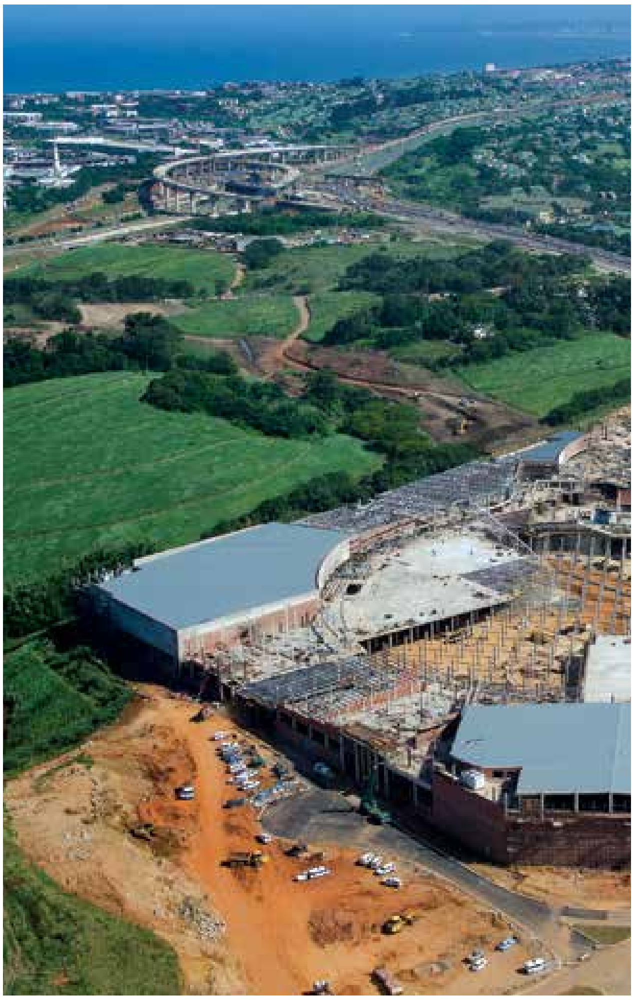
In the first half of the 2017/18 year, with over 80 percent of customer contracts concluded at higher maize prices and co-product volumes being sold relative to the current maize prices, margins are expected to continue to be under pressure. The lower maize prices are encouraging for the second half of the current year, and will provide support to margins as new contracts are concluded. Over 75 percent of the maize requirements for the second half of the year will be priced at the current maize price.

During the 2016/17 financial year, Tongaat Hulett began to realise the benefits of its R135 million investment made in the coffee and coffee creamer sector in the 2015/16 financial year, with all imports of glucose, previously made by Tongaat Hulett and its customers, in the prior year being replaced with local production. In the case of Tongaat Hulett, this resulted in 6 347 tons of prior year imported product being replaced with locally produced glucose. In addition to these volumes, 9 363 tons of product, previously imported by traders and distributors for the powdered glucose and confectionary sectors, was replaced by local production. The difficult trading conditions experienced during the year have masked these gains with lower consumer demand and lower agricultural production, which impacted the paper converting and canning sectors, leading to some volume loss.

In looking ahead to the 2017/18 year, contracts amounting to 12 228 tons of new business have been concluded, and supply under these contracts has commenced. Further changes in customer raw material mix and the recommissioning of production lines by certain customers are expected to lead to further volume gains in the second half of the year. Work is continuing with customers to develop new regional and offshore export markets and to develop the modified starch market. The benefits from these initiatives, combined with the lower maize prices, will be particularly evident during the second half of the year.

VALUE CREATION FROM LAND CONVERSION AND DEVELOPMENT

Tongaat Hulett has a well-established development platform underpinned by a unique land portfolio in the fastest growing areas of KwaZulu-Natal. The mutually reinforcing and inextricable link to sugarcane farming activities and rural socio-economic development is maintained and over the past five years 24 560 hectares of new cane land have been planted, mainly in communal areas. A total of 3 582 developable hectares have been released from agriculture (Act 70 of 1970) out of the 7 709 developable hectares in the portfolio. Currently, 1 314 developable hectares have environmental impact assessment (EIA) approvals, of which 962 hectares were approved in the period, with a further 1 100 developable hectares well advanced in EIA processes. Taken together, these dynamics point to an expected acceleration of land conversion activity over the next two years.



The land conversion activities are capable of producing significant value to many stakeholders. Good progress is being made in the important value drivers. These include growing demand in selected usage areas; increasing the supply of shovel-ready land through planning processes and unlocking infrastructure. Furthermore, it entails the transferring of land to others through sales that include structuring selected transactions that are appropriate to unlock targeted Demand Drivers and deliver specific progress in transformation of ownership and participation in the real estate value chain. These all take place against a backdrop of nurturing continually improving relationships with key stakeholders.

- The ongoing use and conversion of land by Tongaat Hulett has a major impact on the various communities that make up the citizenry of the city and region, and offers business opportunities for a wide range of businesses. The achievement of optimal value creation through land use and conversion is dependent on sound, open relationships with, and support from, these communities, from all spheres of government and from businesses on whom the process depends for its success. This reality demands, on the one hand, sound, professional and appropriate mutual communication and ongoing stakeholder interface. On the other, it demands a firm commitment to, and demonstrable leadership in, the transformation of the rural, urban and real estate landscape throughout the land use and conversion process.

- Large-scale land conversion for urban development purposes requires collaboration between multiple stakeholders that generates co-ordinated actions toward infrastructural policy and strategy, planning and co-ordination, funding, procurement, implementation, operation and maintenance. Progress continues to be made in advancing the multiple processes that enable this co-ordination, thus ensuring that infrastructure ceases to be a constraint in the face of demand for real estate investment in the Durban and KwaZulu-Natal coastal regions.

- Possessing a strategic position on international shipping routes, a growing population of 3,7 million people and a diversified and sophisticated economy, Durban is expanding, driving demand for property across a wide range of usage categories. This includes high-intensity urban mixed use, residential neighbourhoods across a range of affordability levels, a growing retirement market, urban amenities for the growing metro, tourism markets, offices, warehousing, logistics, manufacturing, retail and various niched and unique clusters of opportunities.

- Land conversion and development activities recorded operating profit of R641 million from the sale of 75 developable hectares. This is lower than the currently expected pace, on average, of between 121 and 262 developable hectares annually over the next five years.

The sixth edition of the portfolio document for land conversion in KwaZulu-Natal, which provides further detail of the process and progress of value creation through the land conversion and development activities, is circulated in hard copy accompanying this report and is available at www.tongaat.com.

The conversion of land from agriculture to other uses to address demand requires formal release from agriculture, currently in terms of the subdivision of Agricultural Land Act, 70 of 1970. A new bill, the Planning and Development of Agricultural Land Framework Bill, is being considered to replace Act 70 of 1970. Release from agriculture involves both the provincial and national Departments of Agriculture and takes place within the parameters of the prevailing provincial and municipal strategic and spatial plans. Tongaat Hulett's steady, planned conversion process over time, in line with both provincial and local government's strategic and spatial plans, underpinned by its leading role in developing agriculture in KwaZulu-Natal and optimum agricultural use throughout the process, provides the foundation for sustainable urban growth and development and, thereby, for the requisite policy support. Currently, some 3 582 developable hectares of land within the portfolio have formal release from agriculture, of which 624 hectares at Cornubia North were approved in this period.

A wide range of stakeholders benefit substantially from Tongaat Hulett's land conversion processes. Society at large is deriving increasing benefit as Tongaat Hulett continues to improve its processes to attract fixed investment to the region, achieve urban spatial integration and integrated residential neighbourhoods, and create an ever-growing range of opportunities and mechanisms to stimulate transformation in property ownership and the real estate value chain. The land conversion process creates a platform for increased public sector income generation through rates and taxes, and maximises the returns from infrastructure investment, both financially and in terms of enterprise development, job creation and local economic development. Tongaat Hulett's shareholders are benefiting from the reduced risk and increased value in the land portfolio. Simultaneously, Tongaat Hulett's investments in new agricultural development are enhancing rural livelihoods.

UNDERLYING DEMAND AND EXPECTATIONS FOR LAND CONVERSION SALES

The pace of sales is dictated by progress in moving land to a shovel-ready status; availability of metropolitan and regional scale infrastructure; demand arising from the various Demand Drivers and selection and successful conclusion of the sales transaction approach most appropriate for each specific set of circumstances. Current and planned progress on these key drivers, under current business conditions, leads to an anticipated range of sales over the next five years of between 607 and 1 311 developable hectares. These sales are expected to be achieved primarily from within 3 312 developable hectares in areas and landholdings tabulated and described in the land portfolio document.

Across all sectors, Tongaat Hulett's land conversion activities have, to date, been concentrated mainly in one geographical location, namely the northward development of the city of Durban in the greater uMhlanga area. Progress in bringing more land into a state of shovel-readiness will bring a further three geographical locations, with distinct sub-markets, into play over the next two years, namely the region centered on the new King Shaka International Airport, the area of Ballito and its surrounds on the north coast and the expansion corridor to the west of Durban in the greater Hillcrest area.

Tongaat Hulett's land conversion process reduces risk for property developers in a unique way by avoiding the need to execute multiple land purchases from diverse parties, carrying out all the planning and approval processes to ensure land is fit for the intended use, dealing with the provision of metropolitan and regional scale infrastructure and showing evidence of a track record of development and sustainable ongoing management at a sub-metropolitan scale sustained over a period of decades.

KwaZulu-Natal is home to 10 million people. It has a diverse economy, with particular strengths in agriculture, manufacturing, trade and tourism, while being relatively underweight in finance, real estate and the government services sectors. Increasing linkage with the growing Gauteng region is likely to encourage growth across all sectors.

Durban municipality is the main economic driver of KwaZulu-Natal, with a port handling over 60 percent of total container traffic to and from South Africa, a municipality with an investment grade credit rating, a new international airport with installed capacity to handle over 7,5 million passengers and 100 000 tons of freight and growth capacity to 65 million passengers and 2 million tons of freight. The GO!Durban integrated rapid public transport network currently being rolled out across the city will radically enhance Durban's competitiveness and attractiveness as it commences operations during the next year.

Analysis of individual Demand Drivers continues to amplify that, in many cases, Durban is lagging its potential to attract or address business and residential demand that would drive real estate investment and hence land take-up. Ongoing progress in creating more shovel-ready land in the region, across different geographical localities and serving a range of markets, is expected to start to enable underlying demand requirements to be satisfied better and to create the opportunity for Tongaat Hulett and the region to become more proactive in attracting investment and creating new markets.

Driven by urbanisation, growing population and increasing numbers of middle-class households, residential neighbourhoods and their associated amenities are expected to comprise between 60 and 70 percent of the total land demand. Demand for high-end residential around uMhlanga is robust as the area grows in stature as a prime location on the national scale for homes and investment properties. Within the greater uMhlanga area, there is a significant under-supply of freehold sites in a secure environment, which Tongaat Hulett is seeking to address through planning processes.

The country's economy reflects a growing first-time-buyer market and, potentially, an emerging downsizing and renting trend. The current rental take-up rate for mid-market residential product in uMhlanga Ridge averages 80 units per month and it is projected that the market will continue to take up to 1 000 units per annum. The strategy in this market sector is also to bring more opportunities to the market to meet the substantial demand.

Integrated, affordable residential remains a priority of government, while nationally, as well as within Tongaat Hulett's land portfolio, delivery lags demand substantially. Tongaat Hulett's primary response is to address supply side blockages. In this period, sales have taken place that have introduced the first integrated, affordable residential at scale in the region, bringing in national developers, who were hitherto completely absent, despite recognising that a balanced national portfolio must have Durban in the mix. The further interest from national and international developers is a key element of increasing supply into this price-sensitive market.

Retirement is a residential niche market where the north and west of Durban have been under-supplied, despite offering a very attractive location for the use. Recognising this, Tongaat Hulett has focused on this niche, including launching a digital marketing campaign. Since its inception in September 2016, the RetireKZN campaign has been achieving an average of 258 new registrations from interested end-users per month, indicating a deep pool of end-user demand and driving developer interest.

The ongoing residential development leads to demand for, and is in turn enhanced by the availability of, residential amenities such as schools, hospitals and the like. This period saw the sale of a site for the first new private school in the region for over a decade, while the first public school is commencing in Cornubia. There is significant interest in further schools in a number of locations. Tongaat Hulett's land portfolio offers a

number of strategic opportunities where high-intensity mixed use precincts are either already being implemented or are being planned and made ready for development. These include uMhlanga Ridge Town Centre, Bridge City, Ridgeside, Sibaya, Ntshongweni and the uMhlanga Ridge Western Expansion into Cornubia Town Centre. The development of this type of high-intensity mixed use precinct is being increasingly welcomed and supported by all levels of government. High-intensity mixed-use nodes have yielded some of the highest-value real estate in South Africa over the past decade, such as the Cape Town Waterfront and Melrose Arch, while uMhlanga Ridge is the largest such initiative in the country over the past fifteen years.

Outstanding weather and a variety of attractions account for KwaZulu-Natal's popular appeal as a prime leisure and tourist destination, accounting for at least 30 percent of all domestic trips taken annually and 10 percent of annual international tourist arrivals into South Africa. The 70 kilometre stretch of coastline from uMhlanga to the Thukela River constitutes a central opportunity to pursue tourism development. The sustained hotel performance in uMhlanga has continued to fuel interest in the area from both South African and international hotel brands. There is currently no truly integrated beach resort in KwaZulu-Natal or South Africa. The KwaZulu-Natal coastline has been acknowledged by global tour and resort operators as South Africa's foremost opportunity to compete with other global beach resort destinations, provided critical mass can be achieved. Tinley North is being framed around a formal expression of interest from a global resort operator to act as a catalyst for more instances of this type of development on the north coast.

KwaZulu-Natal is becoming more attractive for Business Processing Outsourcing (BPO) uses owing to its competitiveness with domestic and international players in this sector. eThekwini offers a cost competitive BPO value proposition due to lower office rental cost, telecommunication and labour costs, which are approximately 30 percent lower than Cape Town and Johannesburg.

The three percent vacancy rate in industrial space in the north of Durban is demonstrative of the need for additional industrial accommodation along the northern corridor, with growth hampered by the lack of appropriately located and serviced industrial land in the region. The long-term potential of this sector in the region is largely linked to the port activities and the primary logistics corridors of the N2 and N3. Efficient linkages to the ports and major domestic and neighbouring markets will become key drivers of value creation in this sector.

Recent developments in tertiary education in South Africa have spurred the growth of private tertiary education providers. Interest has been experienced from a number of tertiary institutions and educational service providers across a range of concepts from large campuses through to executive education and Technical and Vocational Education and Training (TVET) facilities catering for diverse technical skills linked to local industries.

SOCIO-ECONOMIC VALUE UNLOCKED FOLLOWING LAND CONVERSION SALES

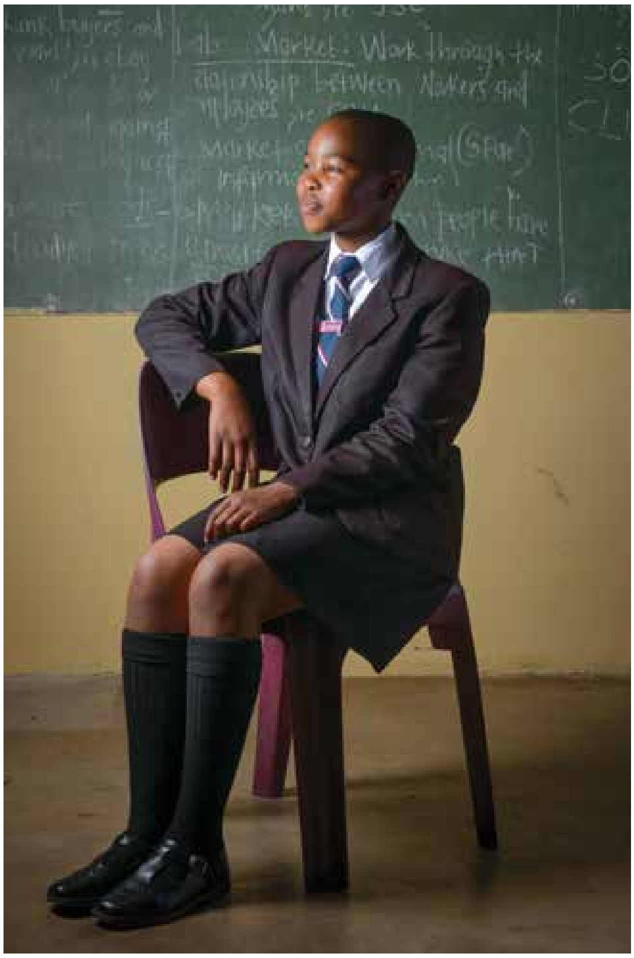
Tongaat Hulett's land conversion process creates significant value over time for a wide array of stakeholders, based on pace of sales. The high-level assessment of these outcomes is based on research and empirical evidence-based forecasting, which is conservatively estimated and shown for each of the Demand Drivers in the table on page 27. These socio-economic outcomes are typically unlocked over several years following sales.

The Total Real Estate Investment Value is an indication of the collective market value of all land and buildings on completion of construction activities for each Demand Driver and is estimated in current-day terms. Municipal rates income is generated across the real estate value chain throughout the development cycle. The table below shows an estimation of the rates income generated by the various Demand Driver uses once the buildings have been completed. Development activity, by its very nature, provides an ideal environment to create jobs, transfer skills and facilitate enterprise and supplier development as it stretches over the full real estate value chain. This applies to both construction activity (construction jobs), which occurs both at the infrastructure installation phase and the top-structure construction phase, and operational activity (permanent jobs), which commences once the buildings are completed and occupied.

RANGE OF SOCIO-ECONOMIC OUTCOMES THAT WILL BE UNLOCKED OVER TIME

DEMAND DRIVER		Range of Developable Hectares		Total Real Estate Investment Value (Rmillion)		New Municipal Rates generation (Rmillion per annum)		Permanent Jobs generated in above ground development	
		From	To	From	To	From	To	From	To
Medium and High-intensity Urban Mixed Use		48	118	7 344	18 054	159	391	8 568	21 063
Predominantly residential neighbourhoods	High-end residential neighbourhoods	92	186	5 474	11 067	52	105	1 877	3 794
	Mid-market neighbourhoods	56	90	1 428	2 295	14	22	393	631
	Integrated affordable neighbourhoods	91	199	3 094	6 766	29	64	619	1 353
	Public sector facilitated residential neighbourhoods	80	240	1 088	3 264	-	-	544	1 632
Urban Amenities for Residential Neighbourhoods		41	61	2 509	3 733	36	54	8 364	12 444
Retirement		49	59	3 749	4 514	81	98	9 996	12 036
Tourism Markets	City hotels and residences	4	5	578	723	13	16	1 088	1 360
	Coastal resorts catering to domestic, charter markets	15	42	1 594	4 463	35	97	3 060	8 568
Office Market		12	22	979	1 795	21	39	2 448	4 488
Warehousing, logistics, industrial, business park, manufacturing and big-box retail		94	233	4 700	11 650	131	326	3 760	9 320
Unique Clusters of opportunity		25	56	1 913	4 284	41	93	1 275	2 856
Total socio-economic value to be unlocked over time following the sales		**607**	**1 311**	**34 449**	**72 607**	**613**	**1 305**	**41 991**	**79 546**

TONGAAT HULETT'S SOCIO-ECONOMIC POSITIONING AND CONSTRUCTIVE INTERACTIONS WITH GOVERNMENTS AND SOCIETY



Tongaat Hulett operates in a societal environment that is impacted by multiple developmental challenges. The company's underlying philosophy is that, in partnership with society and government, it can contribute towards improving the prospects of a better life for many by making a substantial, positive impact on many socio-economic challenges, including job creation and security, transformation, attracting fixed investments, urban spatial integration, food security, youth development, infrastructure establishment and inclusive rural development. Given this context, the business has articulated its strategic goal of building a relationship with society that is based on shared value and prosperity. This strategic goal has been described as "Value creation for all stakeholders through an all-inclusive approach to growth and development".

The business has long-standing, constructive relationships with rural communities, governments and other key stakeholders. The following are some examples of recent achievements:

- In Mozambique, where deep rural communities have limited access to healthcare and other basic facilities, Tongaat Hulett has played a significant role in improving the quality and extent of healthcare that is available to the communities that surround its Xinavane and Mafambisse operations. From the perspective of economic development of these rural economies, the number of small-scale indigenous farmers has grown from 249 in the 2007/08 season to 2 389 in 2016/17. During this time, sugarcane received from these farmers has grown from 45 528 tons to 340 234 tons.

- In Zimbabwe, Tongaat Hulett plays a significant role in the provision of primary healthcare. In the 2016/17 year, some 232 000 people received primary healthcare support through the two hospitals that the operations manage in the eastern Lowveld. The business continues to work with the government and local communities on the orderly development of sustainable indigenous private farmers in the south-eastern Lowveld. The extent of sugarcane supplied by indigenous farmers has grown from 532 000 tons in the 2011/12 season to just over 1,1 million tons in 2016/17. During this time, the cumulative number of jobs created by these farmers has increased from 4 750 to 8 000 people, and this has substantially contributed to the economic development of the region.

- In South Africa, transformation, housing, job creation and rural economic development continue to be some of the primary developmental challenges. Tongaat Hulett is actively involved in numerous traditional authority areas in rural KwaZulu-Natal through various agricultural and socio-economic development initiatives. A prime example of the activities that the company is involved in, is its partnership with The Jobs Fund, which to date, has resulted in the planting of 6 781 hectares of sugarcane, the creation of 1 802 new permanent jobs, 1 124 beneficiaries being trained and the establishment of 27 agricultural cooperatives across 15 traditional councils.

- The starch operation is the third largest purchaser of maize in South Africa. It is therefore well positioned to influence and play a leading role in the transformation of the maize industry, as well as increasing the supply of maize in southern Africa.

- The key objectives of Tongaat Hulett's land conversion are to create wide stakeholder value by fostering investment and economic activity through unlocking targeted Demand Drivers and to deliver specific progress in transformation of ownership and participation in the real estate value chain. This includes the achievement of transformation and empowerment objectives spanning the property development and investment value chain.

2007 BEE TRANSACTION IN SOUTH AFRICA

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, obtained voting and shareholder rights in Tongaat Hulett (see page 108 for further information).

TONGAAT HULETT SUBSCRIBES TO THE PRINCIPLE OF "ZERO HARM"

Tongaat Hulett subscribes to the principle of "ZERO HARM". The "ZERO HARM" philosophy is embedded in the company's business framework as a core value. The company's safety performance improved substantially during the past decade, having been built up on established safety management systems and various safety improvement initiatives. Tongaat Hulett has been consciously introducing targeted high-fatality risk control interventions that are being reviewed regularly. This executive intervention approach has been attributed to a sustained safety improvement realised so far.

The safety and the welfare of all employees, which amounts to some 38 200 people during the peak milling period, remain a key priority as the business strives towards establishing an organisational culture with a "ZERO HARM" approach. The company's safety performance in terms of serious injuries that result in loss of time slightly declined in 2016/17 compared to the previous year. A Lost Time Injury Frequency Rate (LTIFR) of 0,0930 per 200 000 hours worked was achieved in 2016/17, reflecting a negative trend for the first time in more than five years, following a prior consistent performance of 0,073 achieved in 2015/16. This decline was partly caused by an increase of five lost time injuries and a significant reduction of employee hours worked amounting to 10 million hours when compared to those recorded in 2015/16. One of the highlights of the year was the hours worked without an LTI achieved by the Xinavane agricultural operations, during which they exceeded 37 million LTI-free hours.

The safety programme is continuously reviewed and a new approach to further manage high-fatality risks was adopted. Key elements of this emerging safety approach involve the following:

- Top-down approach - key topics of motorised equipment, moving machinery, unsafe behaviour and contractor management are common across all operations and are being monitored at senior executive and Board levels.

- Country/operational specific topics, e.g. work at heights, hazardous chemicals and energy release are being monitored and reviewed at business unit level.

- Proactive/reactive top executives stand-back reviews of business operations experiencing poor production/ financial/ safety trends are being reviewed.

- New risk matrix has been adopted and is being consistently applied in reassessment of high-fatality risk topics.

Regrettably, a total of three work-related fatalities were suffered during the 2016/17 year. Ms Ntomboxolo Tshomela, who was employed by Tongaat Hulett land conversion contractor, Emerald Landscapes, was fatally injured after being hit and run over by a third-party vehicle on a public road. In Zimbabwe, Mr Desire Chikwanda, an electrician at Hippo Valley, fell from an 11-metre-high crane gantry structure where he was repairing lights. Mr Godfrey Mthethwa, a security guard employed by Rainbow Security, based at Tongaat Hulett's Sibaya construction

site, was fatally injured after being attacked by unknown assailants at his work station.

Mental health issues, and stress and non-communicable diseases worldwide are contributing to the burden of disease among employees. While acute infectious diseases (e.g. malaria) still rank as the leading cause of ill health, non-communicable diseases are increasingly featuring in the causes of ill health among employees. Tongaat Hulett is working towards implementing the South Africa National Standards (SANS) 16001 on wellness management systems to ensure best practices are adopted and measured for compliance.

SHE and food safety performances are benchmarked against global best practices to promote continuous improvement and stakeholder satisfaction. Operations subscribe to various internationally recognised management systems and/or specifications that include NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSSC 22000 and ISO 22000. All operations retained certification to either NOSA 5 Star systems or OHSAS 18001 covering occupational health and safety. All 19 main operations, are now certified to the ISO 14001 environmental management system. All starch operations, the refinery, and pack stations for Xinavane, Triangle and Namibia operations retained certification to FSSC 22000 or ISO 2200 on food safety management systems.

SOCIAL SUSTAINABILITY AND INNOVATION

Tongaat Hulett's evolution in the priority area of social sustainability demonstrates innovation in a number of areas. This includes a holistic approach to socio-economic development and corporate social responsibility.

- Social sustainability and innovation are fundamental to the business as Tongaat Hulett seeks demonstrable and practical outcomes in terms of positive social transformation, environmental stewardship and community upliftment.
- The evolution of Tongaat Hulett, in continuing to be regarded as a responsible corporate citizen has also seen the business continue to embrace good corporate governance by adhering to legal and accepted business practices as embodied in the principles of the King III. The company continues to uphold the principles of corporate social responsibility by demonstrating to society its commitment to philanthropic and empowerment initiatives within the communities in which it operates.
- Tongaat Hulett has a substantial land footprint in the countries in which it operates. It is within this context that the company subscribes to principles of sustainable development.
- The business's participation in various sustainability reporting initiatives, including the CDP, the CDP Water Disclosure Project, the Nedbank Green Fund and its listing on the FTSE/JSE Responsible Investment Index for the thirteenth consecutive year are testimony to Tongaat Hulett's approach to sustainability and stakeholder value creation.

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL CAPITAL

REVENUE	OPERATING PROFIT	HEADLINE EARNINGS	
R17,915 BILLION	R2,333 BILLION	R982 MILLION	
+7,4%	+39,8%	+44,6%	
(2016: R16,676 BILLION^)	(2016: R1,669 BILLION^)	(2016: R679 MILLION^)	
CASH FLOW FROM OPERATIONS	ANNUAL DIVIDEND		
R3,176 BILLION	300 CENTS PER SHARE		
+70,5%	+30,4%		
(2016: R1,863 BILLION^)	(2016: 230C / SHARE)		

^Restated

The results for the year ended 31 March 2017 show a 39,8 percent increase in operating profit to R2,3 billion. This reflects an improvement in sugar revenue and operating profit under difficult conditions. The starch operations were negatively impacted by maize costs that traded at import parity levels as a result of the past season's drought. Sales concluded in land conversion and developments in these twelve months were lower than the prior year. Operating cash flow, after working capital movements, has also advanced substantially.

The various sugar operations generated operating profit of R1,271 billion (2016: loss of R15 million). This is reflective of more effective import protection dynamics, improved local market prices and higher prices realised for exports, especially into regional African markets and the EU. Sugar production totaled 1 056 000 tons (2016: 1 023 000 tons), with volumes impacted by low cane yields due to the drought experienced in KwaZulu-Natal and poor growing conditions with low rainfall and restricted irrigation levels in Mozambique and Zimbabwe as a result of low dam levels. The momentum established to reduce costs has been maintained across all operations.

The South African sugar operations, including various downstream activities, produced operating profit of R390 million (2016: loss of R85 million). Sugar production started to recover, amounting to 353 000 tons (2016: 323 000 tons), costs were well contained and Tongaat Hulett increased its share of total industry production to 22 percent (2016: 19,5 percent), leading to an increased proportion of local market sales. The local market saw significantly better pricing and sales mix dynamics. The higher value of standing cane is reflective of the yield recovering in the next crop following the good summer rainfall in the past six months. Voermol animal feeds has contributed well, with increased margins.

The Mozambique sugar operating profit improved to R308 million (2016: R25 million). Sugar production was 198 000 tons (2016: 232 000 tons). Domestic market sales of locally produced sugar increased by 21 percent, for the whole industry, as a result of better protection against imports and improved sugar distribution and availability in more remote areas. Local market price increases and higher export prices positively impacted revenue and cane valuations. The Metical weakened substantially against the Rand and the US dollar, benefitting the operations with sizeable Metical based costs and revenue linked to the US dollar.

The Zimbabwe sugar operating profit increased to R504 million (2016: R9 million). Sugar production increased by 10 percent to 454 000 tons (2016: 412 000 tons). Local market sales volumes and mix improved due to there being lower imports into the market. Exports increased on the back of higher production and prices realised into the EU and regional markets were some 20 percent above the previous year. As part of an ongoing process, involving Government and farmers, to review the division of proceeds, an upward adjustment to the milling portion was made in the past year, with the commensurate recovery for sugar milling.

The starch and glucose operation recorded an operating profit of R510 million (2016: R658 million). Margins were negatively impacted in the second half of the year by maize costs which were at import parity levels following the drought of the past season and by lower co-product revenues. An improved sales mix was achieved during the period due to the successful replacement of imported volumes with local production and ongoing market development for modified starches and powdered glucose. This was offset by lower volumes as the prevailing economic climate led to lower consumer demand.

Land conversion and development activities recorded operating profit of R641 million (2016: R1,115 billion). The major contributors were Sibaya (high-end residential, retirement and school - 57 developable hectares sold), the industrial area of Cornubia (6 hectares), high-intensity mixed use areas of uMhlanga Ridgeside (2 hectares) and uMhlanga Ridge Town Centre (1 hectare), integrated affordable residential at Bridge City (3 hectares and further high end residential at Izinga (4 hectares) and Kindlewood (2 hectares), totaling 75 developable hectares compared to 121 developable hectares sold in the prior year. Revenue, costs and profit recorded per developable hectare vary, reflective of the degree of enhancement through urban planning, land use integration and density, location and the intensity of infrastructure investment and are in line with the value ranges communicated previously. During the year, the remaining interests in the Zimbali properties were disposed of to IFA for a cash component and in exchange for their joint venture share of the Westbrook/Zimbali South Banks land, resulting in some R24 million being recognised in operating profit.

The stronger Rand exchange rate at the year-end against the US dollar in respect of Zimbabwe and the Metical in respect of Mozambique has led to a reduction in the foreign currency translation reserve on consolidation into Rands of these operations' balance sheets, which is reflected in the statement of changes in equity and other comprehensive income.

Operating cash flow (after working capital movements) was R3,176 billion which is a R1,3 billion increase over the R1,863 billion of last year. Sugar cash flows improved as a result of higher revenue and operating profits, as well as lower root planting costs and capital expenditure during the past drought. The land conversion and development activities generated stronger operating cash flow, with significant proceeds being received and after development expenditure related payments being made. In total, after taking into account capex and root planting costs which totaled R1,2 billion (2016: R1,9 billion), there was a net cash inflow (after dividend payments) of R544 million, compared to a net cash outflow of R1,278 billion last year. Tongaat Hulett's net debt at 31 March 2017 was R4,780 billion, compared to R5,101 billion at March 2016. Finance costs of R810 million (2016: R680 million) were commensurate with the borrowing levels during the period and the higher interest rates.

Taking all of the aforementioned into account, headline earnings for the year increased by 44,6 percent to R982 million (2016: R679 million).

A final dividend of 200 cents per share (2016: 60 cents per share) has been declared bringing the annual dividend to 300 cents per share (2016: 230 cents per share).

LOOKING AHEAD

Tongaat Hulett will continue to enhance its strategic positioning, focusing on multiple strategic thrusts, with a positive impact on earnings and cash flow.

INCREASING RETURNS FROM THE SUGAR ASSET BASE RECOVERING CANE YIELDS, GROWING SUGAR PRODUCTION, UTILISING EXISTING CAPACITY, WITH LOW INCREMENTAL COSTS

Weather and growing conditions over the past two years have masked the substantial progress that is being made with intensive agricultural improvement programmes, increased hectares under cane, irrigation efficiency and power reliability. The estimated impact is some 500 000 tons of annual sugar production. The existing sugarcane footprint, with regular growing conditions, the agricultural improvement programmes and the completion of the few new planting partnership initiatives underway should produce some 1 650 000 tons of sugar. Tongaat Hulett's objective is to continue with these actions until it fully utilises its installed milling capacity of more than 2 000 000 tons per annum. The recent completion in Zimbabwe of the Tokwe-Mukorsi dam and, in Mozambique (Xinavane), the raising of the Corumana dam wall and the construction of the new Moamba dam on the Incomati river, will diversify the water catchment area and provide increased stability in future water supply.

An early season estimate for total sugar production in 2017/18 is between 1 176 000 tons and 1 278 000 tons, compared to 1 056 000 tons in 2016/17. The good rainfall of the 2016/17 summer in the coastal areas of KwaZulu-Natal is positive for the 2017/18 crop yield and more hectares are to be harvested. The 2017/18 crop in Zimbabwe and Mozambique will be impacted to some extent by the reduced irrigation and limited replanting that was necessary during 2016. The current dam levels following the good rains at the end of 2016 into 2017 will provide full irrigation during 2017/18 leading to a significant crop recovery by 2018/19. Total sugar production is expected to recover over 2 years, to between some 1 485 000 and 1 588 000 tons in 2018/19. Tongaat Hulett's marginal cost of additional sugar production is currently some US$100 per ton from own cane (40 percent) and US$280 per ton from

third-party cane (60 percent). Realisations, ex-mill, based on current regional and EU market dynamics are approximately US$390 per ton.

The decrease in costs achieved over the past four years (equivalent to some R1,45 billion in real terms) provides good momentum for the ongoing cost reduction process. The objective is to further reduce the cost of sugar production, from cane growing to the delivery of sugar to the customer. The nature of sugar milling and cane growing is such that there is a high proportion of fixed costs and a low variable or incremental portion. Unit costs of sugar production will reduce further with the benefit of future volume increases. The ongoing cost reduction process is focused on bought-in goods, services, transport, marketing, salaries and wages.

The domestic markets in countries where Tongaat Hulett produces sugar remain a key focus area. There has been some progress in South Africa and significant success in Zimbabwe and Mozambique with the required protection from imports, with Government support, given the high rural job impact of these industries and being in line with international norms. In South Africa, discussions are underway between the South African Sugar Association and the relevant SA government departments, to increase the level of the reference price used for the import tariff determination. The current import tariff level is the lowest in the region and with the volatility of the Rand against the US dollar, a risk exists of increased imports from overseas sources into the SACU market. In Zimbabwe and Mozambique, sugar refining matters are being addressed, which should lead to the replacement of imported industrial white sugar. Growth is expected in consumption per capita, off a low base, particularly in Mozambique and partly in Zimbabwe, supported by distribution, industrialisation and marketing initiatives. Tongaat Hulett has the leading sugar brands in South Africa, Zimbabwe, Botswana and Namibia. The proposed sugar sweetened beverage tax in South Africa and its socio impact is being assessed and debated. It is likely to have a limited effect on total local sugar demand and the financial impact would inter alia depend on the level of the prevailing world sugar price.

Tongaat Hulett has key market positions and experience in both the region (southern and eastern Africa) and the EU for the sale of its additional sugar. It is developing and expanding its positions in regional deficit markets, where a premium is earned over world market prices as well as broadening its footprint in key value-add markets in the EU where it enjoys preferential access.

The price of raw sugar in the world market, having traded in a wide range of some 14,0 to 23,8 US cents per pound in the 12 months to March 2017 (13,2 to 16,7 US cents per pound in the prior year), has come under pressure over the past six months from emerging forecasts for a global supply surplus in the 12 months to September 2018. Of late, it is trading in the region of 16,5 US cents per pound. The price of raw sugar is currently expected in the coming year to trade in a broad range of 14 to 18 US cents per pound, impacted by supply prospects over the coming 15 months in the major sugar producing countries. The sugar/ethanol mix in Brazil is expected to increasingly impact on world sugar prices. In the medium term, there continue to be concerns of the ability of global supply to match demand at prevailing price levels. Global sugar consumption is predicted to continue to grow at a rate of some 1,5 percent per annum, with most of this growth coming from low per capita consumption developing countries.

STARCH AND GLUCOSE - MORE COMPETITIVE MAIZE AND BETTER VOLUME PROSPECTS

The starch and glucose operation is well positioned strategically and is focused on growing its sales volume, as it consolidates its gains from replacement of imports in the coffee and coffee creamer and other sectors, continued enhancement of its product mix and developing opportunities which have been identified and targeted for growth through exports. Working together with customers, further opportunities are being targeted for growth through customer exports. Market development to increase the production of value added modified starches is progressing. This is all underpinned by improving the use of the available capacity and the efficiency of operations.

Following the drought of the past year, high maize prices led to a significant increase in maize plantings and combined with good summer rainfall conditions are expected to yield a crop of 14,5 million tons (2016/17: 7,5 million tons). New season maize prices have moved close to export parity levels and will benefit operating margins in the second half of the new financial year. Co-product revenues are expected to remain under significant pressure in the first half of the year. A recovery in sales volumes is anticipated during the coming year as customers' import contracts expire and are replaced with local production. Further volume growth is expected to be supported by some recovery in consumer demand and increased export sales as the benefits of lower maize prices materialise.

VALUE CREATION FROM LAND CONVERSION AND DEVELOPMENT

Tongaat Hulett is focused on creating stakeholder value through converting prime land near Durban and Ballito to enable investors, developers and end-users to access bankable, shovel-ready real estate investment projects that yield the best possible urban use. Over the past three years 304 developable hectares, from the portfolio of some 7 709 developable hectares, have been converted to such projects. Simultaneously, Tongaat Hulett drives rural development in the cane catchment area of its sugar mills and over the past five years 24 560 hectares of new cane land have been planted, mainly in communal areas. The value creating capability of the land conversion activities continues to increase, with good progress in the important value drivers. These include nurturing sound relationships with key stakeholders; growing demand in selected usage areas; increasing the supply of shovel-ready land through planning processes and unlocking infrastructure; and transferring land to others through sales that include structuring selected transactions that are appropriate to unlock targeted demand drivers and that deliver specific progress in transformation of ownership and participation in the real estate value chain. Further Act 70 of 1970 approvals were received in the period, taking the total to some 3 582 developable hectares. These approvals are being consolidated through further planning. A total of 962 developable hectares achieved EIA approval in the period, bringing the total of land with EIA approvals in the portfolio to 1 314 developable hectares, with a further 1 100 developable hectares being well advanced in EIA processes.

Negotiations on some 233 developable hectares are currently underway, representing profit potential of around R1,58 billion. These reflect diverse current demand, covering affordable residential, mid-to-upper market residential, retirement, offices, warehousing and logistics, resort/hotel, a range of urban amenities, and educational uses. The nature of the transactions being negotiated is selected to suit the demand sector, optimise value created and achieve transformation objectives and accelerated investment into the region. Geographically, these negotiations include uMhlanga Ridge Town Centre (Commercial and Residential), Ridgeside Precincts 1 and 2, Sibaya Nodes 1, 5 and 4, Kindlewood, Bridge City, various Precincts in Cornubia (Cornubia Town Centre, Marshall Dam Residential, uMhlanga Hills and Blackburn Extension) and Tinley Manor. In addition, increasing enquiries are being received at Ntshongweni, west of Durban, and in the airport region. A detailed update on the portfolio and the process and progress of creating value through land conversion in KwaZulu-Natal is available at www.tongaat.com.

2017/18

Tongaat Hulett's profit for the 2017/18 year will continue to be influenced by a number of substantial and varying dynamics, both positive and negative. Overall, there is a positive outlook for the full year with earnings growth expected to continue and the cash flow momentum expected to be maintained.

Tongaat Hulett strives to be a proactive and resilient organisation working in collaboration with all its stakeholders in a focused, constructive, mutual value-adding and developmental manner. It has operations in six countries in SADC, significant sugarcane and maize processing facilities, a unique land conversion platform, a sizeable animal feeds thrust and possibilities to further grow ethanol and electricity generation.

ACKNOWLEDGEMENTS AND CONCLUSION

Tongaat Hulett, together with multiple stakeholders, continues to play a significant role in the development of the region, and I am privileged to lead this organisation.

The company's profile as an agricultural and agri-processing business contributes to the extensive role that it plays in the rural communities that surround its operations, and the business continues to make a significant contribution to the growth and development of the areas that surround is landholdings through its land conversion activities. Tongaat Hulett values the relationships that it has established and remains committed to working together with small-scale and commercial private farmers, rural communities and governments to grow its contribution to job creation, rural development and an inclusive economy, thereby creating sustainable value for its stakeholders.

Tongaat Hulett employs some 38 200 people during its peak milling period, working on 27 sites in Botswana, Namibia, Mozambique, South Africa, Swaziland, and Zimbabwe. The business is benefiting from the energy, commitment and loyalty that employees display towards the achievement of the business's objectives. The ongoing development of talent and our emerging leaders, remains a priority, and this will contribute to the future success of the organisation.

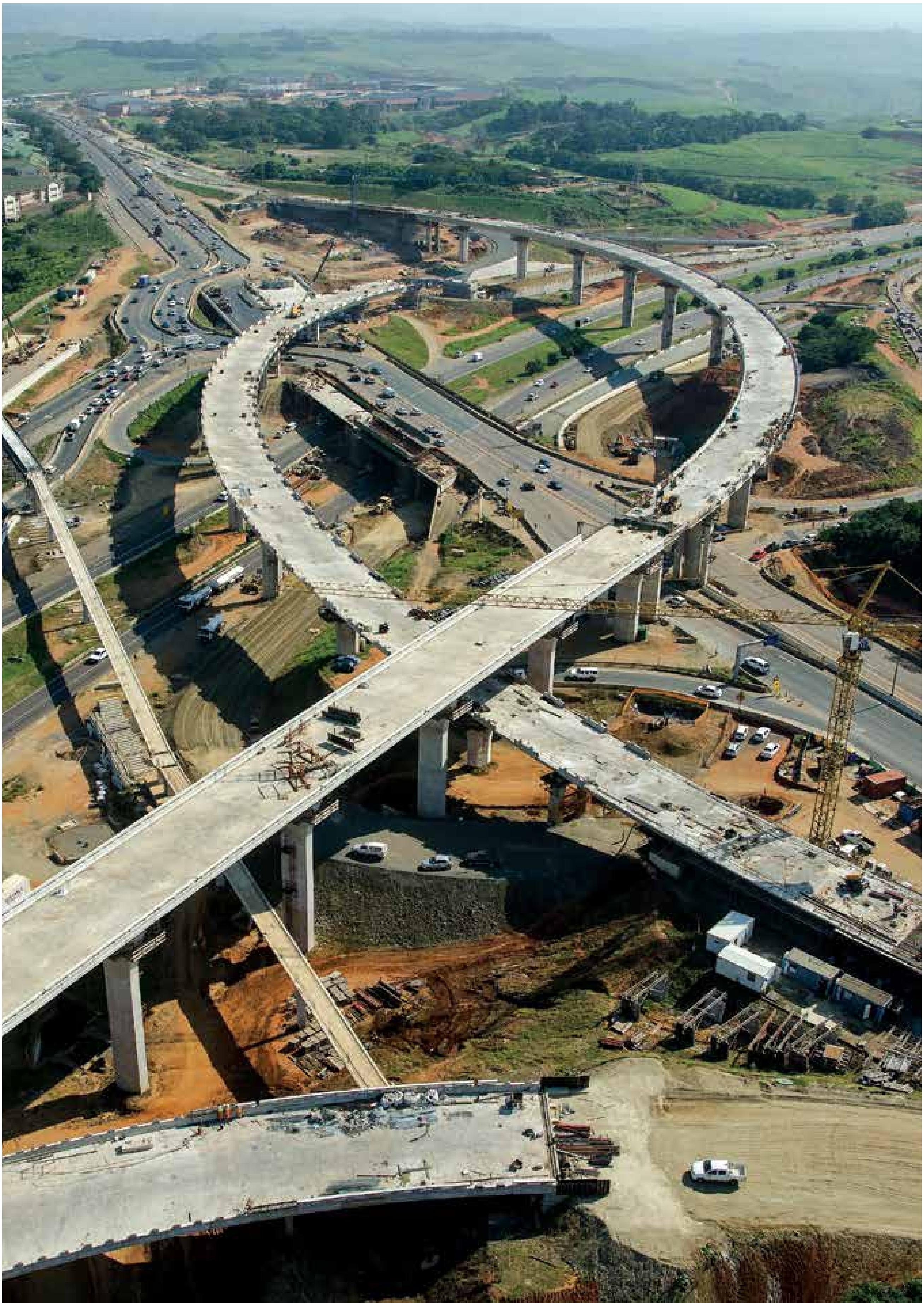
The support and input that Tongaat Hulett has received from its shareholders is greatly appreciated. The company is committed to regularly updating the investment community as it progresses delivery on its business objectives.

Tongaat Hulett is fortunate to have a competent Board that provides ethical leadership. The guidance and value-driven strategic direction that we have received from the Board and the Chairman are highly valued.

Peter Staude
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal

25 May 2017



SUSTAINABILITY ELEMENTS

HUMAN RESOURCES

HUMAN CAPITAL

30 512 EMPLOYEES
COMPARED TO 31 230 IN 2016

R45,8 MILLION
SPENT ON TRAINING AND DEVELOPMENT

25 533 EMPLOYEES
ATTENDED TRAINING PROGRAMMES

KEY ELEMENTS

Leadership bench strength

Employee-based transformation

R45,8 million spent on training and development

KEY PRIORITIES GOING FORWARD

Leadership capability and management development

Transformation

Technical training in core functions

Tongaat Hulett's human resource approach is aligned to and focussed on contributing towards the company meeting its strategic objectives. The view is both short and long term, focusing on managing the day to day requirements while building on the capabilities and capacity of the company for the future.

Total employees at the end of March 2017 was 30 512, compared to 31 230 in 2016. This includes full-time employees, contractors, seasonal and casual workers. The total number of employees during the peak of our milling season was 38 221 (2015/16: 40 858). The sugar operations shut down the mills between December and April/May, resulting in fewer seasonal employees, such as cane cutters, during this time.

The breakdown of Tongaat Hulett's employee base as at 31 March 2017 is as follows:

Operating country	Full-time (Permanent)	Fixed-term contractors	Seasonal and casual workers (Non-permanent)	Total	Employee total at the peak of the sugar milling season - 2016/17
South Africa	3 272	655	1 139	5 066	5 788
Mozambique	6 048	2 272	2 843	11 163	14 918
Zimbabwe	10 126	3 185	0	13 311	16 044
Swaziland	406	26	209	641	1 112
Botswana	104	0	13	117	119
Namibia	212	2	0	214	240
Total	**20 168**	**6 140**	**4 204**	**30 512**	**38 221**

TRAINING AND DEVELOPMENT

Appropriate training and development programmes are an investment in both our employees and the long-term sustainability of the organisation. Tongaat Hulett's diverse operations rely on an extensive range of skills, some of which are specialised. This needs to be retained within the company while a pipeline is built to ensure future capacity. The following table shows the existing qualified skills base within the organisation. A focussed capability building model is implemented across the company, as detailed on the following page.

The business invested R45,8 million (2015/16: R42,5 million) on 31 284 training programmes (2015/16: 25 339) which were attended by 25 533 employees (2015/16: 20 515), with some employees attending more than one programme. An overview of training programmes follows and a comprehensive breakdown of these programmes can be found at www.tongaat.com in the comprehensive sustainability report.

Programme categories	Number of employees who attended training from 1 April 2016 to 31 March 2017	Percentage of total training programmes
Safety and compliance training and certification	17 887	57,18
Operations/core functional skills training	11 315	36,17
Leadership and management development programmes	387	1,24
Talent development and career advancement	1 178	3,77
Graduate development programmes, entry-level skills training	371	1,19
Artisan training	146	0,47

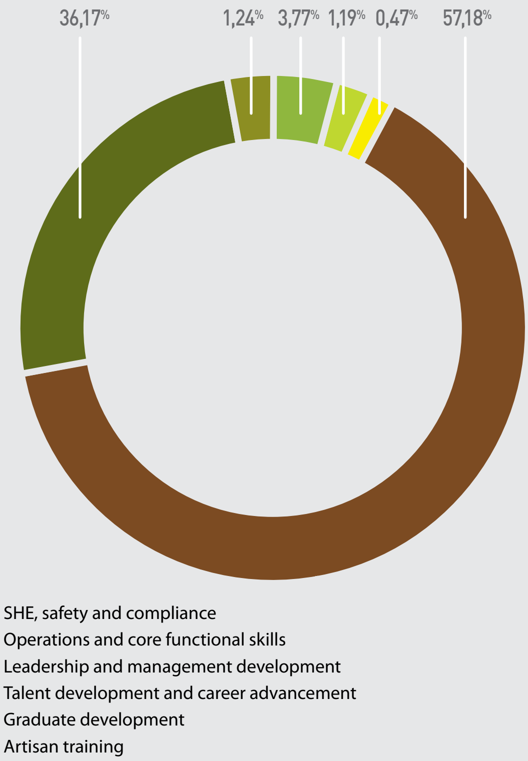
CAPABILITY BUILDING MODEL

PROGRAMME	PURPOSE	INITIATIVE
LEADERSHIP DEVELOPMENT	Aimed at developing an adequate pool of competence and engaged leaders to meet the organisation's present and future needs	• Executive development • Senior management development • Management development • Supervisory development
FUNCTIONAL TRAINING	Designed specifically for Tongaat Hulett functions and operations, such as milling, production and engineering	• Process engineering and wet milling management development programme • Artisan and technical heirarchy training • Production Training • Discipline-specific technical training • Project management
WORK INTEGRATED LEARNING PROGRAMMES	Structured programmes designed to expose individuals to institution-based learning and work exposure. This could be permanent employees or unemployed youth	• Engineer-in-Training (EIT) programme • Apprenticeships • In-service training • Graduate programmes/placements • Work experience/vacation work
SUSTAINABILITY INITIATIVES	Training programmes designed to develop personal effectiveness, life skills and skills essential to the organisation	• Diversity inclusion programmes • SHE training • Wellness programmes • Legal compliance training • Study assistance: Part-time study • Bursaries for employees' children and previously disadvantaged students

TRAINING NEEDS ANALYSIS/ASSESSMENT

Functional competency acquisition framework/career ladders/foundational learning and competency/material development/blended learning

TRAINING FOCUS AREAS AS A PERCENTAGE OF TOTAL TRAINING PROGRAMMES



CASE STUDY
ENGINEERING SKILLS UPLIFTMENT PROJECT

Tongaat Hulett's starch operations requires scarce technical skills, and as such training and development initiatives look to grow these skills and address succession and retention in these critical positions. The engineering skills upliftment project is an example of one such technical training initiative. In 2016, a gap assessment and closure project involved 62 participants, comprising artisans, technicians and co-ordinators. They each underwent skills gap assessments and specific personalised development plans were compiled. Based on these results, 23 gap closure initiatives were prioritised. The focus was to drive competency acquisition and demonstrate application of skills through performance measurement. The selected employees varied in age, gender, race and experience.

To read more go to www.tongaat.com/2017/esup

While there was a year-on-year decrease in the number of artisans being trained, more investment was focused on existing engineering employees. This is demonstrated by a significant increase in the number of employees receiving engineering and technology training, from 247 in the previous year to 485 this year.

Other areas which saw a marked increase in the number of employees receiving training were SHE, which increased from 11 164 in 2016 to 12 798 this year, Agricultural skills which increased from 4 735 to 8 241 and Information technology which increased from 224 to 1 438 employees trained during the year.

Some of the highlights of the training programmes are as follows:

- Within the starch and sugar operations, a comprehensive programme to address artisans' skills gaps is underway, where skills gap assessments are completed and specific personalised development plans are compiled for each artisan. Training is already underway in some operations to address these gaps. Additionally, six unqualified artisans within the starch operations were identified and encouraged to volunteer undergoing recognition for prior learning. Four of these artisans have been trade tested and certified as fitters and instrument mechanicians. A further two are in the process of being evaluated.
- A partnership has been established between the Mozambican operations and the Eduardo Mondlane University in Maputo to source and create opportunities for final year students to complete their six-month workplace experiential training at the Xinavane mill, which creates a talent pipeline for the mill to select high potential students to participate in the three-year EIT programme.
- The apprenticeship programme in the Zimbabwe operations has attracted the attention of Government and other local blue chip companies, with organisations such as Delta and Mimosa Mines seconding their apprentices to the Zimbabwe operations on a full cost recovery basis, thereby ensuring that existing artisan development competencies are used to build on skills availability within Zimbabwe.
- The Namibian operations decided to provide across the board general upliftment training to all the production workers of the company. During the past year, a considerable portion of training budget was allocated to "Basic Money Sense" and "Life Skills" training provided to production workers. Positive feedback from employees includes the significant impact that the training has had on improving the quality of their lives.

CURRENT AND FUTURE LEADERSHIP

Tongaat Hulett is focused on building and strengthening leadership capability and bench strength, as well as succession planning and talent management. After the 2015 management development programme (MDP) and the senior management development programme (SMDP), some of the participants have been promoted. Others have been earmarked for possible promotions or enlarged roles with some featuring in succession plans for critical roles. The identified high potential and high performance individuals are receiving due attention and further personalised development and coaching actions have been put in place. In addition, a few of the key business improvement projects completed by the participants during the MDP and SMDP have been selected for adaptation and implementation to resolve identified business challenges. The next MDP commenced in May 2017.

Succession planning for all pre-retirement employees aims to ensure that enough time and resources are allocated to ensure that there are suitably trained and skilled employees available to succeed them when they retire. Where gaps are identified, recruitment initiatives look to identify, attract and hire highly talented individuals to build the strength of the succession pool. Further to this, talent management practices exist to retain and grow high potential individuals across the company.

CASE STUDY
SHARLENE NARRAIDU

Tongaat Hulett is committed to creating an environment for its employees to learn and grow. Sharlene Narraidu's career at the company is an example of this commitment in action. Prior to joining the company in November 2000, her first job was with Legend Security as a security guard at the Tongaat Hulett Maidstone mill. Her responsibilities included access control, patrolling the mill and searching sugar trucks. Her time at the company has seen her grow from a senior recruiting clerk/secretary/receptionist at sugar's agricultural operations to the technical skills development manager for the South African sugar operations.

To read more go to www.tongaat.com/2017/sn

SELECTED ORGANISATIONAL RENEWAL, REORGANISATION AND ORGANISATIONAL CAPABILITY INITIATIVES

The company continues to review business structures and processes to ensure that these are optimised for future success. During the past year, the development operation embarked on an organisational renewal process in response to the need to shift from a largely project management centric approach to a more empowered, agile and entrepreneurial platform. This process adopted a multi-step progression including diagnostic, design and build, implementation, transitioning teams and individuals and embed. Agreement was reached on the business strategy, operating model and the design of a new organisational structure, which is being resourced using a comprehensive battery of selection processes. Further learning and development initiatives will assist in transitioning the teams and individuals. Key benefits emerging from this process include the following:

- Business re-alignment and role definition with better and sharper focus on development's ability to fulfil its operational and strategic business imperatives.
- Transformation at individual and organisational levels, positively impacting on the socio-economic landscape within which the company operates.

ACCELERATING EMPLOYEE TRANSFORMATION

Aligned with the strategic intent of creating value for all stakeholders, Tongaat Hulett understands the significant value that can be unlocked through transformation. Diversity and transformation goals are embedded in all human resource interventions rolled out across the company and management are committed and equipped to achieve success. The focus on transformation includes the upliftment of women in all countries in which Tongaat Hulett operates. Within the South African context, all relevant transformational legislation, relating to employment equity, affirmative action, B-BBEE, skills development and other applicable laws, are complied with.

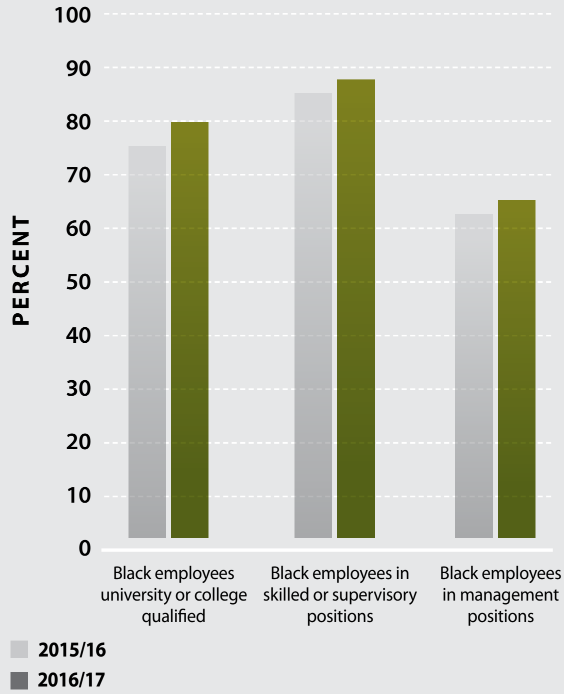
The company's stable workforce, with very low employee turnover affects the pace of transformation, however various avenues to accelerate this are being investigated on an ongoing basis, and where appropriate, pursued. Tongaat Hulett has achieved a steady improvement over time, through focused interventions and processes, including attracting, retaining and advancing the careers of women throughout the business, localisation of skills in Mozambique, and the advancement of designated groups in South Africa, particularly African women.

In the South African operations, as at 31 March 2017:

- 65,1 percent of management are black employees (2015/16: 64,3 percent).
- 87,9 percent of skilled and supervisory positions are black employees (2015/16: 86,5 percent).
- 80,1 percent of the university and college qualified employees are black (2015/16: 77,5 percent).
- 49,4 percent of the university and college qualified employees are women (2015/16: 48,1 percent).
- 32,1 percent of the workforce across South African operations are women (2015/16: 32,1 percent).
- 21,1 percent of senior management level are women (2015/16: 18,9 percent).
- 24,9 percent of management are black females (2015/16: 24,2 percent).
- 33,3 percent of top management are black females (2015/16: 29,2 percent).

A total of R30,7 million, of the overall training costs of R45,8 million, was spent on the South African operations in the past financial year. As required by legislation, a breakdown of this training, from 1 April 2016 to 31 March 2017, including the different categories of spend, are detailed in the table below:

PROGRESS IN REPRESENTATION BY DESIGNATED GROUPS IN SOUTH AFRICAN OPERATIONS



1 percent skills levy	R14 238 278
Training spend as a percentage of leviable amount	2.2%
Number of person days trained	43 267
Number of person days available	976 329
Percentage trained person days	4,43%
Number of persons trained	1 691
Expenditure on African, Coloured and Indian employees	R 27 318 661
Expenditure on African, Coloured and Indian women	R 14 725 267
Expenditure on employees with disabilities	R 25 720

PERSONS WITH DISABILITIES

Persons with disabilities continue to add value to the company. High unemployment rates exist among people with disabilities and as such, supporting transformation objectives, the business aims to create an enabling work environment for persons with disabilities. Aligned with legislated reporting requirements, there were 50 employees with disabilities as at 31 March 2017 (2015/16: 57) in the South African operations. This constituted 1 percent of the total employee complement (2015/16: 1,1 percent).

The decrease in employees with disabilities was due to employee attrition, and the reduction in new hires resulted in limited opportunities to recruit employees with disabilities in the past year.

EMPLOYEE VALUE PROPOSITION

Tongaat Hulett is working to position itself as an employer of choice, to attract, retain and grow employees within the company, with focus on high potential and skilled people, aligned with transformational objectives. The value proposition is being reviewed across the organisation, which includes elements of employee benefits, remuneration and career development initiatives. Read more about this in the Remuneration report, starting on page 73.

HR MANAGEMENT INFORMATION SYSTEMS

To standardise systems and simplify reporting across the company, SAP ERP is being implemented across all sites. This has been a multi-phased project, with the human capital management (HCM) module having gone live in the South African, Swaziland and Zimbabwean operations in the past financial year. This includes employee and management self-service, organisational management, time and leave management and personnel administration. The other countries are due to go live in the next financial year. While initial teething challenges have been experienced, these continue to be addressed and overall, this project looks to unlock future value for Tongaat Hulett.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The right of workers and employers to form and join organisations of their own choosing is a basic human right. As indicated in the table below, there are formally recognised unions in all six countries in which Tongaat Hulett operates and the business strives to maintain constructive, respectful relationships with these 12 unions. Should employees or unions believe that these rights are being contravened, the company has a formal grievance procedure, as detailed on page 45, which aims to address, and if necessary escalate, their grievance.

A total of 26 084 employees are covered by collective bargaining agreements. These stipulate the minimum terms and conditions of employment that will govern the employment relations in the respective countries. The minimum notice, which will be provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them, depends on the country in which they are based, and ranges from three weeks to three months. In some instances, these provisions are included in the collective bargaining agreements. The formally recognised trade unions are as follows:

Country	Recognised Unions
South Africa	African Meat Industry and Allied Trade Union (AMITU) Food and Allied Workers Union (FAWU) National Sugar and Refining and Allied Industries Employees Union (NASARIEU) Southern African Equity Workers Union (SAEWA) United Association of South Africa (UASA)
Zimbabwe	Zimbabwe Hotel and Catering Workers Union (ZHCWU) Zimbabwe Sugar Milling Industry Workers' Union (ZISMIWU) Sugar Production and Milling Workers' Union of Zimbabwe (SPMWUZ)
Mozambique	Sindicato Nacional dos Trabalhadores da Industria Do Açucar e Afins (SINTIA)
Swaziland	Swaziland Agriculture and Plant Workers Union (SAPWU)
Botswana	Cashiers Shop Assistant and Allied Workers Union (CASAWU)
Namibia	Namibian Food and Allied Workers Union (NAFAU)

In Swaziland, SAPWU members comprising 94 percent (958 employees) of the workforce, embarked on a 42-day wage related industrial action from 29 July to 9 September 2016, which cost the company R6 million. The employees requested a 12,5 percent increase, with a two-year wage increase agreement finally being reached.

Some 65 Mozambican employees embarked on an illegal four-day strike at a cost of R135 328.75. The Mafambisse-based tractor drivers requested an upgrading of their job grades, but based on the findings of a previously completed job grading review, this was not granted. Union and Ministry of Labour representatives assisted in resolving the matter. The employees faced disciplinary action for participating in an illegal strike as stipulated in Mozambican Labour Law. With a compliment of over 11 000, the participation in the strike equated to less than 1 percent of the Mozambique workforce.

DISCIPLINARY PROCEDURES

Disciplinary codes and procedures must be fair, non-discriminatory, equitable, consistent and guided by the relevant labour legislation. These codes and procedures form the foundation of corrective behaviour. As part of the disciplinary procedure, employees are:

- Notified timeously of their hearing
- Receive clarification of the charges against them
- Afforded an opportunity to be represented
- Afforded an opportunity to call their own witnesses
- Afforded an opportunity to cross-examine witnesses
- Guaranteed that proceedings are chaired by a neutral person
- Afforded the right to an appeal process

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

GRIEVANCE PROCEDURES

Good employee relations are further enhanced through grievance procedures by facilitating prompt and fair action by the company in response to legitimate complaints by employees. The procedure aims to secure mutually acceptable resolutions to grievances through a framework for all employees to deal with grievances raised effectively, and to facilitate their resolution as near to their point of origin as possible, and within a reasonable timeframe. Though internal communications, employees are:

- made aware of the opportunity to express grievances.
- encouraged to voice their grievances without the fear of victimisation, intimidation or prejudice.
- encouraged to use the procedure, but also warned not to abuse it with false grievances.

HUMAN RIGHTS

Tongaat Hulett is a signatory to the Universal Declaration of Human Rights and is committed to supporting freedom of association and collective bargaining at its locations. It is also committed to preventing child labour and does not tolerate the inhumane treatment of employees, including any form of forced or compulsory labour, physical punishment or other abuse. Human rights principles are incorporated in the company's practices and are included in the Code of Business Conduct and Ethics. All new employees are familiarised with and become signatories of the code upon joining the company.

Management processes assist in monitoring adherence to these commitments and ensuring that there are no contraventions. Company operations in all six countries only hire employees 18 years and older. Employment records, including identification numbers, are monitored to ensure compliance with this requirement.

Formalised employment contracts, collective bargaining agreements and union participation ensures fair labour practices and prevents any form of forced or compulsory labour. In addition to formalised procedures to address grievances, including any human rights abuses, the company subscribes to a Tip-Offs anonymous service, which is well communicated at each site, and with full investigation of all reported incidents. Any employee who is found to behave in contravention to the Code of Business Conduct and Ethics faces disciplinary action which could result in termination of their employment, and where applicable, they could face legal action.

ANTI-BRIBERY AND CORRUPTION

Aligned with its commitment to a policy of fair dealing, honesty and integrity in the conduct of its business, Tongaat Hulett actively works to prevent corruption and bribery, including procedures 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 Business Conduct and Ethics face disciplinary action, including dismissal.

STAKEHOLDER RELATIONSHIPS

SOCIAL AND RELATIONSHIP CAPITAL

R186,3 MILLION
INVESTED IN SED INITIATIVES

R68,6 MILLION
INVESTED IN HEALTHCARE RELATED ACTIVITIES

R19,6 MILLION
INVESTED IN EDUCATION

KEY ELEMENTS

R186,3 million spent on SED Initiatives (2015/16: R190,5 million)

2016 Investment Analyst Society Awards Winner: Consumer Products Sector

13 consecutive years included on th FTSE/JSE Responsible Investment Index

KEY PRIORITIES GOING FORWARD

Zero fatalities and improved safety performance

Implementing the South African National Standards (SANS) 16001 on wellness management systems

Tongaat Hulett has long-standing relationships with multiple stakeholders and the business endeavours to maintain and further develop these associations for the benefit of all parties. The process to increase Tongaat Hulett's understanding of its stakeholders is ongoing and includes identifying key clusters based on the degree to which they influence or are impacted on by the business, and documenting the various proactive engagements that are already in place as the business seeks to further strengthen these relationships. These are outlined on the following page.

	Nature of engagement	Priorities for stakeholders	Outcomes
Shareholders, investors and analysts	• Multiple regular meetings with CEO, CFO and key executives • Roadshows locally and abroad • Annual and interim results presentations and publications • Annual general meeting • Interactions managed by the Tongaat Hulett investor relations team	• Clear communication of the company's strategy and prospects going forward • Return on investment and growth in value	• Tongaat Hulett continues to improve on reporting its strategy and prospects • Improved understanding of the business's ability to create long-term value among investors and analysts
Government authorities and regulators in the region	• Partnerships on joint projects • Forums discussing existing and emerging initiatives • Ad hoc meetings • Compliance monitoring	• Compliance across operations with local, provincial and national regulations • Effective partnerships towards achieving articulated government objectives, projects and policies • Demonstrable company support towards sustainable socio-economic growth in the region	• Tongaat Hulett has systems in place to ensure compliance with regulatory frameworks • Ongoing partnership with relevant government agencies on various initiatives including sugar expansion in rural communities and land conversion activities
Private farmers	• Groups are organised per logistical areas of operation	• Maximum return in terms of revenue received for sugarcane and maize • Support from the company towards the long-term sustainability of private sugarcane farmers	• Access to maximum quality seed cane and cost savings on key inputs such as fertiliser and herbicides • Tongaat Hulett works to unlock grant funding from relevant authorities • Sustainable integrated farming model for staple foods implemented across SADC region
Local communities	• Regular and ad hoc local forums with traditional and community leaders • Development of small-scale private farmers in the communal areas identified for sugarcane expansion • Regular interaction at local level through the Socio-economic development (SED) provision of basic needs and services	• Access to sustainable jobs and economic opportunities • Affordable education, training and access to healthcare, basic amenities • The conservation of the community's way of life, culture and environment	• Additional direct and indirect jobs • SED investment addressing a broad range of needs in Mozambique, South Africa, Swaziland and Zimbabwe • Health programmes for all employees extend to communities, including counselling, screening and treatment for both HIV/AIDS and malaria • Ongoing schooling and infrastructure development projects involving local communities
Employees	• Regular collaboration on topics of employee protection, diversity and performance management • A variety of internal communication channels, including the company intranet, internal newsletters and briefings	• Stable employment relationships and job security • A working environment that guarantees health, safety, fairness and equal opportunity • Opportunities for upward and sideways movement within the organisation • Freedom of association and the right to collective bargaining • Training and development	• Sound corporate governance practices aligning remuneration with performance • Managers across operations interact with trade unions in an open and constructive manner • Ongoing healthcare and wellness programmes across rural operations, particularly in Mozambique, Swaziland and Zimbabwe
Customers, suppliers and service providers	• Regular interaction on procurement processes, responsible sourcing standards and supply chain management • Regular interactions with customers on various matters	• Local procurement • High quality products at competitive prices that attract consumers and encourage brand loyalty • Access to quality housing and property solutions • Product innovation and growth of the business • Professional and mutually beneficial trade relationships and robust supply chain mechanisms • Product responsibility and food safety	• Tongaat Hulett continuously improves the quality, taste and innovative features of products at reasonable prices • The land developments undertaken by Tongaat Hulett have catered for all levels of society with housing solutions being developed for low, middle and high-end income earners • Land developments undertaken take cognisance of the evolving needs of society i.e. business, recreation, leisure etc • The company operates under the relevant regulations, standards and laws to ensure the quality and safety of all its products

SOCIO-ECONOMIC DEVELOPMENT (SED)

Tongaat Hulett recognises that societal dynamics have an increasing impact on all its operations. Given this context, the business has articulated its strategic goal of striving for a relationship with society that is based on shared value and prosperity. This strategic goal has been described as "Value creation for all stakeholders through an all-inclusive approach to growth and development". Tongaat Hulett's SED activities are one of the vehicles used to strengthen and, in some instances, build improved relationships with Government and society, specifically those stakeholders that are most impacted by business activities. The business has articulated the principles which it embraces in its approach to SED and these include:

- Corporate governance - the business continues to adhere to legal and accepted business practices
- Corporate social responsibility - the company demonstrates responsibility to society by minimising any negative impact and extending philanthropic and charitable inputs to the communities that it operates in
- Social sustainability and innovation - Tongaat Hulett is developing innovative practical approaches to transform society and the environment thereby uplifting communities

The business exceeded its commitment of allocating one percent of annual headline earnings to SED for the 12 months to 31 March 2017. For the year to 31 March 2017, Tongaat Hulett invested R186,3 million in its SED initiatives (2015/16: R190,5 million), including the cost of company sponsored occupational and primary healthcare services. Operations in Zimbabwe, Mozambique and Swaziland accounted for 91 percent of the total amount invested in SED initiatives.

Key elements of SED spend for the period are as follows:

HEALTHCARE

- With most operations being in rural areas, a significant amount is invested in running healthcare facilities for employees and local communities.
- R68,6 million was invested in health-related activities, of which R1 948 445 was specifically allocated to dealing with the impact of HIV/ AIDS.

BASIC NEEDS

- Tongaat Hulett continues to invest in basic needs and social development, which includes food security projects and the provision of basic materials, to uplift communities around company operations.

SPORTS, ARTS AND CULTURE

- The company acknowledges the important role that arts, sports and culture can play in the development of successful rural communities. R15,9 million was invested in these initiatives during the year. In Zimbabwe and Mozambique soccer plays a significant role in communities and Tongaat Hulett sponsors various teams in these operations.

EDUCATION

- R19,6 million was invested in education initiatives across the company. This included the purchase of exercise and textbooks and new chairs in the estate schools in Mozambique, Swaziland and Zimbabwe.

CASE STUDY
UPLIFTING COMMUNITIES THROUGH THE SORGHUM GRAIN PROJECT

One of Tongaat Hulett's objectives is to build relationships with society based on shared value and prosperity. An example of this commitment is demonstrated through the company's Zimbabwean operations that identified the opportunity to purchase its sorghum requirements from a community-based outgrower programme that was developed in conjunction with government and community leaders. This project supports the UN Sustainable Development Goal of ending extreme poverty in all forms by 2030.

To read more go to www.tongaat.com/2017/uc

CASE STUDY
GROWING TONGAAT HULETT'S TALENT POOL THROUGH INVESTMENTS IN EDUCATION

Tongaat Hulett's operations require many skilled employees, particularly engineers and artisans. Over the past few years, the business has employed several people that have benefitted from the Programme for Technological Careers (PROTEC). Tongaat Hulett has had a long-standing relationship with the PROTEC Tongaat branch, which is located at the Maidstone mill. The company's investments in PROTEC contributed to the education and development of a student that qualified as a mechanical engineer. She is now employed at the South African sugar refinery and is making a significant contribution to the development of previously disadvantaged students throughout South Africa. Tongaat Hulett's ongoing commitment to investing in education speaks to the UN Sustainable Development Goal to ensure inclusive and equitable quality education.

To read more go to www.tongaat.com/2017/gth

FOOD SECURITY

The world's food systems play a central role in the well-being of ecosystems and human societies, and are a key driver of economic livelihoods. They contribute to most of the 17 SDGs adopted by the UN in 2016. However, today's food systems will not be able to feed the world's growing population both nutritiously and sustainably. Agricultural output in sub-Saharan Africa is primarily derived from small-holder farmers, who account for more than 80 percent of all farmers in the region. The greatest challenge facing most of these farmers is a lack of technical farming skills, capital and adequate mechanisation. In addition, they farm on small parcels of land that are often degraded and have no access to irrigation. It is for these reasons that most smallholder farmers in the region cannot produce optimally. Tongaat Hulett understands the crucial role that agriculture can play in improving food security, and ensuring environmental safety. Its strategy is underpinned by the following parameters:

CHANGE OF ATTITUDE IN AGRICULTURE

- Agriculture will thrive when government, businesses, policymakers, civil society and farmers (commercial and smallholder) jointly develop solutions to improve food security.

LAND REFORM AND WATER STORAGE CAPACITY

- Select beneficiaries based on farming experience, provide them with proper and adequate support, and establish partnerships between them and organised agriculture.

GREATER INVESTMENT IN AGRICULTURE

- Increase expenditure and direct it to improving agricultural infrastructure, research and development, and education and training for smallholder farmers.

MAKE AGRICULTURE AN ATTRACTIVE CAREER OPTION FOR YOUNG PEOPLE

- Developing innovative tools and measures that will ensure that all farmers, and particularly smallholders, can improve their competitiveness. In addition, ensure that young people are made aware of farming as a business career option that offers great opportunities to engage in all areas of the value chain.

CASE STUDY
CHANGING THE LIVES OF RURAL COMMUNITIES THROUGH PARTNERSHIPS

The Graca Machel small-scale grower association members in Xinavane are celebrating their first sugarcane harvest. In 2015 they were one of five small-scale grower associations that partnered with the European Union (EU), the Mozambican Government, BancABC and Tongaat Hulett to establish sugarcane plantations. The project, which aimed to foster economic stability and create successful, sustainable communities cost a total of €3 918 774. This was funded by an EU grant of €1 545 596 and a BancABC loan of €2 373 278. The five associations, comprising 362 farmers, established 530 hectares of irrigated sugarcane farmlands, with all cane supplied to Tongaat Hulett's Xinavane mill. In addition, 30 hectares of irrigated food crops was established to assist in ensuring food security. This project supports the SDG of ending extreme poverty in all forms by 2030 and of ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture.

To read more go to www.tongaat.com/2017/gm

PROMOTING SUSTAINABLE AGRICULTURE

Tongaat Hulett supports farm management practices that boost soil carbon sequestration such as climate smart-agriculture, mulching and intercropping. It assists small-scale farmers to become professional growers as this improves living conditions for rural communities, while improving food security in a sustainable manner. Inclusive agricultural growth is promoted: small-scale farmers produce part of their own food requirements and surplus production is available for local and regional markets.

The company applies a range of conservation methods and complements agricultural extension projects with a portfolio of partnerships in advanced crop science and land-use strategies to ensure that every field is environmentally assessed before planting. In selected areas, depending on soil conditions and other agronomic influences, a range of cover crops are used to improve soil conditions and nitrogen prevalence for the subsequent sugarcane crop. This is implemented with the view that better farming practices will halt, and in some instances, reverse the negative process of soil degradation. At the same time, farmers are encouraged to use existing farmland more efficiently. Sustainable farming solutions include not tilling the land, crop rotations, bringing vegetation back to degraded land and planting vegetation around fields to prevent erosion. The business understands that for agriculture to be sustainable, land and water must be used efficiently to reduce negative impact on the environment and ensure resilience to climate change.

SUPPLY CHAIN

Tongaat Hulett has maintained its current Level 4 B-BBEE rating, and will continue striving to improve this result. The draft Agricultural (AgriBEE) Sector Codes were released for public comment in October 2015 and are expected to be gazetted during the course of 2017. The Property Sector Codes were gazetted on 9 June 2017, the draft of which had been released for public comment in November 2015. The increased compliance levels and introduction of priority elements in the draft revised AgriBEE Sector Codes and the new Property Sector Codes have placed greater emphasis on ownership, skills development as well as enterprise and supplier development (ESD).

In conjunction with government's call for a quicker pace and intensive action on economic transformation, the business is executing on an innovative ESD strategy, with the aim of diversifying the supplier base with special focus on localization. There are targeted efforts to support small, medium and micro sized enterprises (SMMEs), while prioritising black-owned and black women-owned enterprises through various initiatives such as preferential payment terms, innovative financing options on land sales, encouragement of joint ventures between large enterprises and exempt micro enterprises (EMEs) and/or qualifying small enterprises (QSEs). There is continuous engagement with B-BBEE non-compliant as well as unrated suppliers, with an objective of helping these suppliers transform their businesses and/or get the necessary verification - to obtain the requisite B-BBEE certificates.

Further details on Tongaat Hulett's B-BBEE certificate is available at www.tongaat.com.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

Tongaat Hulett is achieving encouraging progress along its ZERO HARM journey and strives to strengthen stakeholder partnerships in this campaign. The company's SHE policies and cardinal rules empower every individual stakeholder, including employees, contractors, farmers and people from surrounding communities, to take total ownership of their safety and health as well as that of their peers. Every Tongaat Hulett stakeholder is always challenged to take individual responsibility in protecting the environment from harm and use resources in a responsible and sustainable manner for the benefit of current and future generations.

The company's leadership demonstrates commitment to adhering to SHE principles, deploying necessary resources and providing desired guidance to stakeholders for the ZERO HARM goal to be realised and sustained.

SAFETY

Regrettably, a total of three work related fatalities were suffered during the year 2016/17. There was a reduction in the number of fatalities recorded in 2016/17 when compared to the five suffered in 2015/16. However, given that Tongaat Hulett's ZERO HARM campaign is targeted at eliminating fatalities as a top priority, it is deeply concerning to have had fatality experiences in the year.

Fatality risk management protocols were revisited and strengthened to avoid further loss of lives at the workplace.

The company's safety performance in terms of serious injuries that result in loss of time slightly declined in 2016/17 when compared to the previous year. A Lost Time Injury Frequency Rate (LTIFR) of 0,093 per 200 000 hours worked, was achieved in 2016/17 reflecting a negative trend for the first time in more than five years following a prior consistent performance of 0.073 achieved in 2015/16, 0,085 (2014/15), 0,087 (2013/14), 0,094 (2012/13) and 0,010 (2011/12). This decline was partly caused by an increase of five lost time injuries and a significant reduction of employee hours worked amounting to ten million hours less when compared to those recorded in 2015/16.

Total Recordable Cases Frequency Rate and Total Injury Frequency Rate were at 1,46 (2015/16: 1,27) and 3,41 (2015/16: 3,82). This performance suggested an improvement in the reporting of minor incidents that result in minor injuries requiring mild medical treatment without experiencing loss of time. The reporting of minor first aid cases however, declined slightly. A dedicated campaign is being pursued to encourage the reporting of these minor incidents that could easily go unreported.

Nevertheless, Tongaat Hulett's safety performance still compares satisfactorily with leading benchmarked companies across the world, particularly in terms of LTIFR. The company is gaining meaningful progress along its ZERO HARM journey as demonstrated by the following milestone achievements realised by some of its operations in 2016/17:

- Undertaking pro-active/reactive top executive "stand-back" reviews of operations experiencing unsatisfactory business and/or safety trends considering a correlation between both aspects.
- Adopting a new risk matrix and consistently applying it in risk-assessment processes that determine high fatality risk topics and relevant critical control protocols to be deployed.
- Strengthening behaviour-based interventions and contractor management protocols to enhance a sustainable ZERO HARM culture within the organisation.

FOOD SAFETY

Tongaat Hulett's longstanding reputation of being a producer of high-quality products continues to grow and is acknowledged by its stakeholders, which include customers, regulatory authorities and third-party auditing bodies within and outside the food industry. Such a reputation is protected and strengthened through adherence to structured food safety processes that include managing maize and sugarcane requirements on a non-genetically modified basis and applying a sophisticated identity preservation system. Compliance with these systems and processes is monitored through several annual customer audits that apply global audit protocols. In addition, ongoing attention is paid to the requirements of FSSC 22000 (a Food Safety System Certification used by food manufacturers which is aligned with ISO 22000 and includes Good Manufacturing Practices), ISO 22000 and ISO 9001, in terms of quality and food safety standards. In 2016/17, all starch operations, the refinery in South Africa and sugar packaging stations for Xinavane mill in Mozambique, Triangle mill in Zimbabwe and Namibia operations retained certification for FSSC 22000 or ISO 22000 on food safety management systems. Other pack stations are at different stages in preparing to secure similar certifications.

Regarding the health promotion levy (previously referred to as the tax on sweetened beverages), the South African sugar industry, which includes Tongaat Hulett, continues to engage with government. Sugar or sucrose is a natural plant product. It is produced by the sugarcane plant in much the same way that other plants, such as fruit and vegetables, produce sugars. Neither white nor brown sugar contains additives or preservatives of any kind, although the excessive consumption of any foodstuff, no matter how harmless, is not conducive to good health. Sugar is a natural and healthy contributor to the enjoyment of food as part of a sensible and balanced diet.

HEALTH

Tongaat Hulett has 38 221 employees (peak milling season) working at 27 locations in six countries in southern Africa. Health issues across the region where the business operates are therefore varied. Tongaat Hulett's thrust on sustainability requires sound management of business risks, including those posed by ill health among its employees and people from surrounding communities. These risks can result in increased absenteeism, increased production costs and reduced productivity. Managing all health-related risks is therefore imperative to Tongaat Hulett's continued viability.

While geographical location may have some unique effect, health concerns are similar in areas where Tongaat Hulett has business interests. The need for integrated management of health risks for chronic illness, occupational injuries and diseases, mental diseases and disability is a key health focus area. Elements of key health focus areas entail:

- HIV/AIDS management
- Wellness and disease management
- Occupational health programmes with emphasis on managing risks of noise induced hearing loss
- Malaria case control

HIV, AIDS AND TB MANAGEMENT

All Tongaat Hulett operations are now fully compliant with the World Health Organisation strategy of "test and treat" in the management of HIV and AIDS - i.e. all persons who test positive will go onto treatment immediately irrespective of their CD4 count status. Furthermore, the 90:90:90 approach has been adopted by all operations in setting following internal targets:

- 90 percent of workforce should know their HIV status
- 90 percent of HIV+ people should be on antiretroviral therapy (ART)
- 90 percent of those on ART should remain on ART

Performance for the past year (2016/17) against these parameters was 92:83:94. The only target not achieved was largely because of employees who prefer to access non-company based schemes to obtain ART. This is evident in South Africa where many employees access treatment from state and private facilities. Their statistics are therefore not captured in Tongaat Hulett's records as being on treatment. Key statistics of the HIV/AIDS management programme for the 2016/17 fiscal year are:

- Employees currently receiving ART through company-provided ART: 3 919 (2015/16: 3 768)
- Voluntary counselling and testing (VCT) uptake: 88,8 percent (2015/16: 88,4 percent)
- Employees knowing their status: 91,8 percent (2015/16: 90,5 percent)
- Number of new employees confirmed HIV+ on testing: 642 (2015/16: 1 187)
- Number of employees currently HIV+: 4 752 (2015/16: 4 689)
- HIV prevalence: 22,7 percent (2015/16: 21,6 percent)
- Cost of ART: R1,9 million (2015/16: R1,9 million)
- Seasonal employees/contractors VCT uptake: 7 930 (2015/16: 9 951)
- Seasonal employees/contractors on ART: 1 144 (2015/16: 1 080)

An increase in HIV prevalence was realised even though the number of new infections declined by 46 percent and the number of employees currently HIV positive only increased by 1 percent. This is attributed to the significant reduction in the total number of employees as shown by the reduction of employees' hours, amounting to seven million hours.

While the retention rate of ART is high, the challenge for non-South African operations is ensuring that those on treatment are virally suppressed. This is because of the limited access to viral load testing. Opportunities for private-public partnerships are being explored.

WELLNESS MANAGEMENT

Mental health issues, stress and non-communicable diseases worldwide are contributing to the burden of disease among employees. While acute infectious diseases (e.g. malaria) still rank as the leading cause of ill health, non-communicable diseases are increasingly featuring in the causes of ill health among employees. The company is working towards implementing the South Africa National Standards (SANS) 16001 on wellness management systems to ensure best practices are adopted and measured for compliance.

MALARIA

Heavy rains experienced throughout the region in late 2016 and into 2017, increased pockets of stagnant water and thus mosquito breeding sites. This resulted in malaria endemics in Zimbabwe and Mozambique. This is despite the presence of integrated malaria control programmes that include vector control, awareness and personal protection. The situation was compounded in Zimbabwe by lack of malaria control activities in the new outgrower farms within and bordering Tongaat Hulett operations. Outgrowers are being engaged to resuscitate these controls. There were no malaria-related fatalities recorded at Tongaat Hulett's operations during 2016/17.

OCCUPATIONAL HEALTH RISK MANAGEMENT

The occupational health risk of main concern is that of noise induced hearing loss as this adversely affects the livelihood of employees even after they leave employment. As part of managing this risk, the company focuses on early identification of those at highest risk, and taking necessary precautionary measures before the severity of hearing loss increases. Various other occupational health risks are monitored through periodic medical surveillance programmes to ensure employees are not showing signs of over exposure to inherent risks.

In 2016/17, there was no occupational health related fatality (2015/16: 0) nor occupational health case with irreversible health effects (2015/16: 2) recorded. A total of 12 occupational health cases with reversible health effects (2015/16:10) were registered in the year.

INTELLECTUAL PROPERTY

INTELLECTUAL CAPITAL

14 REGISTERED PATENTS

369 REGISTERED TRADEMARKS

50 REGISTERED DOMAINS

KEY ELEMENTS

Market-leading brands

Patents

Intellectual Property

KEY PRIORITIES GOING FORWARD

Retention of third-party certification

Growing market share responsibly through innovation and the development of high-quality products

Tongaat Hulett's intellectual property is protected through employment contracts and confidentiality agreements and/or license agreements with external parties. These agreements establish ownership of and rights to trademarks, copyright, trade secrets, innovations and inventions resulting from any dealings with the company. In the sugar operation, a portfolio of patents is managed by a knowledge management specialist in consultation with patent attorneys. Protection of patentable ideas is achieved by immediately obtaining provisional patents, with targeted national and international patenting.

Tongaat Hulett holds 14 patents registered in Australia, Brazil, China, Colombia, Indonesia, India, Mauritius, Mexico, South Africa and the USA. It is a proprietor of 369 registered trademarks in Australia, Botswana, Lesotho, Namibia, New Zealand, Philippines, South Africa, South Korea, Swaziland, Taiwan and the United Arab Emirates. The company has 50 domain names registered to it.

THIRD-PARTY CERTIFICATIONS

SHE and food safety performances are benchmarked against global best practices to promote continuous improvement and stakeholder satisfaction. Operations subscribe to various internationally-recognised management systems and/or specifications that include NOSA, OHSAS 18001, ISO 14001, ISO 9001, FSSC 22000 and ISO 22000.

All operations retained certification to either NOSA 5 Star systems or OHSAS 18001 covering occupational health and safety. All 19 main operations are now certified to the ISO 14001 environmental management system. All starch operations, the refinery, and pack stations for Xinavane, Triangle and Namibia operations retained certification for FSSC 22000 or ISO 2200 on food safety management systems.

PRODUCT RESPONSIBILITY

Tongaat Hulett complies with the relevant safety, health, environmental and quality legislation in each of the countries in which it operates, while striving to implement industry best practice. The production facilities have been certified under the ISO 9001:2008 quality management system. In South Africa, the operations have adopted Hazard Analysis Critical Control Points (HACCP), where appropriate. Downstream products supplied to the pharmaceutical industry are required to meet the standards of the Food and Drugs Act.

Tongaat Hulett ensures that appropriate information is provided to its customers. All product labels contain information about the product in compliance with the respective country legislation and labelling regulations.

BRANDS

Several Tongaat Hulett brands hold prominent positions in their respective markets in different product categories and geographic locations. The company's objective is to grow its market share responsibly through innovation and the development of high-quality products. The following table provides a summary of the business's major food and animal feed brands:

	**Huletts®** White sugar Brown sugar	Market leader in South Africa Over 120 years in the market
	**Huletts Sunsweet®** White sugar Brown sugar	Market leader in Zimbabwe
	**Voermol Feeds®** Animal feeds	Market leader in the molasses and pith-based animal feeds industry in South Africa
	**Blue Crystal®** White sugar Brown sugar	Market leader in Botswana
	**Marathon®** White sugar Brown sugar	Market leader in Namibia
	**Amryal®** **Hydex®** **Vaalgold®**	Leading starch and glucose brands

ENVIRONMENT

NATURAL CAPITAL

15% DECREASE
IN PURCHASED ELECTRICITY

535 248 METRIC TONS
CO_2-E SEQUESTERED IN 2016/17

436 322 MWH
ELECTRICITY GENERATED BY TONGAAT HULETT SUGAR MILLS

KEY ELEMENTS

Reduced emissions by 1 percent

Eight consecutive years of participating in CDP Carbon, 4 years in CDP Water

Improvement in Water Resources Management

KEY PRIORITIES GOING FORWARD

Improving soil health and promoting sustainable agriculture

Energy efficiency

Emissions reduction

Smart irrigation solutions

As a major user of land, biodiversity and water, Tongaat Hulett's agri-processing and land development operations are significantly impacted by natural systems and, in turn, impact the environment and local communities. As a responsible corporate citizen, Tongaat Hulett seeks to demonstrate its commitment to sound environmental stewardship, within a context of sustainable and ethical practice. Compliance with legal requirements is a minimum requirement, with operations striving to establish and comply with local and international best practices. In line with this approach, the company aims to retain certification to ISO 14001 Environmental Management System standard across all its operations.

With the increasing demand to grow more food, the responsibility lies with agriculture and agri-processing businesses to look after the soil in areas in which they operate. Since healthy soil forms the foundation of food production in successful agriculture, unproductive soil can be rehabilitated through the adoption and implementation of more environmentally friendly approaches. This is promoted by the three main interlinked principles of Conservation Agriculture: minimal soil disturbance, permanent soil mulch cover and crop diversification.

CLIMATE CHANGE

According to the United Nations Food and Agriculture Organisation, there is no doubt that climate change impacts food security. Overhauling farming and food systems will be complex due to the vast number of stakeholders involved, the multiplicity of farming and food processing systems and differences in ecosystems. The effects of climate change on agricultural production and livelihoods will vary across countries and regions. Tongaat Hulett recognises the need to adapt to the physical impacts of climate change, which may affect operations, particularly through the availability of water and the occurrence of extreme weather events. The company continues to engage with experts on several innovative initiatives, including programmes to improve irrigation efficiency and more drought-resistant crop varieties.

Sub-Saharan Africa will experience the largest increase in the number of poor, partly because its population is more reliant on agriculture. Therefore, success in transforming food and agricultural systems will largely depend on supporting smallholders in adapting to climate change. Tongaat Hulett relies on agricultural products produced in greatly varying agro-ecological and socio-economic conditions. Solutions are tailored to these conditions, but overall, significant improvements in food security, as well as resilience to climate change is achieved by introducing sustainable agricultural practices.

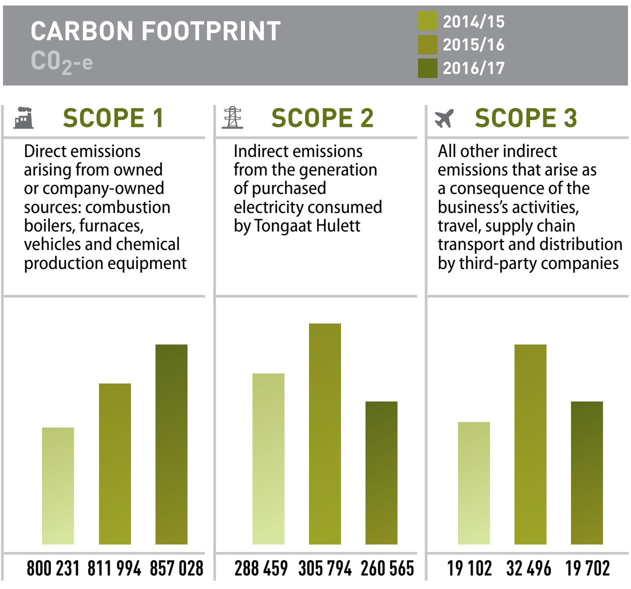
Tongaat Hulett's approach to dealing with the impacts of climate change includes increasing resource-use efficiency, cutting fossil fuel usage and avoiding direct environmental degradation, enhancing productivity sustainably and reducing dependence on external inputs. Improved crop production and fertiliser management offer the greatest potential to reduce nitrous oxide emissions, while also reducing input costs. Increasing stocks of soil organic carbon improve crop yields and build resilience to drought and flooding, but also sequester carbon. The company participates in public environment fora and, during the past year, this included Business Unity of South Africa (BUSA), the Industry Task Team on Climate Change (ITTCC), parliamentary discussions and the Department of Environmental Affairs (DEA) on Carbon Budget and Carbon Tax alignment.

CARBON MANAGEMENT

As part of its broader response to climate change, Tongaat Hulett participated in the CDP (formerly Carbon Disclosure Project) for the eighth consecutive year. The CDP is an independent initiative that encourages transparency on climate change-related issues, with an emphasis on emissions disclosure. The company's carbon footprint analysis was conducted per the Greenhouse Gas (GHG) Protocol, published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute and has reported Scope 1 and 2 GHG data in compliance with ISO14064:3. Terra Firma Solutions has provided limited assurance on Scope 1 and 2 GHG data in accordance with ISO14064:3. Details of the company's current actions are provided in the public response to the CDP, available at www.cdproject.net. Tongaat Hulett tracks and monitors its GHG emissions, seeking through ongoing efforts to improve the accuracy and reporting of its carbon footprint.

During the year, business operations emitted 857 028 metric tons of CO_2 equivalent (CO_2-e) Scope 1 emissions (2015/16: 811 994). The company purchased electricity that emitted 260 565 metric tons of CO_2-e (2015/16: 305 794). The total Scope 3 emissions were 19 702 metric tons CO_2-e covering business travel, comprehensive supply chain transport and distribution by third-party companies (2015/16: 32 496). In the 2016/17 reporting period, employees booked 7 274 business trips, flying more than 5,675 million kilometres, resulting in 1 067 metric tons CO_2-e being emitted from business travel. The total Scope 1, Scope 2 and Scope 3 carbon emissions for the period under review was 1 137 295 metric tons CO_2-e and the turnover was R17,915 billion, which equates to 63 grams of CO_2 emitted per Rand generated. The GHG emissions have been verified by a third-party service provider.

Overall, there was a 1 percent decrease in emissions from the previous period, a 15 percent decrease in purchased electricity due to improved weather conditions resulting in less irrigation, and a 39 percent decrease in Scope 3.



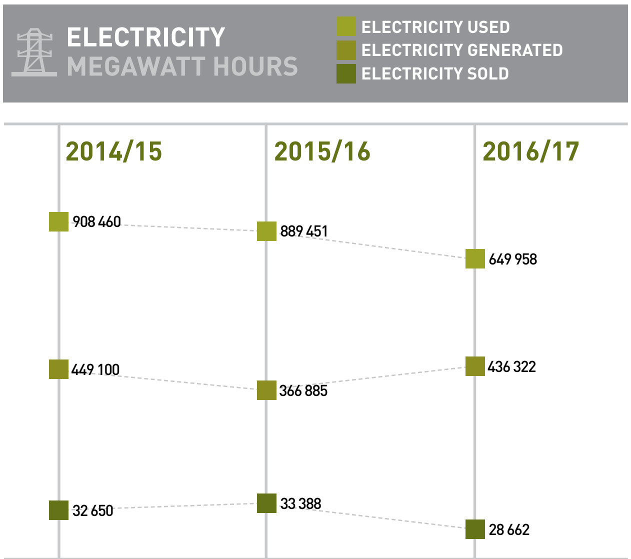
Total emissions from South African operations, calculated at 712 015 metric tons CO_2-e, includes emissions of 404 215 metric tons CO_2-e emanating from the South African sugar operations. Tongaat Hulett completed a study with the assistance of global carbon experts, which found that the company's sugar farms sequester carbon at a rate of 12 tons per hectare per annum from sugarcane produced. Using this rate, Tongaat Hulett's 44 604 hectares (grown from company-owned and leased land) equates to 535 248 metric tons CO_2-e sequestered in this financial year. The South African sugar operations could benefit from the carbon capture and storage of CO_2 in the growing of sugarcane if the National Treasury allows for sequestered emissions to be deducted from the company's carbon footprint. Therefore, 176 767 metric tons would have been subject to carbon tax in this financial year.

ENERGY

Energy efficiency is one of the regions challenges compounded by the need for an affordable, sustainable energy supply. The most practical and immediate route to success is not the building of new power-generating plants, but the use of less energy from the national grid. Eskom has long called for a voluntary 10 percent reduction by users to assist with the balance of electricity supply and demand, particularly at peak periods. It will take years for the government-backed utility to commission enough new power stations to cater for the backlogs in supply. The introduction of a suitable regulatory framework for the provision of privately-produced alternative electricity to the national grid in South Africa could potentially result in Tongaat Hulett expanding the business's ability to generate electricity from bagasse, a renewable resource produced as a co-product of the sugar production process. In the short to medium term, this would involve infrastructure development projects across the company's sugar mills to significantly increase electricity generation from bagasse.

For the year ended 31 March 2017, Tongaat Hulett used a total of 649 958 MWh (2015/16: 889 451 MWh) of electricity across all its operations and offices. It generated 436 322 MWh

(2015/16: 366 885 MWh) from its sugar mills, predominantly from bagasse, and sold 28 662 MWh (2015/16: 33 388 MWh) to the national grid. Other sources of fuel that are used include coal 300 268 tons (2015/16: 282 885 tons), diesel 10,9 million litres (2015/16: 12,7 million litres), petrol 0,857 million litres (2015/16: 0,994 million litres), gas 472 349 GJ (2015/16: 492 397 GJ) and wood.



AIR QUALITY

The deliberate strategy of burning bagasse ahead of coal as a fuel by sugar mills significantly improves the quality of emissions in terms of particulate matter, noxious gases, and carbon and sulphur oxide. Wet scrubbing technology continues to be used by most operations to remove fly-ash from the flue gas to ensure that emissions meet acceptable air quality standards. Tightening regulatory constraints and changing societal expectations in relation to air emissions present challenges and opportunities for the business. While some emissions will always be inevitable because of the very nature of manufacturing operations, the company realises the need to improve performance. The primary use of coal as a fuel to fire boilers at the refinery in South Africa presents challenges in improving the quality of emissions. To address this, the company has developed an improved process technology solution which could be applied at that operation. The execution of the first phase of this process technology solution is expected to take place during 2017. This technology implementation is aligned with the refining operation's commitment to reducing emissions and achieving its compliance objectives as agreed with the authorities.

BIODIVERSITY AND LAND MANAGEMENT

Soil health plays a critical role in maintaining biodiversity. Experts warn that 33 percent of world soil is already moderately to highly degraded due to erosion, nutrient depletion, acidification, urbanisation, and chemical pollution, putting future supplies of food, water and energy at risk. Tongaat Hulett continues to rehabilitate currently unproductive land to agriculture, while also securing additional sugarcane supply to its mills.

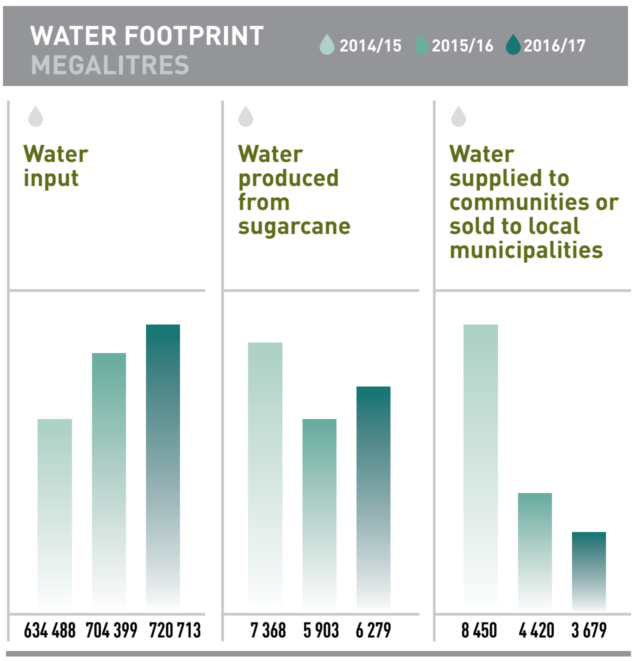
A total of 7 709 developable hectares of land in KwaZulu-Natal has been identified for conversion, at the appropriate time, in support of growth and development of the region. This conversion is carefully managed and coordinated in line with broader government objectives and spatial policies. A major element of this conversion includes the rehabilitation of the affected ecological systems through a range of biodiversity improvement practices.

The business works to avoid and minimise biodiversity loss and land disturbance, while improving its biodiversity management practices. This approach, which has been well established over many years, focuses on implementing the mitigation hierarchy of avoidance, minimisation, restoration, and offsets where appropriate.

WATER RESOURCE MANAGEMENT

Water is an essential input in the business, all operations are affected by uncertainties and challenges associated with water consumption. According to the 2030 Water Resources Group projections, without improvements in the way water is managed and used, the world could face a 40 percent supply gap by 2030. It is for this reason that the business is using the Water Risk Filter Tool to assess the water risk exposure to share in the implementation of sound water stewardship strategies at the watershed level.

To this end Tongaat Hulett is partnering with other stakeholders in the uMhlathuze Water Stewardship Programme. The uMhlathuze region of the Pongola-Umzimkhulu Catchment Management Area is facing significant water stress. This is significantly impacting economic activity and livelihoods, particularly within the Richards Bay industrial complex and is also affecting agricultural and forestry activities in the middle and upper reaches of the catchment. In the context of the critical drought situation in South Africa, the uMhlathuze is one of the most affected areas.



NEED FOR COLLECTIVE ACTION AT SCALE

It is recognised that businesses, landowners, government and civil society are already collaborating on water-related risk mitigation through other fora, primarily around the Richards Bay area. However, these efforts do not consider the need for collective action at the catchment scale, or to unlock resources and action from national and international parties to assist in efforts in the catchment. These and other parties in the uMhlathuze region therefore recognise the need for focused and immediate collective action to facilitate improved water resources management by all relevant stakeholders, resulting in improved water security for all water users. Stakeholders include the Department of Water and Sanitation; KwaZulu-Natal, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH - International Water Stewardship Programme, Grindrod, Mondi South Africa Division, National Business Initiative (NBI), Pongola Umzimkhulu Proto Catchment Management Agency, Strategic Water Partners Network, Tongaat Hulett, Transnet and WWF South Africa.

As an agriculture and agri-processing business, water is a vital part of Tongaat Hulett's daily operations. Climate change, with its consequent impacts on water availability and water quality, continues to impact on several the regions in which Tongaat Hulett and its suppliers operate. Water pollution has the potential to increase operational costs and compromise the quality of products. It is therefore in Tongaat Hulett's interest to ensure sustainable management of shared water resources in the regions where it operates and procures.

Input water sources include water abstracted from rivers, water available in sugarcane and water purchased from municipal sources. Most sugar mills operate in remote locations and therefore assist in the provision of potable water to local communities. For the reporting year ended 31 March 2017, the total water input was 720 713 megalitres (2015/16: 704 399) of which 6 279 megalitres (2015/16: 5 903) was produced from sugarcane and 3 679 megalitres (2015/16: 4 420) was supplied to communities or sold to local municipalities. Overall, there was a 2 percent increase in water input.

EFFLUENT MANAGEMENT

A philosophy of "target zero effluent" disposal is subscribed to across all operations. It is understood that it entails a journey involving upgrading production processes and infrastructure and shifting operational culture, aiming to reduce effluent discharge as a priority before treating and reusing the minimal amount that must be discharged. The quality of effluent being discharged is subjected to ongoing internal and third-party monitoring processes to ensure it meets minimum specifications set by statutory authorities. Water that is produced as part of the sugar milling process is largely used for the irrigation of sugarcane on adjacent estates while effluent produced at the central sugar refinery is disposed of into the municipal sewer for treatment. The quantity and quality thereof is monitored to ensure compliance with the relevant specifications. The remaining mills are progressing with environmental management programmes to adopt best practices and ensure legal compliance as a minimum.

The Maidstone mill, in South Africa, is currently developing a Request For Proposal for the building of an effluent treatment plant, to treat effluent to the standard required for discharge to watercourses.

WASTE MANAGEMENT

In line with the "ZERO HARM" principle, Tongaat Hulett manages waste from its operational processes with a "target zero hazardous waste" mindset. Efforts are directed towards reducing the amount of hazardous waste being generated. Waste management plans follow a hierarchy of control steps to reduce, re-use and recycle waste before earmarking for ultimate disposal. Operations based in South Africa, Mozambique, Botswana, Namibia and Swaziland make use of registered waste companies that collect non-valuable hazardous waste from operations and dispose of it at designated hazardous landfill sites. Zimbabwe-based operations have constructed hazardous disposal sites that are registered by the regulatory authority and are subject to annual statutory and third-party audits.

During the reporting period 2016/17, 10 209 tons of general waste (2015/16: 10 387 tons), 3 080 tons of scrap metal (2015/16: 2 486 tons) and 413 tons of hazardous waste (2015/16: 763 tons) was generated and disposed of in accordance with applicable legislation.

ENVIRONMENTAL INCIDENTS AND COMPLIANCE

The company responded to most concerns raised by affected stakeholders, mainly from surrounding communities. There were no serious incidents or non-monetary sanctions for non-compliance with applicable environmental regulations registered during the year under review. The established community liaison forums between Tongaat Hulett and interested parties continue to address environmentally-related complaints.

There were no Level 2 or 3 environmental incidents nor complaints recorded in the year (2015/16: 2 Level 2 Incidents; 0 Level 3 Incidents). A total of 425 Level 1 incidents were recorded (2015/16: 416) while 142 Level 1 complaints were registered and attended to (2015/16: 92). Most Level 1 incidents were related to vandal fires (in sugarcane fields) and illegal dumping incidents perpetrated by unidentified members of the public. There were also incidents/complaints of dust, environmental noise and effluent smell particularly at Maidstone mill. At Starch operations, Level 1 environmental odour complaints were recorded related to nuisance odour often experienced during plant start-up or stoppages.

Operational processes were adjusted to improve odour emanating from production processes. At Tongaat Hulett Sugar Maidstone mill, purging of the system with lime and keeping to irrigation times reduced the odour complaints but these were also weather dependent. Environmental noise at the same operation was caused by malfunctioning of equipment, which was repaired. The impact of dust from all operations is monitored through dust fall out processes. The plan that was previously committed to refurbishing feed dryers at Tongaat Hulett Starch Kliprivier mill was completed in July 2016 and optimisation of dryer operation after installation was also completed.

INDEPENDENT THIRD-PARTY ASSURANCE

Environmental Resources Management (ERM) has provided independent third-party assurance over selected sustainability content of the 2017 Integrated Annual Report. The assurance was conducted in line with the AccountAbility AA1000 Assurance Standard (Revised, 2008) (Type I Moderate level). The engagement was conducted using the AA1000 AccountAbility Principles Standard (2008) criteria and those of the GRI Standards Sustainability Reporting Guidelines. For the detailed assurance statement refer to:
www.tongaat.com/2017/ermassurance.pdf

DIRECTORATE

DIRECTORS'
Strengths
Capabilities
Experience
These attributes are reflected under each Director's name

CB SIBISI

- Corporate/organisational and strategic leadership
- Socio-economic development and sustainability
- Development economics
- Agriculture and agri-processing

CHAIRMAN

Chief Executive Sangena Investments (Pty) Limited; MA (Econ Dev)

Bahle (53) is the Non-executive Chairman of Tongaat Hulett. He is also 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.

PH STAUDE

- Corporate, multinational and strategic leadership
- Agriculture and agri-processing
- Land and property development
- Talent management and leadership development

CHIEF EXECUTIVE OFFICER

BSc (IND ENG)(HONS) (Cum Laude), MBA (Pretoria)

Peter (63) 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 also the former Chairman of Trade & Investment KZN and now a Non-Executive Director of Hulamin.

SM BEESLEY

- Operational best practice
- Multinational organisational leadership
- Strategic insights
- Transformational leadership

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
BA Law, MDP

Stephen (65) has extensive multinational business experience in many countries including Botswana, Namibia, Tanzania, Zambia, Mozambique and Zimbabwe. He had a long career at BP plc where he held several executive and leadership roles, including as former Managing Director of BP Africa Limited, CEO of BP Southern African (Pty) Limited and Managing Director of BP and Shell Marketing Services, Zimbabwe. He is currently a partner at SJS Energy, and actively consults on a range of energy issues to the energy sector. He was appointed to the Tongaat Hulett Board in June 2014.

F JAKOET

- Risk management, assurance and corporate governance
- Financial and strategic leadership
- Corporate governance and ethics management
- Financial governance

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
BSc, CTA, CA (SA)

Fatima (56) 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, certain MTN subsidiaries, Rand Refinery Pty Limited and AfriSam Group Pty Limited. Fatima was appointed to the Tongaat Hulett Board in 2008.

J JOHN

- Risk Management, assurance and corporate governance
- Financial and strategic leadership
- Financial governance
- Operational best practice

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chief Audit Executive, FirstRand Group
Hons BCompt, CTA, CA (SA), CIA, QIA, F.Inst.D
Senior Executive Programme (Wits and Harvard),
Diploma in Company Direction

Jenitha (45) 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. She is currently a Non-Executive Director at Nampak Ltd and also serves on the Audit Committee. She was appointed to the Tongaat Hulett Board in 2007.

RP KUPARA (ZIMBABWEAN)

- Risk Management, assurance and corporate governance
- Financial governance
- Agriculture and agri-processing

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
B.Acc (Hons), CA (Z), MBA

Rachel (58) previously worked in the financial services sector, specifically banking and insurance at various senior levels. She is also a former Finance Director and Chief Executive of Ariston Holdings, a Zimbabwe Stock Exchange listed company. She is currently a Non-Executive Director of Nicoz Diamond Insurance Company, Dairibord Holdings Limited and Zimbabwe Insurance Brokers Limited. She was appointed to the Tongaat Hulett Board in 2009.

N MJOLI-MNCUBE

- Entrepreneurship
- Strategic leadership
- Socio-economic development and sustainability
- Risk management, assurance and corporate

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
BA, Masters in City and Regional Planning, Spurs Fellowship (Massachusetts Institute of Technology) USA, Certificate in Engineering and Technology Management, Warwick University, UK

Nonhlanhla (58) is a business woman, and former Economic Advisor to the Presidency. She has worked as a city and regional planner in South Africa, a survey research supervisor at Washington State University, USA, an Executive Director at a subsidiary of Murray & Roberts, chairman of several housing funds, managing owner, and founder of women entrepreneurial organizations. She has certificates in Leadership (Harvard and Wharton Universities USA), and Technology Management (Warwick University, UK). She has more than 10 years' experience as a board member in JSE listed companies. She was appointed to the Tongaat Hulett Board in 2008.

SG PRETORIUS

- Corporate/organisational and strategic leadership
- Human capital management
- Strategic marketing
- Transformational leadership

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
MCom (Business Economics)
Honorary Doctorate (Marketing)

Brand (69) currently serves as a non-executive Chairman of Metair Investments Limited, and is non-executive director on the boards of Reunert, Italtile, Agrinet and Tata Africa Holdings. He is also a member of the advisory boards of the READ Educational Trust, Partners for Possibility, Alexander Proudfoot, InvoTech, and the Motor Industry Ombudsman of South Africa. Prior to this he had a long and distinguished career in the motor industry as Managing Director of Toyota South Africa Marketing and as CEO of 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.

TA SALOMÃO (MOZAMBICAN)

- Corporate, financial and strategic leadership
- Socio-economic development and sustainability
- Government relations and policy formulation
- Leadership development and talent management

INDEPENDENT NON-EXECUTIVE DIRECTOR

Director of Companies
MA (Economics)

Tomaz (62), is the former Executive Secretary of the Southern African Development Community (SADC, 2005 - 2013). At Regional level, he presided over the SADC roadmap for the preparatory process of the SADC Free Trade Area, which was launched by the SADC Summit in August 2008. He also guided the broad-based consultative process for the SADC Regional Infrastructure Development Master Plan (RIDMP) culminating in its adoption by Summit in 2012. Prior to this, he made significant contributions in the development of his country in senior Government leadership including as Minister of Transport and Communications from 2000 to 2004; and as Minister of Finance and Planning (1994 to 1999). He also served as Governor for Mozambique at the African Development Bank, International Monetary Fund and the World Bank. He is currently a Visiting Research Fellow at the University of Witwatersrand School of Governance. He is also the non-executive Chairman of the Board of Standard Bank, Mozambique, and Cervejas de Mozambique, and is non-executive director of Metallon Corporation, UK. He was appointed to the Tongaat Hulett Board in 2015.

TN MGODUSO

- Risk, assurance and corporate governance
- Human capital strategic talent management
- Transformational leadership

NON-EXECUTIVE DIRECTOR

Director of Companies
MA (Clin Psych)

Thandeka (61) is a social entrepreneur and has worked both in the private and public sectors within the economy of South Africa. She has attended numerous executive programmes at universities and leadership institutions, both locally and internationally. She serves on a number of boards, including as a non-executive director at South African Airways (Chairman of the Remuneration Committee and Board member of South African Airways Technical), Assore Limited (member of SEC), Metair Investments (Chairman of the remuneration committee), BIOSS SA, Nduleni Strategic Solutions (Chairman), and is a Commissioner on the Commission for the Remuneration of Public Office Bearers. Prior to this, she was a non-executive director and Chair of the remuneration committee at the South African Reserve Bank, Deputy Chair of the National Nuclear Regulator, non-executive director and Chairman of the remuneration committee at Air Traffic Navigation Services and Chairman of the Road Freight Association. She was appointed to the Tongaat Hulett Board in 2010.

MH MUNRO

- Financial and strategic leadership
- Business operations across Southern Africa
- Agriculture and agri-processing
- Land and property development

CHIEF FINANCIAL OFFICER

Chief Financial Officer
BCom, CA (SA)

Murray (51) 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.

CORPORATE GOVERNANCE

APPROACH TO EFFECTIVE GOVERNANCE

The Board of Directors (the Board) recognises the inextricable link between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. The Board is therefore committed to transparency, accountability, integrity and ethical leadership.

Tongaat Hulett continues to apply the principles of 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. Tongaat Hulett's King III compliance register is available at www.tongaat.com. It includes detail of how each principle has been applied and is reviewed on a regular basis to ensure that the disclosures are current and remain relevant. The company's approach to corporate governance continues to reflect that governance is regarded by the Board not as a mere compliance exercise that measures basic compliance with King III, but rather confirms that best practice principles are effectively utilised and embedded by the company in its daily activities.

Tongaat Hulett has commenced with the process of ensuring compliance with King IV which is applicable from April 2017, and will disclose as such in the 2018 integrated annual report.

This corporate governance report has been aligned 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 for the period under review.

BOARD OF DIRECTORS

BOARD COMPOSITION

Tongaat Hulett has a unitary Board structure, which at 31 March 2017 comprised nine non-executive and two 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 judgement to Board deliberations and decisions, with no one individual or group having unfettered powers of decision-making. The Board acknowledges that its demographic diversity (including race, historically disadvantaged groups, age and nationality) promotes the consideration of various perspectives and thus enhances robust, balanced and effective discussions at the top tier of the organisation. The Board is sufficiently gender diverse, with five out of eleven directors on the Board being women, and has formally adopted a gender policy in accordance with the JSE Listings Requirements. The roles of the Non-Executive Chairman, CB Sibisi, and the Chief Executive Officer, PH Staude, are separate with a clear division of responsibilities. The Chairman is not considered fully independent by virtue of his involvement in the company's BEE equity participation structure. Ms John, who is an Independent Non-executive Director is the Lead Independent Director in situations where the Chairman is not independent.

BOARD CHARTER AND DELEGATED AUTHORITIES

The Board has an approved charter and an annual work plan that outline matters identified and reserved for its consideration.

Board Of Directors		Board Committees			
Name	**Year Appointed**	**Audit and Compliance**	**Remuneration**	**Nomination**	**Risk, SHE, Social and Ethics**
Non-Executive Directors					
CB Sibisi (Chairman)	2007		Member	Chairman	
SM Beesley*	2014	Member			Member
F Jakoet*	2008	Member			Member
J John (LID)**	2007	Chairman			
RP Kupara*	2009	Member			
TN Mgoduso	2010				Member
N Mjoli-Mncube*	2008		Member	Member	Chairman
SG Pretorius*	2011		Chairman	Member	
TA Salomão*	2015				
Executive Directors					
PH Staude (CEO)	1997				Member
MH Munro	2003				Member

* Independent non-executive directors
** Lead independent director

It records the Board's 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. It includes the Board's responsibility to amongst others, approve strategy, business plans and budgets, provide effective leadership based on an ethical foundation, oversee governance of risk and information technology, ensure succession planning, approve annual results and review significant policies and governance frameworks. The charter also highlights the role of the Board as the custodian of corporate governance, and addresses the fiduciary duties and responsibilities of the board and directors.

The Board has mandated the following four committees, each with a Board approved terms of reference, to support it in the execution of its governance responsibilities.

- Audit and Compliance
- Nomination
- Remuneration
- Risk, SHE, Social and Ethics

The Board has further delegated the authority to run the day-to-day affairs of the company to the Chief Executive Officer and other senior executives. Levels of authority and materiality delegated to management are approved by the Board and clearly recorded in the Authorities Framework contained in the Corporate Governance Manual that is utilised by all operations within Tongaat Hulett.

BOARD CHANGES AND ROTATION AT AGM

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, where they will be required to retire and offer themselves for election.

Retiring at the next AGM by rotation are SM Beesley, F Jakoet and TN Mgoduso, who being eligible and available, will seek re-election as directors. The Nomination Committee has assessed each of the retiring directors and the Board unanimously recommends their re-election.

There were no new appointments to the Board during the period under review. There are no term contracts of service between any of the directors and the company or any of its operations.

BOARD INDUCTION AND DEVELOPMENT

On appointment, new directors have the benefit of induction activities aimed at broadening their understanding of the company and the markets within which it operates. The Company Secretary ensures that directors receive accurate, timely and clear information. The Chief Executive Officer and key executives hold detailed discussions with new directors on business performance, strategic objectives and key themes. This, together with business reports of prior Board and committee meetings, discussions with heads of operations accompanied by site visits of the mills, agriculture and development sites, provides new directors with sufficient exposure 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 King III. 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 the conclusion of independence, the requirements of the Companies Act and King III on independence are taken into account and 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 judgement 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. Two of the directors, CB Sibisi and J John, have been with the company for a period longer than 9 years (both directors have been on the Board for 10 years). CB Sibisi is not independent by virtue of his participation in the company's black economic empowerment equity participation structure. J John has been assessed in accordance with the requirements of the King Code and was confirmed to be independent. The outcome of the Board evaluation process for the period under review has been positive.

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.

EVALUATION OF COMPANY SECRETARY

All directors have access to relevant information and to the advice and services of the Company Secretary, MAC Mahlari, who holds BA and LLB qualifications, and has over 10 years'

Board and committee composition and attendance for the year ended 31 March 2017

Director	Board		Audit and Compliance		Remuneration		Nomination		Risk, SHE, Social and Ethics	
	A	B	A	B	A	B	A	B	A	B
C B Sibisi (Chairman)	5	5			2	2	1	1		
PH Staude (CEO)	5	5							2	2
S M Beesley*	5	4	2	2					2	2
F Jakoet	5	5	3	3					2	2
J John	5	4	3	3						
R Kupara	5	5	3	3						
TN Mgoduso	5	5							2	2
N Mjoli-Mncube	5	5			2	2	1	1	2	2
MH Munro	5	5							2	2
SG Pretorius	5	5			2	2	1	1		
TA Salomão	5	5								

A: Indicates the number of meetings held during the year while the director was a member of the Board and/or committee.
B: Indicates the number of meetings attended during the year while the director was a member of the Board and/or committee.
* S M Beesley was appointed to the Audit and Compliance Committee on 26 May 2016.

experience as a Company Secretary. She was appointed in December 2009. After assessing the Company Secretary as required by the JSE Listings Requirements, the Board concluded that Ms Mahlari is suitably qualified, competent and meets the appropriate experience requirements to carry out the functions of Company Secretary of a public listed company. Furthermore, the Board is satisfied that Ms Mahlari maintains an arm's length relationship with the Board of directors. She is not a director of the company, 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.

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 and opportunity 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.

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 SG Pretorius (Chairman), CB Sibisi and N Mjoli-Mncube. PH Staude, as CEO, and relevant HR Executives, attend by invitation and MAC Mahlari is the secretary. The record of attendance is contained above.

The report of the Remuneration Committee commences on page 73.

NOMINATION COMMITTEE

The Nomination Committee, which comprises only non-executive directors, meets as needed, and as required by the JSE Listings Requirements, is chaired by the Chairman of the Board. Its current members are CB Sibisi (Chairman), N Mjoli-Mncube and SG Pretorius. PH Staude, as CEO, attends by invitation and MAC Mahlari is the secretary. The committee's terms of reference are summarised as follows:

- Ensures that for Board appointments, a rigorous, fair and open nomination and appointment process is followed to provide a balance of appropriate skills, knowledge and experience in the boardroom and support strong corporate performance.
- 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.
- Ensures that there is a diversity of experience, gender, race and backgrounds to create a cohesive, balanced and effective Board.
- Gives consideration to succession planning, and ensures that processes and plans are in place for orderly succession and for appointments to the Board and senior management.

During the period under review, the Nomination committee discussed the directors who would retire by rotation at the next AGM, and recommended the re-election of SM Beesley, F Jakoet and TN Mgoduso to the Board and AGM. The Committee also recommended the election of the Audit and Compliance Committee until the next AGM, comprising of J John, SM Beesley, F Jakoet and RP Kupara. In making the recommendations to the Board and ultimately the AGM, the Nomination committee considered the current skills set on the Board as a collective, the relevant experience and expertise of the rotating directors, ensuring that the current skills set was sufficient to increase the board's effectiveness. In addition to skills and experience, the Nomination Committee also considered other demographic aspects of the Board, including nationality, race and gender, given that the company operates in six SADC countries.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is constituted as a statutory committee in respect of its 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 members of the committee were elected by the shareholders at the last AGM and include three non-executive directors of the Board, all of whom are independent and possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The current members are J John (Chairman), SM Beesley, F Jakoet and RP Kupara. The Chief Executive Officer, PH Staude, the Chief Financial Officer, MH Munro, the Head of Internal Audit, DK Young and representatives of the internal and external auditors attend by invitation. The Company Secretary, MAC 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 are aligned with King III and the Companies Act and approved by the Board, include the following objectives and responsibilities:

- Assists 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 in 2013, 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 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 on non-audit services.
- The committee is also responsible for ensuring that the combined assurance model espoused in King III is applied to provide a co-ordinated 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 co-ordinated 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.
- 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 legal, regulatory and corporate governance requirements and risks, and identifies appropriate processes and interventions to enhance compliance with applicable legislation. No material infractions or fines have come to management's attention during the period under review that indicates non-compliance with pertinent legislation and codes of good practice.

- In order to ensure optimal performance and delivery of its mandate, the committee conducted an assessment of its performance for the period, 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 statutory report of the Audit and Compliance Committee is on page 92, and forms part of the annual financial statements.

RISK, SAFETY, HEALTH, ENVIRONMENT (SHE), SOCIAL AND ETHICS COMMITTEE

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 current members are N Mjoli-Mncube (Chairman), PH Staude (CEO), F Jakoet, TN Mgoduso, SM Beesley and MH Munro (in his capacity as Chief Risk Officer). Various heads of operations and senior managers (responsible for SHE, broader sustainability aspects, socio-economic development, stakeholder engagement and ethics, amongst others) attend this meeting by invitation. MAC 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.

Primary responsibilities and objectives of the committee include:

- monitoring the social and economic development activities of the company;
- ensuring that the company is an active and socially committed corporate citizen;
- ensuring that there are processes in place to monitor consumer relationships and general compliance with consumer protection laws;
- monitoring the company's standing relative to the United Nations Global Compact principles, the OECD recommendations regarding combating corruption and the International Labour Organisation Protocol on decent working conditions for employees, and the company's contribution towards the education development of employees;
- ensuring that the company has implemented effective policies and plans for employee and public safety, health and environment that enhance the company's ability to achieve its strategic objectives, including the impact of the company's activities and products on the environment and society;
- monitoring the social performance and ethical governance and practices of the company;
- overseeing on behalf of the board the total process of risk management and governance, including amongst others reviewing the implementation of the risk management strategy and policies by means of risk management systems and processes;
- ensuring that there is meaningful engagement with the company's identified stakeholders.

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

The Risk, SHE, Social and Ethics Committee presents 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 its terms of reference for the period to 31 March 2017:

1. Statutory duties

Social and economic development

Tongaat Hulett is 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 company continues to adhere to the ten principles articulated in the Global Compact to promote sustainable development and good corporate citizenship, through a set of values based on universally accepted principles. The ten principles are receiving due and appropriate attention by the company on an ongoing basis. During the period under review, the committee monitored the socio-economic development initiatives undertaken by the company, within the business objective of contributing to the creation of successful rural communities. This is in line with the company's Socio-Economic Development Policy, which entrenches the philosophy of constructively contributing towards building and enhancing the quality of life of the communities in the Southern African regions where it operates. A full report of Tongaat Hulett's focus on, and contribution to, social and economic development, particularly within the context of its relationship with private farmers, surrounding communities across all areas of operation and the link to the business's various stakeholder relationships, can be found in the sustainability elements section of the integrated report.

The company is committed to economic sustainability and continues to assess its business approach to empowerment and preferential procurement, taking into account employment equity, skills development and broad-based black economic empowerment within the Southern African context. In South Africa, the company annually conducts a B-BBEE audit assessment and in its most recent audit, the company was categorised as a level three contributor. More information in this regard is contained in the sustainability report and included on the website.

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. The committee also assessed the company's proactive stakeholder engagement interface and other processes in place which ensure that the appropriate communication strategy for each stakeholder grouping is identified and successfully implemented, thereby contributing to the maintenance and development of strong and effective stakeholder relationships. 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 stakeholder relationships, various initiatives led by the company and the positive impact on stakeholder engagement can be found under the social and relationship capital element of the sustainability report.

Safety, health and environment (SHE)

During the period under review, the committee performed its responsibility of overseeing the performance of the company against its set safety, health and environment targets and objectives, and considered various reports relating to SHE risks and opportunities that could potentially face the company. Safety, health and environment practices continue to receive key management focus, with the CEO continuing to provide leadership and direction on strategic implementation of SHE initiatives, not only within the company, but extending the various SHE programmes to include contractors, service providers and where applicable, surrounding communities. The company's comprehensive safety programmes, employee and community focused health initiatives and environmental stewardship are covered in detail in the social capital and natural capital elements of the sustainability report.

Consumer relationships, product labelling and communication

Tongaat Hulett continues to adhere to consumer protection laws across all countries of operation. Appropriate systems and processes are in place to ensure successful consumer relationships, such as suitable terms of sale agreements, responsible marketing practices and material that comply with applicable requirements, packaging and labelling practices that reflect pertinent product information in compliance with labelling regulations, as well as the commercial conduct of the company to ensure compliance with these laws. Monitoring of these key issues continues at the various operations and instances of potential non-compliance will be addressed by the Audit and Compliance Committee. Through the establishment of customer care lines, operations are able to monitor customer relationships and any potential complaints that may arise.

Zero tolerance to child labour, forced and compulsory labour

As a signatory to the Universal Declaration of Human Rights, the company is committed to supporting freedom of association and collective bargaining at its various operations, and has a zero tolerance to child labour and inhumane treatment of employees, including any form of forced labour or physical punishment of employees.

Ethics

As a responsible and ethical corporate citizen, the company entrenches a culture of organisational integrity that supports an ethical corporate environment. The company is fully committed to ethical business practices and abides by a policy of fair dealing, honesty and integrity in the conduct of its business. The Code of Business Conduct and Ethics (discussed in more detail below under ethics management and governance), embodies the strategic ethical mindset of the organisation and highlights key principles and values.

2. Terms of reference

The committee has adopted, and operates within, formal terms of reference that have been approved by the Board. 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 68 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, 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.

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 the prevention of corruption, are reviewed and covered by the Audit and Compliance Committee which ensures that the company has adopted effective systems of internal control, has an independent external auditor, operates within an approved code of ethics, and has implemented whistle-blowing processes that support the non-victimisation of whistle-blowers, amongst others.

The company has implemented employment equity policies that are based on the principle of creating equal opportunity for all within a diverse workforce with a substantial number of members of designated groups at all levels; supported by appropriate performance and talent management processes and activities, set recruitment targets, clear development and training programmes, and coaching and mentoring programmes amongst others. The Human Resources Executive drives these processes under the leadership of the CEO and reports to the Remuneration Committee and the Board.

5. Sustainability reporting

The committee reviewed and accepted the detailed sustainability report contained in this integrated report, noting the various themes of the report including social performance (social and relationship capital), environmental stewardship (natural capital) and human capital, manufactured capital and intellectual capital, as articulated in the International Integrated Reporting framework. The committee reviewed the sustainability report as part of its role of assisting the Board to achieve better performance on sustainability matters, including the company's contribution to the development of communities in which its activities are predominantly conducted, sponsorships and socio-economic development (SED) programmes, relationships with key stakeholders, and the impact of the company's activities on the environment, employee health and public safety. 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. 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 were also considered. The independence of the external assurance service provider for the sustainability report was also assessed and confirmed.

6. Attendance

The committee had two meetings during the period under review. The evaluation of the committee was conducted and the result of the assessment was positive. The record of attendance is contained on page 66.

ETHICS MANAGEMENT AND GOVERNANCE

CODE OF BUSINESS CONDUCT AND ETHICS

The company operates within a formal Code of Business Conduct and Ethics, which 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 theft, fraud, corruption and any violation of the law or unethical business dealing by employees and suppliers. 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.

ETHICS MANAGEMENT REPORTING AND OVERSIGHT

The Audit and Compliance Committee assists the Board in overseeing the consistent application of and compliance with the Code through reports compiled by the corporate security manager and reported to the committee by internal audit. Incidents of fraud, corruption or unethical practices that are reported or detected through management controls are formally investigated, followed by formal disciplinary processes. In severe instances, criminal proceedings are instituted. Management is strict in ensuring the implementation of the Code across all operations in a daily context. Compliance by directors, all employees and suppliers 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 are urged to promptly and confidentially report it to the Company Secretary or senior officials at management level.

WHISTLE-BLOWING SERVICE

As part of the fraud and corruption prevention approach, Tongaat Hulett has engaged the services of an independent whistle-blowing service provider to report on any unethical and unlawful behaviour or non-compliance with the Code. The anonymous independent whistle-blowing service is operational in South Africa, Zimbabwe, Botswana, Mozambique, Swaziland and Namibia. Continuous training and awareness are important aspects of a successful ethics management programme. To this end, each centre has recently been provided with the official Deloitte / Tongaat Hulett Tip-Offs DVD describing the whistle-blowing process, plus stickers and posters which have also been translated into Portuguese for the Mozambique operations.

Information relating to a significant fraudulent activity previously reported in detail to the Audit and Compliance Committee meeting continues to be monitored. There were no new significant fraudulent activities reported during the period under review.

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 proactively 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. This involves identifying, analysing and taking the appropriate action with regard to specific identified scenarios, the aggregation of a number of individual risks, interrelated and interconnected issues/global trends, relevant clusters of such topics and a focus on the whole situation. 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 defense", 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 "intergrated", which is the second highest level. The KPMG Risk Maturity Continuum has the levels of "weak -sustainable-mature-intergrated-advanced" (order of maturity). 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 above mentioned committees, is of the view that the internal control environment and the risk management processes in place for the company are effective.

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.

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.

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 STAKEHOLDERS

For more detail on the company's engagement with its wide range of important stakeholders, please refer to the sustainability section of this integrated report.

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 programme. The current programme includes management conducting roadshows in South Africa, and internationally, in addition to its participation in selected 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.

REMUNERATION REPORT

This remuneration report outlines the philosophy, policy and details of the reward elements for the remuneration of executive directors/officers, executives and non-executive directors of Tongaat Hulett. The reward philosophy has remained consistent with that previously approved at past annual general meetings (AGMs) in the non-binding advisory vote by shareholders, as required by King III. This will again be applied at the next AGM, in support of continued good governance. The remuneration report in future years will transition to King IV.

THE REMUNERATION COMMITTEE

The roles and responsibilities of the Remuneration Committee were determined and approved by the Board, as explained in the corporate governance section of this integrated annual report, which deals with Board committees, structures and responsibilities. The committee, which meets at least twice a year, is chaired by an independent non-executive director and consists only of non-executive directors. The current members are SG Pretorius (Chairman), N Mjoli-Mncube and CB Sibisi. PH Staude, as CEO, and the HR Executive, attend by invitation and MAC Mahlari is the secretary.

The overall objective of the Remuneration Committee is to propose, review and administer the broad policy for executive and director remuneration on behalf of the Board and the shareholders, in accordance with best corporate practice. It ensures alignment of the remuneration strategy and policy with the overall business strategy, desired company culture, shareholders' interests and the sustainable commercial well-being of the business.

The committee is also responsible for, among others, considering and making recommendations to the Board on the remuneration policy and on the quantum, structure and composition of remuneration packages of executive directors and senior executives. It reviews general salary increases for management and the operation of the company's management incentive schemes. In addition, it oversees succession planning, retention and employment equity.

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.

REMUNERATION PHILOSOPHY AND POLICY

The objective of the remuneration policy is to align performance of company executives and fair reward with the company's commercial success and sustainability, simultaneously taking into account various stakeholders' perspectives and the affordability/cost to company. In developing the remuneration policy, the following factors were considered:

- motivating executives to achieve Tongaat Hulett's business plan, business strategy and budgets;
- creating a strong, performance-orientated environment;
- fair reward for performance;
- alignment between employee and shareholder interests; and
- attracting, motivating and retaining high-calibre talent and keeping within market benchmarked pay levels.

These reward elements are structured to allow for differentiated rewards for different roles and performance of executives, managers and employees, while attention is paid to the quantum of gaps between levels.

Rewards are linked to both individual performance and the performance of the company. From time to time, independent external surveys and comparisons are used to ensure that compensation is market related, while the total cost to company is taken into consideration to determine the quantum of overall pay. 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.

Performance targets include financial and non-financial targets, and are set at various levels; these being company-level targets, operating entity specific targets, and team and individual performance targets. All targets are predetermined and approved by the Remuneration Committee and the Board, and performance reviews are conducted at the end of each performance period for the various instruments, in respect of annual targets and multi-year, long-term incentive targets. The predetermined performance targets for short-term goals are explained in the sections below. For long-term targets, a variety of relevant and appropriate measures are used, as detailed in the section on share incentive schemes below.

To ensure alignment with shareholder expectations, the performance targets are set for both the short and long-term and focus executives on both the business plan and long-term strategic aspirations and achievements of the company. The pay elements comprise guaranteed pay including benefits, variable short-term incentives and long-term incentives, which are also utilised as retention instruments for selected and key individuals in the company.

EXECUTIVE REMUNERATION

The remuneration of executives is determined by taking into consideration market comparisons and an assessment of performance related to the achievement of documented 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
  - made up of cash package and benefits;
- variable pay
  - short-term incentive bonus schemes, which have set maximum levels; and
  - long-term incentives in the form of employee share incentive schemes.

TOTAL REMUNERATION PACKAGE

GUARANTEED PAY

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 and the role/profile of each executive.

Benefits

Membership of an approved company pension fund is compulsory for all senior management, and other benefits include the provision of medical aid, gratuity at retirement, and death and disability insurance, as well as housing and car schemes for qualifying employees in Mozambique, Zimbabwe and Swaziland operations.

VARIABLE PAY

Short-term incentive: annual bonus scheme

The primary purpose of the bonus scheme is to serve as a short-term incentive, which gives executives and senior managers the opportunity to earn an annual bonus based on the financial performance of Tongaat Hulett and the operations, as well as an element related to individual/team performance.

The short-term incentive annual bonus scheme is based on a combination of the achievement of predetermined targets, and an assessment of the individual's overall general performance. These targets include measures of corporate and, where applicable, operational performance, as well as the achievement of individual and, where applicable, team performance, against predetermined objectives related to key business strategies and objectives. The performance targets of the executive and senior management schemes in the 2016/17 year were made up of financial targets (ranging from 55% to 65%) and non-financial targets (ranging from 45% to 35%), which are strategic objectives and team targets. The targets and caps are reviewed annually.

There are various caps for the different levels of executives and employees, currently as follows:

Level of management	Cap as % of cash package
Chief Executive	80%
Executive leadership	65%
Senior management	up to 50%

Note: Zero bonus payments are made on these schemes if headline earnings are below a certain level (2016/17: R740 million). The same principle was applied in 2015/16 and will also be applied in 2017/18.

Financial targets for bonus scheme

All financial targets have an upper limit and a lower limit. If financial results are below the lower limit, zero points will be earned for the element concerned. If financial results exceed the upper limit, the full score related to the relevant element of the bonus will apply.

The financial targets this year comprise:

- Headline earnings
- Return on capital employed (ROCE)
- Cash flow
- Operating profit for operating areas

Refer to table on page 75 for further detail on financial targets.

Long-term incentive: share schemes

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

The various instruments are the Share Appreciation Right Scheme 2005 (SARS), the Long-Term Incentive Plan 2005 (LTIP) and the Deferred Bonus Plan 2005 (DBP) (collectively referred to as "the Plans"). These share schemes were amended at the AGM on 27 July 2010 to ensure compliance with schedule 14 of the JSE Listings Requirements and, where appropriate, the King III Report.

In the SARS, participating employees are awarded the right to receive shares equal to the difference between the exercise price and the grant price, less income tax payable on such difference, once the right has vested. The employee therefore participates in the after-tax share price appreciation in the company. The extent of the vesting of the right is dependent on the achievement of performance conditions over a three-year performance period.

In the LTIP, participating employees are granted conditional awards. These awards are converted into shares, depending on the achievement of performance conditions over a three-year performance period.

In the DBP, participating employees purchase shares in the company with a portion of their after-tax bonus. These pledged shares are held in trust by a third-party administrator for a qualifying three-year period, after which the company awards the employee a number of shares in the company which matches those pledged shares released from trust.

Bonus and Share Scheme Performance Condition Targets - Financial and Operational Metrics

Type of Scheme and Performance Condition	Description of Performance Condition	Percentage Actually Achieved for Bonus/ Share Vesting Calculation	
		2016/17	2015/16
Bonuses (Note 1)			
Headline Earnings	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range. [The 2016/17 actual Headline Earnings of R982 million (i.e. a 45% growth in the prior year) exceeded the upper end of the range. The 2015/16 Headline Earnings were below the lower end of the range.]	100%	0%
Return on Capital Employed (ROCE)	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range. [The 2016/17 actual ROCE of 10,5% (i.e. significantly increased from the 7,4% in the prior year) exceeded the upper end of the range. The 2015/16 ROCE was below the lower end of the range.]	100%	0%
Cash Flow	Specific target range (Rands) for 25% to 100% vesting and 0% if below the lower end of the target range. [The 2016/17 actual cash flow before interest of R2,026 billion (i.e. substantially above the R58 million in the prior year) resulted in 95% vesting on the range between upper and lower limits. The 2015/16 cash flow was below the lower end of the range.]	95%	0%
Share Schemes (SARS and LTIPS) (Note 2)			
Total Shareholder Return (TSR) - 25% of LTIP (Note 3)	14 preselected and relevant other listed companies that Tongaat Hulett "competed" against to determine vesting scale based on "position in the field".	10%	73%
Return on Capital Employed (ROCE) - 25% of LTIP	Specific target range (%) for 30% to 100% vesting and 0% if below the lower end of the target range.	0%	0%
Sugar Production Condition - 25% of LTIP	Specific target range (%) for 30% to 100% vesting and 0% if below the lower end of the target range.	0%	32%
Large Land Deals - 25% of LTIP (2015/16: Regulatory Framework for Electricity in South Africa)	Specific target range (Rands) for 30% to 100% vesting and 0% if below the lower end of the target range.	100%	0%
Headline Earnings per Share (HEPS) - SARS	Growth of greater than CPI + 6% over 3 years for 100% vesting and 0% if below the predetermined threshold.	0%	70%

Share Scheme Performance Condition Targets which vest in 2017/18 through to the 2019/20 financial year (Note 4 and Note 5)	
Headline Earnings per Share (HEPS)	Growth of greater than CPI + 6% over 3 years for 100% vesting and 0% if below the predetermined threshold.
Total Shareholder Return (TSR)	12 to 14 preselected and relevant other listed companies that Tongaat Hulett "competes" against to determine vesting scale based on "position in the field" (Note 3).
Return on Capital Employed (ROCE)	Specific target range (%) for 30% to 100% vesting and 0% if below the lower end of the target range.
Sugar Production	Target quantum (annual tons of production) - range.
Land Transaction Values	Specific range of various targets and values (Rands) for 30% to 100% vesting and 0% if below the lower end of the target range.

Notes

Note 1: Bonus amounts recorded for each year in this report relate to the performance of that year (while the amount is paid out after the year end and performance measures have been thoroughly assessed). At the executive/senior management level in the 2016/17 year, a range from 55% to 65% of the quantum of the bonus is calculated based on the predetermined financial performance measures (the remaining 45% to 35% being on individual personal performance assessments). This note reflects the performance measures at the consolidated level and for those managers who are based in an operation, then that operation's operating profit and cash flow are also used as measures on a similar basis, with a similar calibration. The weighting (within the portion subject to financial performance conditions) of the various performance conditions for the CEO and CFO was Headline Earnings: 45%; ROCE: 15%; Cash Flow: 40%.

Note 2: In the period to 31 March 2017, the share incentive scheme awards vested in June 2016 and were based on the 2015/16 financial years' results and had the following performance conditions, as detailed in this table: LTIP had 25% dependent on TSR, 25% on sugar production, 25% on large land deals and 25% dependent on ROCE, while the Share Appreciation Rights were all dependent on HEPS growth.

Note 3: For the TSR assessment of the awards that vested in 2016/17 (awarded in 2013), the population of companies that Tongaat Hulett "competed" against included: AECI, Astral Foods, AVI, Bidvest, Clover Industries Limited, Illovo Sugar, Mondi Limited, Nampak, Omnia Holdings Limited, Oceana Group, Pioneer Foods, RCL Foods Limited, Sappi Limited, Tiger Brands. Previous years also included Aveng, Group 5, PPC and WBHO. Future years, i.e. awards vesting in 2017/18 onwards includes a list of companies similar to the 2016/17 list above, with Crookes Brothers being included and Bidvest, Illovo and Mondi being excluded over time.

Note 4: These are awards made from 2014 onwards, which vest in the financial years 2017/18 onwards and have the performance conditions, detailed in this table: LTIP's are dependent on 4 of these performance measures (25% each), which vary from year to year and SARS are all dependent on HEPS growth.

Note 5: For the awards that will vest in the 2017/18 year, the performance conditions are based on the 2016/17 results and will result in the HEPS condition (SARS) - 0% vesting; ROCE condition (25% of LTIP) - 0% vesting; sugar production (25% of LTIP) – 0% vesting; land transactions (25% of LTIP) - 100% vesting and TSR (25% of LTIP) – 50% vesting.

Note 6: Further details on specific targets are not disclosed due to commercial sensitivity.

Under these share incentive schemes, senior management and professional 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) if performance conditions have been met, the awards have vested and, in the case of the SARS, when the share appreciation rights have been exercised. These shares have a vesting period of three years. The quantum of instruments allocated each year is determined, inter alia, by taking into account the fair value cost of the instruments. The amendment in 2010 of 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 for four years after the award. The purpose of such awards of unconditional RLTIPs is to assist with targeted key and high potential employee retention. Retention shares are a small quantum in relation to other share-based instruments and are awarded by exception.

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.

Indication of expected values of share scheme awards for Executive Directors – Chief Executive Officer and Chief Financial Officer

The fair value (i.e. the expected value) of share scheme awards (SARS, LTIP and DBP) granted in 2016/17 and that vest after the three-year performance period, expressed as a percentage of cash package were:

- Chief Executive Officer: 79%
- Chief Financial Officer: 62%

Should the minimum level of performance conditions for SARS and LTIP not be achieved, then zero vests and after three years only the DBP portion would vest (i.e. the expected value of approximately 11% of cash package for the CEO and approximately 7% of cash package for the CFO).

Should the maximum level of performance conditions for SARS and LTIP be achieved, then the above expected value would be exceeded and the value of the vesting would depend on the share price appreciation.

Details of the schemes and awards made up to 31 March 2017, after approval by the Remuneration Committee and the Board, are detailed on the following pages.

Performance conditions governing the vesting of the scheme instruments are set at the time of each annual award (refer to table on page 75 for further details) and currently relate to:

- growth in earnings per share;
- total shareholder return;
- share price;
- return on capital employed; and
- strategic goals in areas such as sugar production and extracting value from land conversion.

The performance targets are set each year for the instruments granted that year, taking into account the prevailing circumstances and conditions at that time and 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.

The King III Report 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. Awards thus have relevant performance conditions, do not provide for retesting, and apply the principle of graduated vesting as recommended by King III.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors receive fees for their services as directors of the Board and its committees and includes an attendance fee component. Directors' fees are recommended by the Remuneration Committee, considered by the Board, and proposed to the shareholders for approval at each AGM.

Non-executive directors do not participate in short-term bonus schemes nor in long-term incentive share schemes.

As required by the Companies Act 2008 as amended, the remuneration of non-executive directors will be authorised by special resolution at the AGM and is set out on page 141 of the integrated annual report.

SUMMARY OF REMUNERATION COMMITTEE ACTIVITIES DURING THE YEAR

The main issues considered, engaged in, recommended or approved by the Remuneration Committee for 2017 were:

- Cash package increases for CEO, executives and senior managers;
- Short-term incentives (bonuses) for CEO and executives;
- Long-term incentives (share schemes) for the CEO, executives and senior managers;
- Performance conditions and performance targets for short-term incentives (bonuses) and long-term share schemes;
- Proposal to shareholders on fees payable to non- executive directors;
- Senior executive bench strength and succession planning, as well as talent management in the organisation;
- Employment equity; and
- Approval of the Remuneration Report in the 2017 integrated annual report, including the non-binding advisory vote being proposed to shareholders at the AGM.

DISCLOSURES ON REMUNERATION MATTERS

The table below sets out, for ease of reference, the relevant sections of the remuneration details of directors and officers, including share schemes and interest in share capital.

Remuneration disclosure	Page
Executive directors' and officers' remuneration	77
Non-executive directors' remuneration	78
Declaration of full disclosure	78
Interest of directors of the company in share capital	78
Details of share schemes (including performance conditions)	79
Interest of directors of the company in share-based instruments	83
Special resolution setting out remuneration to be paid to directors for their services as directors of the company for the ensuing year	141
Non-binding advisory vote on the company's remuneration policy	141

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS

Executive directors' remuneration (R000)

The executive directors' remuneration for the year ended 31 March 2017 was as follows:

Name	Cash package	Cash bonus *	Retirement and medical contributions	Total
PH Staude	8 799	6 626	1 276	16 701
MH Munro	4 880	2 884	727	8 491
	13 679	9 510	2 003	25 192

The executive directors' remuneration for the year ended 31 March 2016 was as follows:

Name	Cash package	Cash bonus *	Retirement and medical contributions	Total
PH Staude	8 799	2 772	1 240	12 811
MH Munro	4 626	1 198	684	6 508
	13 425	3 970	1 924	19 319

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 performance and quantum earned to the applicable financial period.

Executive directors' share incentive gains:

	2017	2016
PH Staude	7 010	3 662
MH Munro	2 348	2 160
	9 358	5 822

Details of the executive directors' share-based instruments granted and exercised are contained on pages 83 to 84.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS continued

Non-executive directors' remuneration (R000)

	12 months to 31 March 2017			12 months to 31 March 2016		
Name	**Fees**	**Other**	**Total**	Fees	Other	Total
SM Beesley	**334**	**339**	**673**	345	153	498
F Jakoet	**363**	**300**	**663**	345	285	630
J John	**363**	**356**	**719**	317	337	654
RP Kupara	**363**	**178**	**541**	345	169	514
TN Mgoduso	**363**	**123**	**486**	319	116	435
N Mjoli-Mncube	**363**	**463**	**826**	317	403	720
SG Pretorius	**363**	**417**	**780**	345	286	631
TA Salomão	**363**		**363**	285		285
CB Sibisi	**1 282**	**236**	**1 518**	1 218	224	1 442
	4 157	**2 412**	**6 569**	3 836	1 973	5 809

In the table above, "Fees" relate to the 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 2017.

Interest of directors of the company in share capital

The aggregate holdings as at 31 March 2017 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	**2017**	2016
Executive directors:		
PH Staude	**386 328**	340 787
MH Munro	**138 136**	122 935
	524 464	463 722
Non-executive director:		
F Jakoet	-	5 068

EMPLOYEE SHARE INCENTIVE SCHEMES

Details of awards in terms of the company's share incentive schemes:

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.

Expiring seven years from	Grant price Rand	Fair value Rand	Number of rights 31 March 2016	Granted	Exercised	Lapsed/ forfeited	Number of rights 31 March 2017
22 May 2009	75,06	12,54	501 334		501 334		
31 May 2010	97,49	20,00	641 207		182 440		458 767
31 May 2011	90,42	17,50	758 863		67 092		691 771
29 May 2012	110,21	21,73	899 909		101 582	5 438	792 889
29 May 2013	126,85	24,30	1 375 555			1 375 555	
26 May 2014	121,93	23,96	1 576 335			51 023	1 525 312
28 May 2015	128,54	23,68	1 745 458			58 090	1 687 368
6 June 2016	113,41	28,06		1 582 792		46 708	1 536 084
			7 498 661	1 582 792	852 448	1 536 814	6 692 191

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:

Strike price	The grant price, as noted above.
Expected option life	80 months (assume contractual plus a leaving percentage of 5%).
Risk-free interest rate	8,51% (2015: 7,96%; 2014: 7,78%, 2013: 6,73%, 2012: 7,26%, 2011: 7,95% and 2010: 7,71%).
Expected volatility	Expected volatility of 29% (2015: 22,51%; 2014: 27,57%, 2013: 28,34%, 2012: 28,51%, 2011: 30% and 2010: 26,78%) 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 2016 award (2015, 2014, 2013 and 2012: 2,6%, 2011: 2,75% and 2010: 2,5%).
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.
Weighted average remaining life:	
Expected	2016: 74 months, 2015: 62 months, 2014: 50 months, 2013: 26 months, 2012: 26 months, 2011: 14 months and 2010: 2 months.
Contractual	84 months.

EMPLOYEE SHARE INCENTIVE SCHEMES continued

Details of awards in terms of the company's share incentive schemes: 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	Grant price Rand	Fair value Rand	Number of conditional awards 31 March 2016	Granted	Settled	Lapsed/ forfeited	Number of conditional awards 31 March 2017
29 May 2013	126,85	49,22	530 670		527 486	3 184	
26 May 2014	121,93	51,79	571 266			18 232	553 034
28 May 2015	128,54	57,82	559 899			18 502	541 397
6 June 2016	113,41	60,28		576 207		17 303	558 904
			1 661 835	576 207	527 486	57 221	1 653 335

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:

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 these awards.
Weighted average share price	As above.
Time constraints	Three years from grant date.
Performance (vesting) conditions	2016 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 land conversion cash generation condition. No retesting of the performance conditions is allowed. 2014 and 2015 awards: 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 large land deals of the company condition. No retesting of the performance conditions is allowed.
Non-market performance conditions	2016 award: ROCE, sugar production and the land conversion cash generation conditions. 2014 and 2015 awards: ROCE, sugar production and the large land deals conditions.
Market performance conditions	Total shareholder return (TSR).
Weighted average remaining life:	
Expected	2016: 26 months, 2015: 14 months and 2014: 2 months.
Contractual	36 months.

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	Grant price Rand	Fair value Rand	Number of conditional awards 31 March 2016	Granted	Settled	Lapsed/ forfeited	Number of conditional awards 31 March 2017
16 November 2012	126,71	92,88	72 442		70 406	2 036	
11 March 2013	139,39	102,18	15 000		15 000		
29 May 2013	126,85	92,99	98 390			1 039	97 351
26 May 2014	121,93	89,38	139 767			3 418	136 349
28 May 2015	128,54	94,23	179 642			3 487	176 155
6 June 2016	113,41	102,07		155 931		10 968	144 963
			505 241	155 931	85 406	20 948	554 818

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

Expected option life	46 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.
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.
Weighted average remaining life:	
Expected	June 2016: 38 months, May 2015: 26 months, May 2014: 14 months and May 2013: 2 months.
Contractual	48 months.

EMPLOYEE SHARE INCENTIVE SCHEMES continued

Details of awards in terms of the company's share incentive schemes: 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 which are then released from trust.

Expiring three years from	Grant price Rand	Fair value Rand	Number of conditional awards 31 March 2016	Granted	Settled	Forfeited	Number of conditional awards 31 March 2017
29 May 2013	126,85	100,49	63 630		63 630		
26 May 2014	121,93	96,60	75 950			2 785	73 165
25 May 2015	131,27	103,99	63 502			2 593	60 909
30 May 2016	113,06	104,47		46 335		1 871	44 464
			203 082	46 335	63 630	7 249	178 538

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

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.
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.
Weighted average remaining life:	
Expected	2016 award: 26 months, 2015 award: 14 months and 2014 award: 2 months.
Contractual	36 months.

The deferred bonus shares were purchased by the participating employees on 3 June 2016 in respect of the 2016 award. (2015 award purchased 1 June 2015 and the 2014 award purchased 2 June 2014).

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

Share Appreciation Right Scheme 2005

Name	Expiring seven years from	Grant price Rand	Fair value Rand	Number of rights 31 March 2016	Granted	Exercised	Lapsed	Number of rights 31 March 2017	Performance condition and time constrained
PH Staude	22 May 2009	75,06	12,54	91 120		91 120			
	31 May 2010	97,49	20,00	74 289				74 289	
	31 May 2011	90,42	17,50	87 397				87 397	
	29 May 2012	110,21	21,73	65 845				65 845	
	29 May 2013	126,85	24,30	104 578			104 578		
	26 May 2014	121,93	23,96	115 081				115 081	115 081
	28 May 2015	128,54	23,68	123 414				123 414	123 414
	6 June 2016	113,41	28,06		111 172			111 172	111 172
				661 724	111 172	91 120	104 578	577 198	349 667
MH Munro	22 May 2009	75,06	12,54	30 857		30 857			
	31 May 2010	97,49	20,00	23 638				23 638	
	31 May 2011	90,42	17,50	28 669				28 669	
	29 May 2012	110,21	21,73	22 439				22 439	
	29 May 2013	126,85	24,30	34 476			34 476		
	26 May 2014	121,93	23,96	47 818				47 818	47 818
	28 May 2015	128,54	23,68	52 248				52 248	52 248
	6 June 2016	113,41	28,06		49 654			49 654	49 654
				240 145	49 654	30 857	34 476	224 466	149 720

Long Term Incentive Plan 2005

Name	Expiring three years from	Grant price Rand	Fair value Rand	Number of conditional awards 31 March 2016	Granted	Settled	Lapsed	Number of conditional awards 31 March 2017	Performance condition and time constrained
PH Staude	29 May 2013	126,85	49,22	47 660		13 107	34 553		
	26 May 2014	121,93	51,79	49 144				49 144	49 144
	28 May 2015	128,54	57,82	46 660				46 660	46 660
	6 June 2016	113,41	60,28		47 766			47 766	47 766
				143 464	47 766	13 107	34 553	143 570	143 570
MH Munro	29 May 2013	126,85	49,22	15 709		4 320	11 389		
	26 May 2014	121,93	51,79	20 420				20 420	20 420
	28 May 2015	128,54	57,82	19 753				19 753	19 753
	6 June 2016	113,41	60,28		21 334			21 334	21 334
				55 882	21 334	4 320	11 389	61 507	61 507

EMPLOYEE SHARE INCENTIVE SCHEMES continued

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

Deferred Bonus Plan 2005

Name	Expiring three years from	Grant price Rand	Fair value Rand	Number of conditional awards 31 March 2016	Granted	Delivered	Number of conditional awards 31 March 2017	Conditional awards time constrained
PH Staude	29 May 2013	126,85	100,49	14 720		14 720		
	26 May 2014	121,93	96,60	17 451			17 451	17 451
	25 May 2015	131,27	103,99	13 405			13 405	13 405
	30 May 2016	113,06	104,47		9 301		9 301	9 301
				45 576	9 301	14 720	40 157	40 157
MH Munro	29 May 2013	126,85	100,49	4 821		4 821		
	26 May 2014	121,93	96,60	5 539			5 539	5 539
	25 May 2015	131,27	103,99	4 114			4 114	4 114
	30 May 2016	113,06	104,47		3 092		3 092	3 092
				14 474	3 092	4 821	12 745	12 745

The deferred bonus shares were purchased by the participating employees on 3 June 2016 in respect of the 2016 award. (2015 award purchased 1 June 2015 and the 2014 award purchased 2 June 2014).

The share awards were made and exercised at various times and the average share price for the period was R122,68 (2016: R112,38).

The share incentive gains made by directors are reflected on page 77.

FINANCIAL REPORTING

SEGMENTAL ANALYSIS

BUSINESS SEGMENT ANALYSIS

Rmillion	Revenue	Operating Profit	Total Assets	Total Liabilities *	Capital Employed	Capital Expenditure	Depreciation
2017							
Sugar			21 393	1 782	19 710	939	926
Zimbabwe	4 399	504					
Swaziland	236	69					
Mozambique	1 723	308					
South Africa	6 405	390					
Sugar operations - total	12 763	1 271	21 393	1 782	19 710	939	926
Starch operations	4 172	510	2 412	873	1 522	89	100
Land Conversion and Developments	980	641	3 840	1 065	2 730	2	1
Centrally accounted and consolidation items		(74)	309	8 183	241	39	
BEE IFRS 2 charge and transaction costs		(15)		623			
Consolidated total	17 915	2 333	27 954	12 526	24 203	1 069	1 027
2016 Restated							
Sugar			24 393	2 239	22 390	1 515	1 136
Zimbabwe	3 549	9					
Swaziland	205	36					
Mozambique	1 664	25					
South Africa	5 964	(85)					
Sugar operations - total	11 382	(15)	24 393	2 239	22 390	1 515	1 136
Starch operations	3 640	658	2 134	737	1 390	249	93
Land Conversion and Developments	1 654	1 115	3 845	1 076	2 683	1	1
Centrally accounted and consolidation items		(70)	320	7 649	235	59	1
BEE IFRS 2 charge and transaction costs		(19)		605			
Consolidated total	16 676	1 669	30 692	12 306	26 698	1 824	1 231

GEOGRAPHICAL ANALYSIS OF REVENUE

Rmillion	**2017**	2016
South Africa, Mozambique and Zimbabwe	**15 717**	14 337
Europe	**1 220**	1 392
Rest of Africa	**614**	569
Australasia	**288**	255
Asia and other	**76**	96
North America		27
	17 915	16 676

The aggregate effect of intra-group transactions is immaterial.

Geographical location of non-current assets: South Africa R5 807 million; Other countries R9 276 million (2016: South Africa R5 254 million; Other countries R12 401 million).

* Total liabilities comprise segment liabilities of R12 526 million, deferred tax of R2 537 million and tax of R153 million (2016: Total liabilities comprise segment liabilities of R12 306 million, deferred tax of R2 864 million and tax of R97 million).

Detailed below is a revenue and cost analysis of the Zimbabwe, Mozambique and South Africa sugar operations which is provided in the respective currencies of each country.

Zimbabwe US$million	2017	2016 Restated	2015	2014	2013
Revenue	312	257	314	286	380
Sugar sales	287	233	292	260	360
Other activities	25	24	22	26	20
Sugar stock movement	(5)	6	(28)	35	10
Revenue adjusted for stock movements	307	263	286	321	390
Less costs					
Payments for third-party cane	62	58	70	76	92
Goods/services/transport/marketing, salaries/wages	145	141	135	146	186
Offcrop costs carried in	20	20	14	20	16
Depreciation/amortisation	15	16	17	19	19
Profit before root depreciation, replant costs and cane valuations	65	28	50	60	77
Root depreciation/replant costs #	(12)	(18)	(21)	(3)	(12)
Cane valuations - income statement effect	(17)	(9)	6	(24)	9
Operating profit	36	1	35	33	74
Raw sugar production (tons)	454 000	412 000	445 000	488 000	475 000
Sugar sales (tons)	463 000	403 000	491 000	426 000	456 000

Mozambique Metical million	2017	2016 Restated	2015	2015	2013
Revenue	7 711	4 790	5 171	5 035	5 644
Sugar sales	7 288	4 405	4 943	4 857	5 452
Other activities	423	385	228	178	192
Less costs					
Payments for third-party cane	750	363	402	318	350
Goods/services/transport/marketing, salaries/wages	4 444	2 948	2 887	2 785	3 052
Offcrop costs carried in	506	542	429	466	421
Depreciation/amortisation	502	520	522	495	442
Profit before root depreciation, replant costs and cane valuations	1 509	417	931	971	1 379
Root depreciation/replant costs #	(756)	(688)	(313)	(167)	(339)
Cane valuations - income statement effect	627	345	(245)	(308)	368
Operating profit	1 380	74	373	496	1 408
Raw sugar production/sales (tons)	198 000	232 000	271 000	249 000	235 000

South Africa Sugar (including downstream activities) Rand million	2017	2016 Restated	2015	2014	2013
Revenue *	5 082	4 279	5 229	5 265	4 467
Sugar sales	4 074	3 285	4 138	4 206	3 554
Other activities	1 008	994	1 091	1 059	913
Less costs					
Payments for third-party cane/SASA levies	2 080	1 631	2 102	2 194	1 809
Goods/services/transport/marketing, salaries/wages	2 418	2 475	2 658	2 558	2 325
Offcrop costs carried in	193	169	139	182	131
Depreciation/amortisation	116	93	101	125	85
Profit before root depreciation, replant costs and cane valuations	275	(89)	229	206	117
Root depreciation/replant costs #	(130)	(137)	(94)	(44)	(74)
Cane valuations - income statement effect	245	141	126	178	265
Operating profit/(loss)	390	(85)	261	340	308
Raw sugar production (tons)	353 000	323 000	541 000	634 000	486 000

Root depreciation in 2017 and 2016 and root replant costs in prior years
* Revenue net of industry redistribution/sugar purchases

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017 — **Tongaat Hulett Limited**

CONTENTS

FINANCIAL HIGHLIGHTS

	2017	2016 Restated
Revenue (Rmillion)	**17 915**	16 676
Operating profit (Rmillion)	**2 333**	1 669
Cash flow from operations (Rmillion)	**3 176**	1 863
Headline earnings (Rmillion)	**982**	679
Headline earnings per share - basic (cents)	**852,7**	588,0
Annual dividends per share (cents)	**300,0**	230,0

CURRENCY CONVERSION GUIDE

	Closing rate at 31 March		
	2017	2016	2015
Rand/US Dollar	**13,38**	14,84	12,17
Rand/Metical	**0,20**	0,33	0,34
Rand/Euro	**14,29**	16,84	13,09
US Dollar/Euro	**1,07**	1,13	1,08

	Average rate for year		
	2017	2016	2015
Rand/US Dollar	**14,09**	13,81	11,05
Rand/Metical	**0,22**	0,35	0,35
Rand/Euro	**15,45**	15,20	13,96
US Dollar/Euro	**1,10**	1,10	1,26

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, MH Munro CA (SA) and have been audited in accordance with the requirements of the Companies Act of South Africa.

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

The directors are responsible for the preparation and integrity of the consolidated and separate 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. In addition, the directors are responsible for preparing the directors' report.

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 auditor on the results of the statutory audit, that the group'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 group'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 group has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the group at 31 March 2017 and the results of its operations for the year then ended. The directors are also of the opinion that the group will continue as a going concern in the year ahead.

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

The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report appears on pages 94 to 99.

The consolidated and separate annual financial statements were approved by the board of directors on 25 May 2017 and are signed on its behalf by:

Bahle Sibisi
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal

25 May 2017

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 2017 and that all such returns are true, correct and up to date.

MAC Mahlari
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal

25 May 2017

DIRECTORS' STATUTORY REPORT

The directors hereby submit the annual financial statements for the year ended 31 March 2017.

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 2017 amounted to R983 million (2016 restated: R716 million). This translates into a headline earnings per share of 852,7 cents (2016 restated: 558,0 cents) based on the weighted average number of shares in issue during the year.

Declaration of ordinary dividend

An interim gross cash dividend (number 178) of 100 cents per share for the half-year ended 30 September 2016 was paid on 2 February 2017. A final gross cash dividend number 179 of 200 cents per share was declared and is payable on 29 June 2017 to shareholders recorded in the register at the close of business on Friday 23 June 2017.

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

Last date to trade ordinary shares "CUM" dividend	Tuesday	20 June 2017
Ordinary shares trade "EX" dividend	Wednesday	21 June 2017
Record date	Friday	23 June 2017
Payment date	Thursday	29 June 2017

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Wednesday 21 June 2017 and Friday 23 June 2017, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Tuesday 20 June 2017.

The dividend has been declared from income reserves. A net dividend of 160 cents per share will apply to shareholders liable for the local 20% dividend withholding tax and 200 cents per share to shareholders exempt from paying the dividend tax. The issued ordinary share capital as at 25 May 2017 is 135 112 506 shares. The company's income tax reference number is 9306/101/20/6.

Share capital

There was no change in the authorised capital of the company. Details of the unissued ordinary shares and the company's share incentive schemes are set out in the Remuneration Report and in notes 11 and 34.

In 2007, Tongaat Hulett entered into a broad-based BEE equity participation transaction, which inter alia included an 18% participation structure for two strategic groupings - a cane growing communities trust (Masithuthukisane Trust) together with Sangena and a land conversion communities trust (Mphakathi Trust), together with Ayavuna, through two BEE SPVs (special purpose vehicles). This was detailed in a circular to shareholders dated 18 May 2007 and approved by shareholders in June 2007. The original terms and conditions of the transaction agreements have remained in place and have not been altered since their conclusion and approval in 2007.

This BEE participation structure involved the issuance of 25 104 976 million "A Preferred Ordinary" shares in Tongaat Hulett, which were funded by the BEE SPVs through external funding, BEE participants' funding and notional vendor finance in 2007. In accordance with the original agreements and approvals, these shares had a seven year term, within the overall ten year transaction period contemplated in the agreements. On the seven year anniversary of the transaction (i.e. beginning of July 2014), the process commenced that resulted in the automatic conversion of the A Preferred Ordinary shares to Ordinary shares. The A Preferred Ordinary shares thus converted to Ordinary shares and ranked equally (pari passu) with other ordinary shares and were listed on the JSE on 4 July 2014. Further information is provided on page 108.

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 JSE Listings Requirements, 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 memorandum of incorporation;
- being authorised by the shareholders of the company in terms of a special resolution of the company in a 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.

Furthermore, in terms of the JSE Listings Requirements, 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 25 May 2017;
- 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 25 May 2017. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the company's latest audited group annual financial statements;
- the ordinary capital and reserves of the company and the group will be sufficient for the company's and the group's present requirements for 12 months from 25 May 2017;
- the working capital of the company and the group for a period of 12 months from 25 May 2017 will be adequate for the company's and the group's requirements.

Subsidiary companies and joint operations

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

The attributable interest of the company in the results of its consolidated subsidiaries and joint operations for the year ended 31 March 2017 is as follows:

	2017	2016 Restated
In the aggregate amount:		
Net profit (Rmillion)	1 265	1 415
Net losses (Rmillion)	57	221

Directorate

There were no changes to the directorate during the period under review. The composition of the Board is currently as follows: CB Sibisi (Chairman), PH Staude (CEO), F Jakoet, SM Beesley, J John, RP Kupara, TN Mgoduso, N Mjoli-Mncube, MH Munro, SG Pretorius and TA Salomão.

Directors retiring by rotation at the AGM in accordance with article 61 of the memorandum of incorporation are SM Beesley, F Jakoet and TN Mgoduso. These directors are eligible and offer themselves for re-election. Details of each of these retiring directors are set out on pages 62 to 63.

Directors' shareholdings

At 31 March 2017, the directors of the company beneficially held a total of 524 464 ordinary shares equivalent to 0,39 percent in the ordinary listed share capital of the company (2016: 468 790 ordinary shares). Details of the directors' shareholdings and interests in the share incentive schemes are provided on page 78 and pages 83 to 84 of the Remuneration Report. There has been no change in these holdings between 31 March and 25 May 2017.

Audit and Compliance Committee

The Audit and Compliance Committee has considered the provisions of the Companies Act 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 annual financial statements section of this integrated annual report on pages 92 to 93. In addition, the committee is satisfied that the designated auditors of the company are independent of the company.

Events after the reporting date

There were no material events between 31 March 2017 and the date of this report.

Amanzimnyama
Tongaat, KwaZulu-Natal

25 May 2017

AUDIT AND COMPLIANCE COMMITTEE STATUTORY REPORT

The Audit and Compliance Committee is pleased to report as follows for the financial year ended 31 March 2017:

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 G Kruger as the designated auditor, for the 2017/2018 financial year. In arriving at the conclusion of independence, the committee considered multiple factors, good governance and quality control processes currently applied to Deloitte & Touche, including conducting the external auditor independence evaluation. Furthermore, a rigorous partner rotation process is applied, which contributes to the independence assertion. No matters of concern were noted by the committee regarding the performance of the external auditors. The external auditors continue to have unrestricted access to the Audit Committee and its chairman;
- 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. The audit fee for the year ended 31 March 2017 has been fully disclosed in note 18 of the annual financial statements;
- 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, and monitored compliance with the company's policy on non-audit services provided by the external auditor.

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 page 67 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 has monitored the company's compliance processes with regard to legal, regulatory and corporate governance requirements. The committee has also 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 Mr Murray Munro, in terms of the Listing Requirements of the JSE and satisfied itself that his expertise and experience meet the appropriate requirements. Mr Munro is an experienced and long serving CFO and executive director of the company. He holds BCom and CA (SA) qualifications and has held a number of executive financial, commercial, market and general management positions in various operations. The committee also evaluated the competence of the finance function as required by King III and concluded that the expertise, quality, resources and experience of the finance function of all operations, reporting into the financial director of Tongaat Hulett, is effective and meets 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 2017 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, which follows a risk-based approach, for the financial year commencing 1 April 2017.

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 were 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 Report

At its meeting held on 17 May 2017, the committee recommended the integrated annual report, which includes the annual financial statements, 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 corporate governance section.

9. Matters to be approved at the annual general meeting

- **Election of Audit and Compliance Committee Members**
  In terms of section 94(2) of the Companies Act, shareholders of the company are required to elect members of the Audit Committee at each annual general meeting. The Nomination Committee recommends that J John, SM Beesley, F Jakoet and RP Kupara be appointed as members of the Audit and Compliance Committee. The abridged profiles of the proposed members appear on page 62.

- **Appointment of independent external auditors**
  As required by section 90(1) of the Companies Act, the shareholders of the company are required to approve the appointment of the independent external auditors on an annual basis. The committee has recommended to the board, which in turn has recommend to the shareholders, that Deloitte & Touche be appointed as the company's independent auditors for the year ending 31 March 2018, with Mr G Kruger as designated auditor.

On behalf of the Audit and Compliance Committee

J John

Audit and Compliance Committee Chairman

Amanzimnyama
Tongaat, KwaZulu-Natal

25 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TONGAAT HULETT LIMITED REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Tongaat Hulett Limited and its subsidiaries (the Group) set out on pages 77 to 84, page 86 and pages 100 to 134, which comprise the statements of financial position as at 31 March 2017, income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2017, 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 (IFRSs) and the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Growing crops and cane roots valuation (consolidated and separate)	
Under IFRS, the Group is required to measure its growing crops at fair value and cane roots at depreciated cost. **Standing cane:** The value of standing cane is based on the estimated cane price and sucrose content less costs for harvesting, transport and over the weighbridge costs. Significant judgement is required in estimating the expected cane yield, the maturity of the cane, the estimated sucrose content, exchange rates and the forecast sucrose price for the various markets and is thus considered to be a key audit matter. **Roots:** The value of roots is stated at cost less depreciation calculated over the period of their productive life of between 6 and 12 years. The total value of growing crops amounts to R2,549 billion (2016 restated: R2,914 billion), as set out in note 8. The total value of roots amounts to R2,617 billion (2016 restated: R3,097 billion). Due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the carrying value, this is considered to be a key audit matter.	Our procedures performed in considering the appropriateness of the valuation of growing crops and cane roots included the following: • We assessed the appropriateness of the principles used in the valuation of standing cane and roots and assessed the assumptions such as projected rainfall and the discount rate as used in the valuation models against market data and predictions; • Detailed testing was performed on the key inputs into the cane valuation model including the expected yields, expected sucrose content, expected prices as well as exchange rates in translating valuations in other African countries to confirm validity, accuracy and completeness of the data. This included comparing the inputs to market data; • We performed retrospective reviews by comparing the above key inputs used in the prior period valuations, to actual outcomes, to assess the reasonableness and accuracy of the estimates used; • Detailed testing was performed on the key inputs into the roots valuation around establishment costs, planting costs, remaining lives of roots and hectares to confirm validity, accuracy and completeness of the data by comparing these to actual costs, and other market data available; and • Sensitivities were performed to assess the impact of changes in the key inputs. Based on our testing performed the growing crops and cane roots valuations appear to be within a reasonable range.
Growing crops restatement (consolidated and separate)	
Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture became effective for the 31 March 2017 year end. In adopting the amendments bearer plants (cane roots) were required to be recorded under Property, Plant and Equipment and depreciated over the useful life. The amendments became applicable retrospectively with the transitional requirements allowing the carrying value at 1 April 2015 to be the deemed cost. Due to the significance and complexity of this adjustment, this has been noted as a key audit matter. The effects of the restatement have been disclosed in note 35 to the consolidated and separate financial statements.	We assessed the accounting for the 2016 year end valuation and restatement as follows: • We assessed whether the change was in accordance with the amended IFRS standard; • Confirmed that the variables used in the restatement agreed to the previously audited valuation model; • The previous valuation, as allowed by the amendments to become the deemed cost, was agreed to the audited valuation as at 31 March 2015; • The depreciation charge for the year was recalculated and the rates used were assessed for reasonableness based on the expected remaining number of ratoons (seasons) for the roots; and • The disclosure was assessed against the amended standard and the requirements of IAS 8: Change in accounting policy (IAS 8). Based on the procedures performed the restatement was accounted for in accordance with the revised standards and IAS 8 with no material variances noted.

Key Audit Matter	How the matter was addressed in the audit
Accrual for future development expenditure (consolidated)	
In Tongaat Hulett Developments, project cost of sales determination and cost allocation to sites includes a future development expenditure accrual. This involves significant judgement in determining the total expected project costs, expected sales price and allocations of common infrastructure costs. Accordingly the calculation of the accrual for future development expenditure is a key audit matter. This accrual has been included in accounts payable.	We assessed the appropriateness of the accrual by performing audit procedures which included the following: • For existing development projects/phases, details and expenditure input estimates were assessed against those made previously, as well as actual costs, substantiating any material amendments to corroborating documentation; • Allocations of common infrastructure costs were assessed for reasonableness against historic data; and • For new development projects/phases, we performed tests of detail on the initial estimates of development expenditure by substantiating the estimates with supporting cost estimates or agreements from external parties. We concurred with Tongaat Hulett Developments' determination of the accrual.
Property, plant and equipment (consolidated and separate)	
The Property, Plant and Equipment balance, excluding cane roots, comprises 40% (2016 restated: 43%) of total non-current assets. This amounts to R11,071 billion (2016: R13,318 billion) as shown in note 1. Judgement is exercised in determining the useful lives and residual values and when assessing whether there are any indicators of impairment present and when performing impairment assessments where indicators have been identified. Based on the value of the balance as well as the judgements involved in determining useful lives and residual values this has been identified as a key audit matter.	The following was performed on the assessment of useful lives and residual values: • Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; • Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and • Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value, and where residual values had been increased corroborated such increases to market values where possible. In considering whether impairments are required the Group's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following was performed: • In corroborating the view, production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators; • Various mills, the sugar refinery and other buildings were inspected to identify any damages or non-operating assets; and • Discussions were held with the engineers and other technicians to identify any other potential impairments. Based on the testing performed the property, plant and equipment appears to be valued appropriately.

Key Audit Matter	How the matter was addressed in the audit
Implementation of SAP (consolidated and separate)	
SAP is in the process of being implemented across the business in various stages. This is replacing the previous platform for recording the underlying business transactions across the Group. This is a significant project which impacts the financial and operating reporting across the Group. Due to the magnitude of the project and pervasive risks involved in migrating to a new ERP system this has been noted as a key audit matter.	This has been addressed by performing the following procedures: • Discussions were held with management to understand the system, the revised business processes, related controls and control activities based on the new ERP system as well as the detailed implementation plan; • Gained an understanding of, and assessed the work performed by Internal Audit on the implementation strategy and management's implementation controls; • Assessed the competence and independence of Internal Audit in order to place reliance on the work performed by Internal Audit; • Met with Internal Audit to understand the extent of work performed around data migration and the results of their testing in this area; • Obtained an understanding of the changes to significant business processes and key internal controls as well as IT general controls and the extent to which these have been tested by Internal Audit; and • Our IT specialists were engaged to assess the work performed by Internal Audit as well as the results of the testing performed to identify risks and additional work to perform; and • Where SAP implementation issues impacting significant balances in the South African sugar operations were still being resolved we performed substantive tests of details on those balances. Based on the procedures performed above the implementation of SAP has not resulted in material misstatement on the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Certificate by Company Secretary, the Directors' Statutory Report, and the Audit and Compliance Report as required by the Companies Act of South Africa, and the Corporate Governance Report, the Remuneration Report (pages 73 to pages 76), which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Tongaat Hulett Limited for 79 years.

Deloitte & Touche

Deloitte & Touche

Registered Auditor
Per: Gavin Kruger CA (SA), RA
Partner

25 May 2017

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STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017 — **Tongaat Hulett Limited**

Company 2015 Restated (note 35)	Company 2016 Restated (note 35)	Company 2017	Rmillion	Note	Consolidated **2017**	Consolidated 2016 Restated (note 35)	Consolidated 2015 Restated (note 35)
			ASSETS				
			Non-current assets				
4 058	4 493	4 856	Property, plant and equipment	1	**13 688**	16 415	14 982
518	564	619	Long-term receivable	2	**619**	564	518
			Goodwill	3	**382**	438	376
63	189	325	Intangible assets	4	**366**	212	64
			Investments	5	**28**	26	27
4 007	4 480	5 563	Subsidiaries and joint operations	6			
8 646	9 726	11 363			**15 083**	17 655	15 967
2 005	2 394	2 793	**Current assets**		**12 871**	13 037	10 576
622	673	853	Inventories	7	**2 949**	2 866	2 472
326	465	707	Growing crops	8	**2 549**	2 914	2 550
790	903	913	Trade and other receivables		**4 070**	4 678	3 290
169	193	262	Major plant overhaul costs		**562**	642	595
1	60		Derivative instruments	9		60	1
97	100	58	Cash and cash equivalents	10	**2 741**	1 877	1 668
10 651	12 120	14 156	**TOTAL ASSETS**		**27 954**	30 692	26 543
			EQUITY AND LIABILITIES				
			Capital and reserves				
135	135	135	Share capital	11	**135**	135	135
1 544	1 544	1 544	Share premium		**1 544**	1 544	1 544
			BEE held consolidation shares	12	**(642)**	(625)	(674)
780	460	1 300	Retained income		**9 044**	8 191	7 959
365	410	413	Other reserves		**700**	4 028	2 925
2 824	2 549	3 392	**Shareholders' interest**		**10 781**	13 273	11 889
			Minority (non-controlling) interest		**1 957**	2 152	1 887
2 824	2 549	3 392	**Equity**		**12 738**	15 425	13 776
4 888	4 611	5 797	**Non-current liabilities**		**8 296**	8 086	7 944
486	400	375	Deferred tax	13	**2 537**	2 864	2 491
3 853	3 631	4 861	Long-term borrowings	14	**4 975**	3 791	4 056
			Non-recourse equity-settled BEE borrowings	15		605	654
549	580	561	Provisions	16	**784**	826	743
2 939	4 960	4 967	**Current liabilities**		**6 920**	7 181	4 823
1 573	1 965	2 383	Trade and other payables	17	**3 589**	3 896	3 145
1 338	2 994	2 575	Short-term borrowings	14	**2 546**	3 187	1 604
			Non-recourse equity-settled BEE borrowings	15	**623**		
28	1	9	Derivative instruments	9	**9**	1	28
			Tax		**153**	97	46
10 651	12 120	14 156	**TOTAL EQUITY AND LIABILITIES**		**27 954**	30 692	26 543

INCOME STATEMENTS

for year ended 31 March 2017 **Tongaat Hulett Limited**

Company 2016 Restated (note 35)	Company 2017	Rmillion	Note	Consolidated **2017**	Consolidated 2016 Restated (note 35)
8 405	9 188	**REVENUE**		**17 915**	16 676
831	1 868	**OPERATING PROFIT**	18	**2 333**	1 669
(704)	(865)	Financing costs	20	**(939)**	(750)
6	8	Finance income	20	**129**	70
133	1 011	**PROFIT BEFORE TAX**		**1 523**	989
71	17	Tax	21	**(428)**	(326)
204	1 028	**PROFIT**		**1 095**	663
		Attributable to:			
204	1 028	Shareholders of Tongaat Hulett		**983**	716
		Minority (non-controlling) interest		**112**	(53)
204	1 028			**1 095**	663
		EARNINGS PER SHARE (cents)	23		
		Basic		**853,6**	620,1
		Diluted		**853,6**	620,1

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017 **Tongaat Hulett Limited**

Company 2016 Restated (note 35)	Company 2017	Rmillion	Consolidated 2017	Consolidated 2016 Restated (note 35)
204	1 028	**PROFIT FOR THE YEAR**	**1 095**	663
(5)	23	**OTHER COMPREHENSIVE INCOME**	**(3 600)**	1 384
		Items that will not be reclassified to profit or loss:		
		Foreign currency translation *	**(3 624)**	1 395
(16)	39	Actuarial gain/(loss) on post-retirement benefits	**40**	(24)
4	(11)	Tax on actuarial gain/(loss)	**(11)**	6
		Items that may be reclassified subsequently to profit or loss:		
10	(7)	Hedge reserve	**(7)**	10
(3)	2	Tax on movement in hedge reserve	**2**	(3)
199	1 051	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**	**(2 505)**	2 047
		Total comprehensive income attributable to:		
199	1 051	Shareholders of Tongaat Hulett	**(2 324)**	1 763
		Minority (non-controlling) interest	**(181)**	284
199	1 051		**(2 505)**	2 047

* Relates primarily to the translation into South African Rand on consolidation of assets and liabilities of Zimbabwe and Mozambique subsidiaries, which does not go through the income statement. During the year the Rand strengthened against the US dollar and the Metical compared to a weakening of the Rand against these currencies in the prior year.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2017 **Tongaat Hulett Limited**

Rmillion	Share Capital	Share Premium	BEE Held Consolidation Shares	Capital Redemption Reserve Funds	Share-based Payment Reserve	Translation Reserve	Hedging Reserve	Retained Income	Shareholders' Interest	Minority (non-controlling) Interest	Total
CONSOLIDATED											
Balance at 31 March 2015	**135**	**1 544**	**(674)**	**33**	**319**	**2 575**	**(2)**	**7 959**	**11 889**	**1 887**	**13 776**
Share-based payment charge					60				60		60
Settlement of share-based payment awards					(39)				(39)		(39)
BEE share-based payment charge					17				17		17
Reallocation			49					(49)			
Dividends paid								(417)	(417)		(417)
Dividends paid - minorities										(19)	(19)
Total comprehensive income for the year (restated - note 35)						1 058	7	698	1 763	284	2 047
Profit/(loss) for the year								716	716	(53)	663
Other comprehensive income net of tax						1 058	7	(18)	1 047	337	1 384
Balance at 31 March 2016 (restated - note 35)	**135**	**1 544**	**(625)**	**33**	**357**	**3 633**	**5**	**8 191**	**13 273**	**2 152**	**15 425**
Share-based payment charge					60				60		60
Settlement of share-based payment awards					(65)				(65)		(65)
BEE share-based payment charge					13				13		13
Reallocation			(17)					17			
Dividends paid								(176)	(176)		(176)
Dividends paid - minorities										(14)	(14)
Total comprehensive income for the year						(3 331)	(5)	1 012	(2 324)	(181)	(2 505)
Profit for the year								983	983	112	1 095
Other comprehensive income net of tax						(3 331)	(5)	29	(3 307)	(293)	(3 600)
Balance at 31 March 2017	**135**	**1 544**	**(642)**	**33**	**365**	**302**		**9 044**	**10 781**	**1 957**	**12 738**
COMPANY											
Balance at 31 March 2015	**135**	**1 544**		**29**	**338**		**(2)**	**780**	**2 824**		
Share-based payment charge					60				60		
Settlement of share-based payment awards					(38)				(38)		
BEE share-based payment charge					16				16		
Dividends paid								(512)	(512)		
Total comprehensive income for the year (restated - note 35)							7	192	199		
Profit for the year								204	204		
Other comprehensive income net of tax							7	(12)	(5)		
Balance at 31 March 2016 (restated - note 35)	**135**	**1 544**		**29**	**376**		**5**	**460**	**2 549**		
Share-based payment charge					60				60		
Settlement of share-based payment awards					(64)				(64)		
BEE share-based payment charge					12				12		
Dividends paid								(216)	(216)		
Total comprehensive income for the year							(5)	1 056	1 051		
Profit for the year								1 028	1 028		
Other comprehensive income net of tax							(5)	28	23		
Balance at 31 March 2017	**135**	**1 544**		**29**	**384**			**1 300**	**3 392**		

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017 **Tongaat Hulett Limited**

Company			Consolidated	
2016 Restated (note 35)	2017	Rmillion	**2017**	2016 Restated (note 35)
		Cash generated from operations		
498	844	Operating profit before dividends	**2 333**	1 669
333	1 024	Dividends received		
831	1 868	Operating profit	**2 333**	1 669
(135)	(144)	Surplus on disposal of property, plant and equipment	**(42)**	(84)
		Adjustments for:		
(58)	(144)	Growing crops valuation and other non-cash flow items	**(38)**	36
319	335	Depreciation	**1 027**	1 231
957	1 915	Operating cash flow	**3 280**	2 852
		Cash required by operations		
(127)	(119)	Inventories	**(201)**	(281)
2	3	Growing crops	**3**	2
(188)	(137)	Trade and other receivables	**288**	(1 352)
393	5	Trade and other payables	**(194)**	642
80	(248)	(Increase)/decrease in working capital	**(104)**	(989)
1 037	1 667	**Cash flow from operations**	**3 176**	1 863
(14)	(17)	Tax payments	**(482)**	(221)
(698)	(857)	Net financing costs	**(810)**	(680)
325	793	**Cash flow from operating activities**	**1 884**	962
		Cash flows from investing activities		
		Expenditure on property, plant and equipment		
(199)	(299)	- New	**(423)**	(488)
(458)	(168)	- Replacement	**(228)**	(668)
(132)	(239)	- Cane roots	**(418)**	(668)
		Major plant overhaul cost changes	**26**	34
(102)	(144)	Expenditure on intangible assets	**(166)**	(123)
137	152	Proceeds on disposal of property, plant and equipment	**54**	109
		Investments	**5**	
(754)	(698)	Net cash used in investing activities	**(1 150)**	(1 804)
(429)	95	**Net cash flow before dividends and financing activities**	**734**	(842)
		Dividends paid		
(512)	(216)	Ordinary shares	**(176)**	(417)
		Minorities	**(14)**	(19)
(512)	(216)	Dividends paid	**(190)**	(436)
(941)	(121)	**Net cash flow before financing activities**	**544**	(1 278)
		Cash flows from financing activities		
1 434	811	Borrowings raised	**680**	1 273
		Non-recourse equity-settled BEE borrowings	**18**	(49)
(35)	(58)	Settlement of share-based payment awards	**(65)**	(39)
(455)	(674)	Inter-group loans		
944	79	Net cash from financing activities	**633**	1 185
3	(42)	**Net increase/(decrease) in cash and cash equivalents**	**1 177**	(93)
97	100	Balance at beginning of year	**1 877**	1 668
		Currency alignment	**(313)**	302
100	58	**Cash and cash equivalents at end of year**	**2 741**	1 877

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The historical cost convention is used except for growing crops and certain financial instruments that are stated at fair value.

Tongaat Hulett has adopted all the new or revised accounting pronouncements as issued by the IASB which were effective for Tongaat Hulett for the current financial year. The adoption of these standards had no recognition and measurement impact on the financial results other than for the compulsory adoption of the revised IAS 16: Property, Plant and Equipment and IAS 41: Agriculture which has resulted in cane roots being reclassified from growing crops to property, plant and equipment in the statement of financial position, root planting costs being capitalised to the cost of the roots and thereafter the roots depreciated over their estimated useful lives. Standing cane is now disclosed as a current asset. Comparative figures have been restated. Refer to note 35 for details of the effect of the adoption of the revised IAS 16 and IAS 41 on the financial statements for the year ended 31 March 2016.

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. Tongaat Hulett's share of investments in joint operations is accounted for from the effective date of acquisition and up to the effective date of disposal. All material inter-company balances and transactions are eliminated. Special purpose entities which were established in a black economic empowerment transaction have been and will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

Minority (non-controlling) interests in the net assets of consolidated subsidiaries are identified separately from Tongaat Hulett's equity therein. The interests of minority shareholders are 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, equipment and cane roots 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, depreciated over their expected useful lives 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.

Major plant overhaul costs on the sugar mills following the cessation of crushing for the season are 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, equipment and cane roots 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
Cane roots	6 to 12 years

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

INTANGIBLE ASSETS

Intangible assets are measured initially at cost. Interest and other costs incurred on major projects are capitalised until all the activities necessary to prepare assets for their intended use are substantially complete. 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 4 to 20 years, patents and licences over 4 to 20 years and cane supply agreements over 3 to 10 years. When an intangible asset is disposed of, the gain or loss on disposal is recognised in profit or loss.

GROWING CROPS

Growing crops comprise standing cane carried at fair value. The carrying value is determined 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. At the date of each statement of financial position, the carrying value of goodwill is reviewed, as described under the accounting policy on impairment.

ASSOCIATE COMPANIES

Associates are those companies, which are not subsidiaries or joint operations, 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 between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. 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.

A deferred tax asset is raised in respect of the unused tax losses of an entity and offset against the deferred tax liability of that entity only where these losses may be utilised in the short term or will not expire in terms of applicable tax legislation.

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, or whether there should be a reversal of an impairment loss recognised in prior years. 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 or reversal thereof, 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. If the recoverable amount of an asset is estimated to be greater than its carrying amount, its carrying amount is increased to its recoverable amount, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. Impairment losses and reversals of impairment losses are recognised immediately in profit or loss as exceptional.

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. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue and related costs can be reliably measured and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. In the determination of revenue, cash and settlement discounts, rebates and VAT are excluded. Notional interest on credit granted to customers is included in revenue. Land sales include the sale of township properties and large land sales. 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. Large land sales are generally significant in extent and comprise of land that is at various stages of the land conversion process. Large 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, any costs to be incurred can be measured reliably and where applicable, the relevant planning approval stage has been achieved.

FOREIGN CURRENCIES

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

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 fair value, 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 other comprehensive income until the financial asset is disposed of, or determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income 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;
- 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 year. 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 in other comprehensive income 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 other comprehensive income, 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 other comprehensive income is included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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 over the period to which they relate. 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 contribution schemes are held separately from those of Tongaat Hulett and are administered and controlled by trustees. Contributions to defined contribution schemes are charged to profit or loss when incurred.

There was previously a defined benefit arrangement which was converted in the 2012/13 financial year to a defined contribution arrangement with the outsourcing of existing pensioner liabilities to an insurer. The Tongaat Hulett Employer Surplus Account recognised in Tongaat Hulett's financial statements relates to the allocations previously made in the defined benefit fund. The employer surplus account may be 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.

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. Service costs and the net interest expense or income is recognised in profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income and will not be reclassified to profit or loss.

SHARE-BASED PAYMENTS

The 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

In 2007, Tongaat Hulett entered into a broad-based BEE equity participation transaction, which inter alia included an 18% participation structure for two strategic groupings - a cane growing communities trust (Masithuthukisane Trust) together with Sangena and a land conversion communities trust (Mphakathi Trust), together with Ayavuna, through two BEE SPVs (special purpose vehicles) - the TH Infrastructure SPV (10%) and the yoMoba SPV (8%).

This was detailed in a circular to shareholders dated 18 May 2007 and approved by shareholders in June 2007. The original terms and conditions of the transaction agreements have remained in place and have not been altered since their conclusion and approval in 2007. 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.

This BEE participation structure involved the issuance of 25,1 million A preferred ordinary shares in Tongaat Hulett, which were funded by the BEE SPVs through external funding, BEE participants' funding and notional vendor finance in 2007. In accordance with the original agreements and approvals, these shares had a 7 year term, within the overall 10 year transaction period contemplated in the agreements.

In accordance with the various agreements for the 2007 BEE transaction, on the 7 year anniversary of the transaction (i.e. beginning of July 2014), the A preferred ordinary shares held by the BEE SPVs in Tongaat Hulett Limited were automatically converted to ordinary shares. The A preferred ordinary shares thus ceased to exist and the A preferred ordinary dividends of some R112 million per annum are no longer payable. These ordinary shares are held by the BEE SPVs for the time being, rank pari passu with other ordinary shares and were listed on the Johannesburg Stock Exchange on 4 July 2014.

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), equity (R5 million) and shareholders' loans (R5 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), equity (R4 million) and shareholders' loans (R4 million). The SPVs' participation interests were initially in the form of A preferred ordinary shares which were entitled to receive a fixed coupon every year for a period of 7 years, within the overall 10 year transaction period contemplated in the various agreements, until the 7 year anniversary of the transaction (i.e. beginning of July 2014), at which point the A preferred ordinary shares converted to ordinary shares which were then listed on the Johannesburg Stock Exchange. Tongaat Hulett had committed to pay a fixed coupon of R112 million in aggregate on an annual basis on the A preferred ordinary shares and the A preferred ordinary shares would not receive any ordinary dividends for the duration of the 7 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. A calculation has been performed which determines the number of these converted shares that Tongaat Hulett is entitled to buyback. The number of shares to be repurchased is a function of the value of the shares subscribed for at par, the notional return required by Tongaat Hulett, the success of the earn-in initiatives by the respective BEE partners and divided by the 30 day volume weighted average price of Tongaat Hulett ordinary shares to 1 July 2014. This buyback right is subordinated in favour of the repayment of the external funding and the BEE shareholder loans, which have no recourse to Tongaat Hulett and are well covered by the assets in the BEE SPVs. This means that the buyback by Tongaat Hulett can only occur after the repayment, in due course, of the external funding in the BEE SPVs – i.e. sometime after the initial 7 year period and prior to the ultimate 10 year duration. At the closing share price at 31 March 2017, approximately 5,1 million shares (2016: 5,8 million shares) held by the BEE SPVs are required to settle the external funding, which amounted to some R623 million (2016: R605 million) in the two BEE SPVs. Simultaneously, in accordance with the original agreements and formulae, at the current share price, Tongaat Hulett is entitled to buyback the approximately 20 million remaining shares for a consideration of R0,01 per share, in due course in this process. In compliance with IFRS, the two BEE SPVs are consolidated by Tongaat Hulett and consequently the ordinary shares to be repurchased by Tongaat Hulett are not taken into account when calculating earnings per share and headline earnings per share. The external net debt of the SPVs, amounting to R623 million in aggregate at 31 March 2017 (2016: R605 million), is thus reflected on the consolidated statement of financial position and the funding charge incurred by the SPVs is reflected in the consolidated income statement. This BEE debt does not have recourse to Tongaat Hulett and will ultimately effectively be equity-settled.

Tongaat Hulett is using this period to assess how best to take the 2007 BEE participation structure forward, both within the context of the original intent of a transaction structure that spans 10 years and the context of the strategic importance to Tongaat Hulett of meaningful black economic empowerment. Shareholders will continue to be kept updated on the progression of these 2007 transaction structures and should any material changes be required then these would be brought to shareholders for consideration and approval in due course.

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 became ordinary shares on maturity.

The IFRS 2 cost 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. During the year ended 31 March 2017, a further 181 809 ordinary shares (2016: 96 305 ordinary shares) became available for delivery to employees. The remaining 649 079 listed ordinary shares (2016: 830 888 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 649 079 listed ordinary shares are reflected in BEE consolidation 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, sucrose content and 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.

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 amended standards and interpretations were in issue but not effective for the current year. Tongaat Hulett is in the process of evaluating the effects of these new and revised standards and interpretations.

Effective for the next financial year:

IAS 7: Statement of Cash Flows - Disclosure initiative
IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018:

IFRS 9: Financial Instruments
IFRS 15 and Clarifications to IFRS 15: Revenue from Contracts with Customers
Amendments to IFRS 2: Clarification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Transfers of Investment Property (Amendments to IAS 40)
IFRIC 22: Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRSs (2014 - 2016 Cycle):
- IFRS 1: First Time Adoption of International Financial Reporting Standards
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 28: Investments in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019:

IFRS 16: Leases

1. PROPERTY, PLANT AND EQUIPMENT (Rmillion)

Consolidated	Total	Land, improvements and buildings	Cane roots	Plant and equipment	Vehicles and other	Capitalised leases	Capital work in progress
Carrying value at beginning of year (restated - note 35)	16 415	4 114	3 097	5 576	2 810	66	752
Additions	1 069	82	418	338	52	1	178
Disposals	(16)	(6)	(3)	(2)	(5)		
Depreciation	(1 027)	(104)	(481)	(277)	(163)	(2)	
Transfers		27		131	(10)	(2)	(146)
Currency alignment	(2 753)	(544)	(414)	(1 063)	(644)	(14)	(74)
Carrying value at end of year	13 688	3 569	2 617	4 703	2 040	49	710
Comprising:							
31 March 2017							
At cost	20 391	4 516	3 613	8 087	3 401	64	710
Accumulated depreciation	6 703	947	996	3 384	1 361	15	
	13 688	3 569	2 617	4 703	2 040	49	710
31 March 2016 (restated - note 35)							
At cost	22 988	5 081	3 752	9 034	4 264	105	752
Accumulated depreciation	6 573	967	655	3 458	1 454	39	
	16 415	4 114	3 097	5 576	2 810	66	752

Company	Total	Land, improvements and buildings	Cane roots	Plant and equipment	Vehicles and other	Capitalised leases	Capital work in progress
Carrying value at beginning of year (restated - note 35)	4 493	472	1 153	2 105	190	3	570
Additions	706	13	239	276	18	1	159
Disposals	(8)	(2)	(3)	(2)		(1)	
Depreciation	(335)	(8)	(130)	(169)	(27)	(1)	
Transfers		27		106	3		(136)
Carrying value at end of year	4 856	502	1 259	2 316	184	2	593
Comprising:							
31 March 2017							
At cost	7 967	655	1 532	4 680	501	6	593
Accumulated depreciation	3 111	153	273	2 364	317	4	
	4 856	502	1 259	2 316	184	2	593
31 March 2016 (restated - note 35)							
At cost	7 298	596	1 296	4 349	479	8	570
Accumulated depreciation	2 805	124	143	2 244	289	5	
	4 493	472	1 153	2 105	190	3	570

Plant and machinery of Mozambique subsidiaries with a book value of R367 million (2016: R581 million) are encumbered as security for the secured long-term borrowings and certain short-term borrowings of nil (2016: R84 million).

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

2. LONG-TERM RECEIVABLE (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Employer surplus account (note 31)	**689**	634	689	634
Less current portion	**(70)**	(70)	(70)	(70)
Carrying value at end of year	**619**	564	619	564

3. GOODWILL (Rmillion)

	Consolidated	
	2017	2016
Carrying value at beginning of year	**438**	376
Currency alignment	**(56)**	62
Carrying value at end of year	**382**	438

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 four 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. The discount rates used in the cash flow models range between 11,6% and 14,2%. In the packing operations in Namibia and Botswana, sales growth rates of between 1,5% and 2% have been used while in the sugar production operations in Zimbabwe and Mozambique a return to production levels closer to capacity have been assumed post the drought. As at 31 March 2017, the carrying value of goodwill was considered not to require impairment. Based on the sensitivity calculations performed any reasonably possible changes in key assumptions would not cause the recoverable amounts to fall below the carrying values.

4. INTANGIBLE ASSETS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Cost:				
At beginning of year	**278**	122	250	116
Additions	**166**	123	144	102
Transfer from property, plant and equipment		32		32
Currency alignment	**(5)**	1		
At end of year	**439**	278	394	250
Accumulated amortisation:				
At beginning of year	**66**	58	61	53
Charge for the year	**8**	8	8	8
Currency alignment	**(1)**			
At end of year	**73**	66	69	61
Carrying value at end of year	**366**	212	325	189
The carrying value comprises:				
Software	**36**	44	35	42
Patents and licences	**18**	18	18	18
Capital work in progress (SAP ERP)	**312**	150	272	129
	366	212	325	189

5. INVESTMENTS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Unlisted shares	**27**	25		
Loans	**1**	1		
Carrying value of investments (Directors' valuation)	**28**	26		

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

6. SUBSIDIARIES AND JOINT OPERATIONS (Rmillion)

	Company	
	2017	2016
Shares at cost, less amounts written off	**5 471**	4 307
Indebtedness by/net indebtedness	**92**	173
	5 563	4 480
Indebtedness to (included in accounts payable)	**(413)**	
	5 150	4 480

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

7. INVENTORIES (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Raw materials	**386**	357	379	303
Work in progress	**21**	19	20	18
Finished goods	**634**	617	228	180
Consumables	**790**	883	226	172
Development properties	**1 005**	816		
Livestock and game	**113**	174		
	2 949	2 866	853	673

Included in raw materials is an amount of R274 million (2016: R111 million) that relates to the constructive obligation that has been recognised on maize procurement contracts.

8. **GROWING CROPS** (Rmillion)

	Consolidated 2017	Consolidated 2016 Restated (note 35)	Company 2017	Company 2016 Restated (note 35)
Carrying value of standing cane at beginning of year	**2 914**	2 550	465	326
Gain arising from physical growth and price changes	**88**	95	178	97
Increase due to increased area under cane	**68**	49	68	46
Decrease due to reduced area under cane	**(13)**	(3)	(1)	(2)
Decrease due to land sales	**(3)**	(2)	(3)	(2)
Currency alignment	**(505)**	225		
Carrying value at end of year	**2 549**	2 914	707	465

In terms of IAS 41: Agriculture, sugar cane growing crops, comprising standing cane, is accounted for as a biological asset and is measured and recognised at fair value. Changes in the fair value are included in profit or loss. The fair value of standing cane is determined by estimating 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 as at 31 March 2017.

	2017					2016
	South Africa	Swaziland	Zimbabwe	Mozambique	Total	
Hectares for harvest	33 247	3 774	27 982	23 156	88 159	86 263
Standing cane value (Rand per hectare)	21 265	31 914	36 475	30 268	28 913	33 775
Yield (Tons cane per hectare)	60	110	92	75	76	73
Average maturity of cane at 31 March (%)	73	60	57	65	64	70
Statement of financial position (Rmillion)						
Carrying value	707	120	1 021	701	2 549	2 914

The IAS 41 fair value change included in profit or loss for the year ended 31 March 2017 is set out below and the fair value measurement disclosures are included in note 25.

Rmillion	**2017**	2016 Restated (note 35)
Carrying value at beginning of year	**2 914**	2 550
Change in fair value	**143**	141
Land sales	**(3)**	(2)
Currency alignment	**(505)**	225
Carrying value at end of year	**2 549**	2 914

Rmillion	**2017**	2016 Restated (note 35)
South Africa	245	141
Swaziland	2	10
Zimbabwe	(244)	(129)
Mozambique	140	119
Change in fair value	143	141

9. DERIVATIVE INSTRUMENTS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
The fair value of derivative instruments at year end was:				
Forward exchange contracts - hedge accounted		6		6
Forward exchange contracts - not hedge accounted		1		1
Futures contracts - hedge accounted	**(9)**	52	(9)	52
	(9)	59	(9)	59
Summarised as:				
Derivative assets		60		60
Derivative liabilities	**(9)**	(1)	(9)	(1)
	(9)	59	(9)	59

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	
	2017	2016	2017	2016
Authorised:				
150 000 000 ordinary shares of R1,00 each	**150**	150	150	150
Issued and fully paid:				
135 112 506 ordinary shares of R1,00 each	**135**	135	135	135

Under control of the directors in terms of a shareholders' resolution: 6 755 625 shares (2016: 6 755 625 shares).

Details of the employee share incentive schemes are set out on pages 79 to 84 in the Remuneration Report.

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

	Consolidated	
	2017	2016
Broad based 18% interest:		
25 104 976 (2016: 25 104 976) ordinary shares	**839**	839
BEE employee 7% interest:		
649 079 (2016: 830 888) ordinary shares		
	839	839
Less BEE SPV reserves	**(197)**	(214)
	642	625

13. **DEFERRED TAX** (Rmillion)

	Consolidated		Company	
	2017	2016 Restated (note 35)	2017	2016 Restated (note 35)
Balance at beginning of year	**2 864**	2 491	400	486
Currency alignment	**(215)**	327		
Current year other comprehensive income charge/(relief) on:				
Actuarial gain/(loss)	**11**	(6)	11	(4)
Hedge reserve	**(2)**	3	(2)	3
Current year income statement (relief)/charge on:				
Earnings before capital profits	**(128)**	33	(47)	(89)
Capital profits	**13**	2	13	2
Prior years	**(6)**	14		2
Balance at end of year	**2 537**	2 864	375	400
Comprising temporary differences related to:				
Property, plant and equipment	**1 908**	2 085	638	560
Growing crops	**1 035**	1 271	550	453
Long-term receivable	**193**	177	193	177
Current assets	**280**	237	14	9
Current liabilities	**(125)**	(118)	(42)	(33)
Tax losses	**(882)**	(699)	(805)	(569)
Other	**128**	(89)	(173)	(197)
	2 537	2 864	375	400

14. BORROWINGS (Rmillion)

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Long-term	**4 975**	3 791	4 861	3 631
Short-term and bank overdraft	**2 546**	3 187	2 575	2 994
	7 521	6 978	7 436	6 625

Long-term borrowings comprise:

	Effective interest rate	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Secured:					
SA Rand					
Repayable 2019/20	10,70%	**157**	199		
Finance leases (note 28)	11,50%	**2**	3	2	3
		159	202	2	3
Unsecured:					
SA Rand					
Repayable 2023/24	3 month JIBAR + 0,50%	**120**		120	
Repayable 2023/24	3 month JIBAR + 2,70%	**410**		410	
Repayable 2022/23 (2016: repayable 2017/18)	3 month JIBAR + 3,05%	**180**	180	180	180
Bond repayable 2021/22	3 month JIBAR + 2,85%	**180**		180	
Bond repayable 2021/22	3 month JIBAR + 2,85%	**220**		220	
Repayable 2020/21	3 month JIBAR + 2,55%	**300**		300	
Bond repayable 2020/21	3 month JIBAR + 2,80%	**180**	180	180	180
Repayable 2019/20 (2016: repayable 2017/18)	3 month JIBAR + 2,55%	**500**	500	500	500
Repayable 2019/20	3 month JIBAR + 2,05%	**500**	500	500	500
Repayable 2019/20	3 month JIBAR + 2,00%	**350**	350	350	350
Repayable 2019/20 (2016: repayable 2017/18)	3 month JIBAR + 2,30%	**375**	500	375	500
Repayable 2018/19 (2016: repayable 2017/18)	3 month JIBAR + 2,30%	**375**	250	375	250
Repayable 2018/19	3 month JIBAR + 1,85%	**350**	350	350	350
Bond repayable 2018/19	3 month JIBAR + 2,60%	**350**	350	350	350
Repayable 2018/19 (2016: repayable 2017/18)	3 month JIBAR + 2,50%	**300**	300	300	300
Bond repayable 2018/19	3 month JIBAR + 2,40%	**170**	170	170	170
Repaid during the current year			223		220
		4 860	3 853	4 860	3 850
Long-term borrowings		**5 019**	4 055	4 862	3 853
Less current portion included in short-term borrowings		**44**	264	1	222
		4 975	3 791	4 861	3 631

Plant and machinery of Mozambique subsidiaries with a book value of R367 million (2016: R581 million) are encumbered as security for the secured long-term borrowings and certain short-term borrowings of nil (2016: R84 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 of nil (2016: R71 million) and in Zimbabwe equivalent to R2 million (2016: R94 million).

Summary of future long-term loan repayments by financial year:

Year	2017/18	2018/19	2019/20	2020/21	2021/22	Thereafter
Rmillion	44	1 593	1 792	480	400	710

In terms of the company's memorandum of incorporation the borrowing powers exercisable by the directors is limited to R19 107 million.

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

		Consolidated	
		2017	2016
The non-recourse equity-settled BEE borrowings comprise:			
	Effective interest rate		
4 122 000 Class B redeemable preference shares	80% of prime	**693**	689
Less BEE cash resources		**70**	84
		623	605

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

The original preference share structure, comprising Class A and Class B redeemable preference shares, ran up until mid-2014 and had a fixed coupon payable semi-annually on 2 January and 1 July each year. The Class A redeemable preference shares were repaid on 1 July 2014, while the repayment terms of the Class B redeemable preference shares were extended to 31 July 2017. The dividend payable on these shares is also payable on 31 July 2017. The debt due will be settled by the SPVs utilising the shares that they hold in Tongaat Hulett together with dividends received from Tongaat Hulett. These SPVs will continue to be consolidated while Tongaat Hulett carries a residual risk in these entities.

16. **PROVISIONS** (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Post-retirement medical aid obligations	**576**	600	435	450
Retirement gratuity obligations	**208**	226	126	130
	784	826	561	580

Further details on provisions are set out in note 31.

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

	Consolidated		Company	
	2017	2016	2017	2016
Accounts payable	**3 080**	3 520	1 874	1 589
Maize obligation - interest bearing	**509**	376	509	376
	3 589	3 896	2 383	1 965

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

18. OPERATING PROFIT (Rmillion)

	Consolidated		Company	
	2017	2016 Restated (note 35)	2017	2016 Restated (note 35)
Revenue	**17 915**	16 676	9 188	8 405
Cost of sales - cane, sugar and maize purchases	**(6 259)**	(5 448)	(5 214)	(4 527)
Cost of sales - other (includes goods, services, salaries and wages and offcrop)	**(7 555)**	(7 906)	(2 789)	(2 893)
Administration and other expenses	**(1 689)**	(1 728)	(695)	(673)
Marketing and selling expenses	**(385)**	(373)	(241)	(233)
Other net income (including growing crops fair value change)	**309**	425	1 515	679
Capital profits (note 19)	**12**	42	118	91
BEE IFRS 2 charge and transaction costs	**(15)**	(19)	(14)	(18)
Operating profit	**2 333**	1 669	1 868	831
Disclosable items included in operating profit:				
Income from subsidiaries:				
Dividends received			1 024	333
Management fees			124	108
Amortisation of intangible assets	**8**	8	8	8
Auditors' remuneration:				
Fees	**18**	17	7	7
Other services	**4**	2	1	
Depreciation charged:				
Buildings	**104**	108	8	8
Cane roots	**481**	644	130	143
Plant and equipment	**277**	287	169	151
Vehicles and other	**165**	192	28	17
Growing crops: gain from change in fair value	**143**	141	245	141
Management fees paid to subsidiaries			1	1
Management fees paid to third parties	**5**	5		
Operating lease charges (property, plant and vehicles)	**75**	85	68	78
Surplus/(loss) on disposal of property, plant and equipment	**4**	(4)		(1)
Share-based payments:				
IFRS 2 charge on SARS, LTIP and DBP	**60**	60	54	44
BEE IFRS 2 charge	**13**	17	12	16
Technical fees paid	**22**	20	22	20
Translation of foreign currencies	**95**	22	(4)	5
Valuation adjustments:				
Financial instruments	**(2)**	5	(2)	5
Fair value hedges:				
- Net (losses)/gains on the hedged item	**(64)**	57	(64)	57
- Net gains/(losses) on the hedging instrument	**64**	(57)	64	(57)

Included in the consolidated revenue is notional interest on credit granted to customers of R122 million (company: R70 million). Included in the consolidated cost of sales is notional interest on credit received from suppliers of R46 million (company: R19 million).

19. CAPITAL PROFITS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Comprises:				
Surplus on sale of land, cane roots and buildings	**38**	88	144	136
Costs thereon	**(26)**	(46)	(26)	(45)
Capital profits before tax	**12**	42	118	91
Tax (note 21)	**(13)**	(3)	(13)	(2)
Capital profits after tax	**(1)**	39	105	89

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

	Consolidated		Company	
	2017	2016	2017	2016
Net financing costs comprise:				
Interest paid - external	**(973)**	(778)	(839)	(631)
Interest capitalised	**34**	28	34	28
Interest paid - subsidiaries			(60)	(101)
Financing costs	**(939)**	(750)	(865)	(704)
Interest received - external	**129**	70	8	6
Finance income	**129**	70	8	6
Net financing costs	**(810)**	(680)	(857)	(698)

Excluded from the consolidated Interest received is notional interest on credit granted to customers of R122 million (company: R70 million). Excluded from the consolidated Interest paid is notional interest on credit received from suppliers of R46 million (company: R19 million).

21. TAX (Rmillion)

	Consolidated		Company	
	2017	2016 Restated (note 35)	2017	2016 Restated (note 35)
Tax on earnings before capital profits:				
Current	**542**	287	17	14
Deferred	**(128)**	33	(47)	(89)
Prior years	**1**	3		2
	415	323	(30)	(73)
Tax on capital profits:				
Current		1		
Deferred	**13**	2	13	2
	13	3	13	2
Tax charge/(relief) for the year	**428**	326	(17)	(71)
Foreign tax included above	**277**	75	17	14
Reconciliation of statutory rate to effective rate:				
Tax charge at normal rate of South African tax	**426**	277	283	37
Adjusted for:				
Non-taxable amounts	**(77)**	(37)	(54)	(48)
Dividends received from subsidiaries			(287)	(93)
Assessed losses of foreign subsidiaries	**11**	9		
Non-deductible expenditure	**33**	26	12	9
Foreign tax rate variations	**(12)**	22		
Foreign withholding tax	**11**	10	9	7
Capital gains	**35**	16	20	15
Prior years	**1**	3		2
Tax charge/(relief)	**428**	326	(17)	(71)
Normal rate of South African tax	**28,0%**	28,0%	28,0%	28,0%
Adjusted for:				
Non-taxable amounts	**(5,1)**	(3,7)	(5,3)	(36,3)
Dividends received from subsidiaries			(28,4)	(70,4)
Assessed losses of foreign subsidiaries	**0,7**	0,9		
Non-deductible expenditure	**2,2**	2,7	1,2	6,9
Foreign tax rate variations	**(0,8)**	2,2		
Foreign withholding tax	**0,7**	1,0	0,9	5,4
Capital gains	**2,3**	1,6	1,9	11,4
Prior years	**0,1**	0,3		1,6
Effective rate of tax	**28,1%**	33,0%	(1,7%)	(53,4%)

Normal tax losses of R3 151 million (2016: R2 496 million) have been utilised to reduce deferred tax. Management considers that there will be sufficient future profits to utilise these tax losses. No deferred tax asset has been raised in respect of tax losses of foreign subsidiaries of R110 million (2016: R227 million) that may not be utilised in the short term or may expire in terms of applicable tax legislation.

22. HEADLINE EARNINGS (Rmillion)

	Consolidated	
	2017	2016 Restated (note 35)
Profit attributable to shareholders	**983**	716
Less after tax effect of:	**(1)**	(37)
Capital profit on disposal of land, cane roots and buildings	**(12)**	(42)
(Surplus)/loss on disposal of property, plant and equipment	**(4)**	4
	(16)	(38)
Minority (non-controlling) interest	**1**	(1)
Tax on capital profit on sale of land, cane roots and buildings	**13**	3
Tax on disposal of other fixed assets	**1**	(1)
Headline earnings	**982**	679
Headline earnings per share (cents)		
Basic	**852,7**	588,0
Diluted	**852,7**	588,0

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 115 158 241 (2016: 115 471 378).

24. DIVIDENDS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Ordinary share capital				
Final for previous year, paid 30 June 2016: 60 cents (2016: 210 cents)	**81**	283	81	283
Interim for current year, paid 2 February 2017: 100 cents (2016: 170 cents)	**135**	229	135	229
	216	512	216	512
Less dividends relating to BEE SPV consolidation shares	**(40)**	(95)		
	176	417	216	512

The final ordinary dividend for the year ended 31 March 2017 of 200 cents per share declared on 25 May 2017 and payable on 29 June 2017 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	
	2017	2016	2017	2016
Financial assets				
Derivative instruments in designated hedge accounting relationships		60		60
Unlisted shares	**28**	26		
Loans and receivables at amortised cost	**4 689**	5 242	1 532	1 467
Cash and cash equivalents	**2 741**	1 877	58	100
	7 458	7 205	1 590	1 627
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	**9**	1	9	1
Financial liabilities at amortised cost	**11 075**	10 788	9 317	8 517
Non-recourse equity-settled BEE borrowings	**623**	605		
	11 707	11 394	9 326	8 518

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.

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	
	2017	2016	2017	2016
Less than 1 month	**366**	77	63	30
Between 1 to 2 months	**36**	15	10	2
Between 2 to 3 months	**17**	12	1	2
Greater than 3 months	**98**	266	6	4
Total past due	**517**	370	80	38
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	**36**	25	4	2
Currency alignment	**(4)**	3		
Amounts written-off	**(3)**	(2)	(2)	(2)
Increase in allowance recognised in profit or loss	**17**	10	6	4
Balance at end of year	**46**	36	8	4

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	**2017 Fair value of FEC Rmillion**	2016 Fair value of FEC Rmillion	Average contract rate	Commitment Rmillion	2017 Fair value of FEC Rmillion	2015 Fair value of FEC Rmillion
Imports								
US Dollar	13,47	21			13,47	21		
Exports								
US Dollar	13,77	24		6	13,77	24		6
Net total				6				6

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			
			2017	2016			2017	2016
	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								
US Dollar	12,86	1		(1)	12,86	1		(1)
UK Pound	16,27	1			16,27	1		
Exports								
US Dollar				2				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	**2017 Rmillion**	2016 Rmillion	Foreign amount million	2017 Rmillion	2016 Rmillion
Australian Dollar	8	**82**	68	7	77	68
US Dollar		**3**			3	
New Zealand Dollar			7			7
		85	75		80	75

The impact of a 10% strengthening or weakening of the Rand on the uncovered Australian dollar receivable will have a R8 million (2016: R7 million) impact on profit before tax and a R6 million (2016: R5 million) impact on equity. The impact of a 10% strengthening or weakening of the Rand on the uncovered US dollar receivable will have a R0,3 million (2016: R1 million) impact on profit before tax and a R0,2 million (2016: 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 2017 and a significant portion of its requirements for the period to 31 May 2018 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			
			2017	2016			2017	2016
	Tons	Contract value Rmillion	**Fair value Rmillion**	Fair value Rmillion	Tons	Contract value Rmillion	Fair value Rmillion	Fair value Rmillion
Futures - hedge accounted:								
Maize futures sold	28 700	55	**(10)**	67	28 700	55	(10)	67
Maize futures purchased	23 200	46	**1**	(15)	23 200	46	1	(15)
			(9)	52			(9)	52
Period when cash flow is expected to occur			**2017/18**	2016/17			2017/18	2016/17
When expected to affect profit or loss			**2017/18**	2016/17			2017/18	2016/17
Gain recognised in equity during the year				7				7
Gain transferred from equity and recognised in profit or loss			**5**				5	

25. FINANCIAL RISK MANAGEMENT (Rmillion) continued

Growing crops fair value measurement

Growing crops, comprising standing cane, is 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 standing cane is determined by estimating 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 as at 31 March 2017. Changes in the fair value are included in profit or loss, with a benefit of R143 million (2016: R141 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 8.

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 and prices. The consolidated yield is 76 tons per hectare (2016: 73 tons per hectare) and for the company it is 60 tons per hectare (2016: 50 tons per hectare). For commercial reasons, selling prices cannot be disclosed. A change in yield of one ton per hectare would result in a R35 million (2016: R37 million) change in fair value for the consolidated results and R12 million (2016: R9 million) for the company. A change of one percent in the cane price would result in a R32 million (2016: R33 million) change in fair value for the consolidated results and R9,7 million (2016: R6,5 million) for the company.

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 R26 million (2016: R27 million) effect on profit before tax and a R19 million (2016: R20 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 R3,06 billion (2016: R2,43 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
2017							
Bank loans	9,4	3 165 *	1 984	3 110	775	(1 606)	7 428
Foreign loans	10,5		46	57		(12)	91
Other borrowings	8,8	531				(22)	509
Financial lease liability	11,5	1	1	1		(1)	2
Other non-interest bearing liabilities		3 045					3 045
Net settled derivatives		9					9
Total for Tongaat Hulett		6 751	2 031	3 168	775	(1 641)	11 084
Non-recourse equity-settled BEE borrowings		642				(19)	623
Total including SPV debt		7 393	2 031	3 168	775	(1 660)	11 707
2016							
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
Total for Tongaat Hulett		7 515	2 057	2 288	3	(1 074)	10 789
Non-recourse equity-settled BEE borrowings		623				(18)	605
Total including SPV debt		8 138	2 057	2 288	3	(1 092)	11 394

* 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 2017	Equity 2016	Indebtedness 2017	Indebtedness 2016
Tongaat Hulett Starch (Pty) Ltd	Wet maize milling, starch & glucose manufacturing operation	**15**	15	**59**	56
Tongaat Hulett Developments (Pty) Ltd Tongaat Hulett Estates (Pty) Ltd	Land & property development activities	**6**		**(231)**	(792)
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%) Tongaat Hulett (Botswana) (Pty) Limited (Botswana) (50,1%) Tongaat Hulett (Namibia) (Pty) Limited (Namibia) (51%)	Agriculture, raw sugar production, refining, packaging and production of liquid and dry speciality sugars	**5 396**	4 238	**(90)**	968
The Tongaat Group Limited		**54**	54	**(59)**	(59)
		5 471	4 307	**(321)**	173

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.

Loans between companies within the group are unsecured with no fixed date for repayment.

Tongaat Hulett's proportionate share of the assets, liabilities and post-acquisition reserves of its joint operation, Effingham Development (33%) is included in the consolidated financial statements. The proportionate share of profit after tax for the year was R9 million (2016: R3 million). This joint operation is a property development partnership which operates in KwaZulu-Natal, South Africa.

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.

Summarised financial information as consolidated in Tongaat Hulett's financial statements:	Consolidated 2017	Consolidated 2016 Restated
Non-current assets	**2 915**	3 354
Current assets	**1 466**	1 856
Non-current liabilities	**(1 195)**	(1 681)
Current liabilities	**(261)**	(386)
Equity attributable to Tongaat Hulett	**(1 472)**	(1 582)
Non-controlling interests	**1 453**	1 561
Revenue	**2 092**	1 614
Profit/(loss) attributable to Tongaat Hulett	**48**	(68)
Profit/(loss) attributable to non-controlling interests	**47**	(67)
Profit/(loss) for the year	**95**	(135)

Summarised financial information as consolidated in Tongaat Hulett's financial statements continued	Consolidated	
	2017	2016 Restated
Other comprehensive income attributable to Tongaat Hulett	**(158)**	293
Other comprehensive income attributable to non-controlling interests	**(156)**	289
Other comprehensive income for the year	**(314)**	582
Total comprehensive income attributable to Tongaat Hulett	**(110)**	225
Total comprehensive income attributable to non-controlling interests	**(109)**	222
Total comprehensive income for the year	**(219)**	447
Net cash flow from operating activities	**427**	102
Net cash outflow from investing activities	**(33)**	(226)
Net cash flow from financing activities	**(368)**	(137)
Net cash inflow/(outflow) for the year	**26**	(261)

27. GUARANTEES AND CONTINGENT LIABILITIES (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Guarantees in respect of obligations of Tongaat Hulett and third parties	**96**	101	3	53

28. LEASES (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Amounts payable under finance leases				
Minimum lease payments due:				
Not later than one year	**1**	2	1	2
Later than one year and not later than five years	**2**	2	2	2
	3	4	3	4
Less future finance charges	**(1)**	(1)	(1)	(1)
Present value of lease obligations	**2**	3	2	3
Payable:				
Not later than one year	**1**	1	1	1
Later than one year and not later than five years	**1**	2	1	2
	2	3	2	3
Operating lease commitments, amounts due:				
Not later than one year	**38**	36	33	33
Later than one year and not later than five years	**22**	39	18	38
	60	75	51	71
In respect of:				
Property	**35**	36	26	33
Vehicles and office equipment	**25**	39	25	38
	60	75	51	71

29. CAPITAL EXPENDITURE COMMITMENTS (Rmillion)

	Consolidated		Company	
	2017	2016	2017	2016
Contracted	**104**	196	38	83
Approved but not contracted	**250**	213	201	153
	354	409	239	236

These commitments relate to expenditure on property, plant, equipment and intangible assets. 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	
	2017	2016	2017	2016
Goods and services:				
Between the company and its subsidiaries			874	519
Administration fees and other income:				
Between the company and its subsidiaries			109	111
Transacted with/between joint operations within Tongaat Hulett	**8**	3		
Paid to external related parties	**6**	5		
Interest received/paid:				
Paid by the company to its subsidiaries			60	101
Transacted with/between joint operations within Tongaat Hulett	**2**	4		
Sales of fixed assets:				
Between the company and its subsidiaries			149	140
Loan balances:				
Between the company and its subsidiaries			321	173
Pension Fund loan	**93**	85	93	85
Dividends:				
Between the company and its subsidiaries			1 024	333

Other related party information:

Total dividends paid - refer to note 24

Executive directors/key management personnel - refer to pages 77 to 78 and 83 to 84 of the Remuneration Report

Non-executive directors - refer to page 78 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.

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 members of either a Tongaat Hulett implemented scheme or of various designated industry or state schemes. The Tongaat Hulett schemes, which are predominantly defined contribution schemes, are governed by the relevant retirement fund legislation. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of Tongaat Hulett. The scheme assets are administered by boards of trustees, each of which includes elected employee representatives.

Defined Contribution Pension and Provident Schemes

The latest audited financial statements of the defined contribution schemes, including the scheme in Swaziland, reflect a satisfactory state of affairs. Contributions of R106 million were expensed during the year (2016: R100 million).

Zimbabwe Pension Funds

The post-retirement benefit provisions for the Zimbabwe operations at 31 March 2017 amount to R213 million (2016: R234 million), including the post-retirement medical aid and the retirement gratuity provisions.

Defined Benefit Pension Scheme

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 was converted to a Defined Contribution arrangement with the existing pensioner liabilities being outsourced to an insurer.

Details of the IAS 19 valuation of the DB Fund (South Africa):	**2017**	2016
Fair value of fund assets		
Balance at beginning of year	**845**	793
Expected return on scheme assets	**61**	49
Settlements/conversion	**4**	3
Balance at end of year	**910**	845
Comprises:		
Employer surplus account (note 3)	**689**	634
Provisions and reserves	**221**	211
	910	845

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 these current employees is dependent upon the employee remaining in service until retirement. 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 using the projected unit credit method and comprises:

	Consolidated		Company	
	2017	2016	2017	2016
Amounts recognised in the statement of financial position:				
Net liability at beginning of year	**600**	542	450	427
Actuarial (gain)/loss included in other comprehensive income:	**(25)**	22	(31)	14
From changes in financial assumptions	**(26)**	3	(26)	3
From changes in demographic assumptions	**(10)**	3	(12)	
From changes in experience items during the year	**11**	16	7	11
Net expense recognised in income statement	**57**	49	46	37
Employer contributions	**(38)**	(36)	(30)	(28)
Currency alignment	**(18)**	23		
Net liability at end of year	**576**	600	435	450
Amounts recognised in profit or loss:				
Current service costs	**9**	9	4	4
Interest costs	**48**	40	42	33
	57	49	46	37
The principal actuarial assumptions applied are:				
Discount rate:				
South Africa	**9,60%**	9,60%	9,60%	9,60%
Mozambique	**8,60%**	9,09%		
Zimbabwe	**5,00%**	4,00%		
Healthcare cost inflation rate:				
South Africa	**8,15%**	8,75%	8,15%	8,75%
Mozambique	**7,31%**	8,24%		
Zimbabwe	**3,50%**	2,50%		
Sensitivity analysis:				
On discount rate:				
1% increase in trend rate - decrease in the aggregate of the service and interest costs	**(1)**	(2)	(1)	(1)
1% increase in trend rate - decrease in the obligation	**(57)**	(62)	(38)	(42)
1% decrease in trend rate - increase in the aggregate of the service and interest costs	**2**	2	1	1
1% decrease in trend rate - increase in the obligation	**70**	76	45	50
On healthcare cost inflation rate:				
1% increase in trend rate - increase in the aggregate of the service and interest costs	**2**	2	1	1
1% increase in trend rate - increase in the obligation	**70**	76	46	50
1% decrease in trend rate - decrease in the aggregate of the service and interest costs	**(1)**	(2)	(1)	(1)
1% decrease in trend rate - decrease in the obligation	**(58)**	(63)	(39)	(43)
Estimated contributions payable in the next financial year	**40**	38	32	30

31. RETIREMENT BENEFITS (Rmillion) continued

	Consolidated		Company	
	2017	2016	2017	2016
Weighted average duration of the obligation:				
South Africa	**10,5 years**	11,1 years	10,5 years	11,1 years
Mozambique	**6,4 years**	6,6 years		
Zimbabwe	**16,5 years**	16,6 years		

Key risks associated with the post-retirement medical aid obligation:

Higher than expected inflation (to which medical cost/contribution increases are related).
"Real" future medical aid cost/contribution inflation (i.e. above price inflation) turns out higher than allowed for.
Members/pensioners changing medical aid plans to more expensive plans subject to maximum in terms of policy.
Longevity – pensioners (and their dependants) living longer than expected in retirement.
Changes in the prescribed basis (as a result of market conditions) which adversely impact the financial results of the company.

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 is determined actuarially each year using the projected unit credit method and comprises:

	Consolidated		Company	
	2017	2016	2017	2016
Amounts recognised in the statement of financial position:				
Net liability at beginning of year	**226**	198	130	122
Actuarial (gain)/loss included in other comprehensive income:	**(15)**	2	(9)	2
From changes in financial assumptions	**(8)**	(2)	(8)	1
From changes in demographic assumptions	**(2)**		(2)	
From changes in experience items during the year	**(5)**	4	1	1
Net expense recognised in income statement	**29**	27	20	17
Payments made by the employer	**(22)**	(18)	(15)	(11)
Currency alignment	**(10)**	17		
Net liability at end of year	**208**	226	126	130
Amounts recognised in profit or loss:				
Service costs	**13**	12	8	7
Interest costs	**16**	15	12	10
	29	27	20	17

	Consolidated		Company	
	2017	2016	2017	2016
The principal actuarial assumptions applied are:				
Discount rate:				
South Africa	**9,60%**	9,60%	9,60%	9,60%
Zimbabwe	**5,00%**	4,00%		
Salary inflation rate:				
South Africa	**7,90%**	8,50%	7,90%	8,50%
Zimbabwe	**2,50%**	1,50%		
Sensitivity analysis:				
On discount rate:				
1% increase in trend rate - decrease in the aggregate of the service and interest costs	**(1)**	(1)	(1)	(1)
1% increase in trend rate - decrease in the obligation	**(19)**	(20)	(11)	(11)
1% decrease in trend rate - increase in the aggregate of the service and interest costs	**1**	1	1	1
1% decrease in trend rate - increase in the obligation	**22**	23	13	13
On salary inflation rate:				
1% increase in trend rate - increase in the aggregate of the service and interest costs	**4**	4	2	2
1% increase in trend rate - increase in the obligation	**23**	23	13	13
1% decrease in trend rate - decrease in the aggregate of the service and interest costs	**(3)**	(3)	(2)	(2)
1% decrease in trend rate - decrease in the obligation	**(20)**	(20)	(12)	(11)
Estimated amounts payable in the next financial year	**20**	23	11	15
Weighted average duration of the obligation:				
South Africa	**10,6 years**	9,8 years	10,6 years	9,8 years
Zimbabwe	**10,9 years**	10,5 years		

Key risks associated with the retirement gratuity obligation:

Higher than expected inflation (to which salary increases are related).

"Real" salary increases (i.e. above price inflation) turn out higher than allowed for.

Large number of early retirements (normal or ill health) bringing forward gratuity payments.

Fewer exits prior to retirement than expected (i.e. more people reach retirement than allowed for in terms of current demographic assumptions).

Changes in the prescribed basis (as a result of market conditions) which adversely impact the financial results of the company.

32. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS

The information in respect of directors' and prescribed officers' emoluments and interests is included in the Remuneration Report as follows:

	Page
Executive directors' and prescribed officers' remuneration	77
Non-executive directors' remuneration	78
Declaration of full disclosure	78
Interest of directors of the company in share capital	78

33. EMPLOYEE SHARE INCENTIVE SCHEMES

Details of awards made in terms of the company's share incentive schemes comprising the Share Appreciation Right Scheme 2005, the Long Term Incentive Plans 2005 and the Deferred Bonus Plan 2005 are set out on pages 79 to 82 of the Remuneration Report and details of the interest of directors in share-based instruments are set out on pages 83 to 84.

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 year ended 31 March 2013. 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. Due to these shares having specific repurchase rights at maturity (five years from grant date), they were a separate class of restricted shares which, other than for the repurchase terms, rank pari passu with ordinary shares and became ordinary shares at maturity of the scheme on 1 August 2012.

Employee Share Ownership Plan

Grant date	Number of shares at 31 March 2016	Released including deaths in service	Forfeited / adjustments	Balance time constrained 31 March 2017
1 August 2011	11 279	(10 074)	(1 205)	
Unallocated	31 126		1 205	32 331
	42 405	(10 074)	-	32 331

Management Share Ownership Plan

Grant date	Number of shares at 31 March 2016	Released including deaths in service	Awarded during 2016/17	Forfeited / adjustments	Balance time constrained 31 March 2017
1 August 2011	77 998	(77 998)			
1 February 2012	93 737	(93 737)			
1 June 2012	43 885				43 885
1 July 2012	41 935				41 935
1 November 2012	246 481			(4 006)	242 475
7 January 2013	5 000				5 000
1 March 2013	4 855				4 855
1 July 2013	25 000			(25 000)	
1 August 2014	41 967			(1 491)	40 476
1 September 2014	1 928				1 928
1 September 2015	52 213			(2 043)	50 170
1 March 2017			52 789		52 789
Unallocated	153 484		(52 789)	32 540	133 235
	788 483	(171 735)	-	-	616 748

35. CHANGE IN ACCOUNTING POLICY (Rmillion)

The adoption of the revised IAS 16: Property, Plant and Equipment and IAS 41: Agriculture has resulted in cane roots being reclassified from growing crops to property, plant and equipment in the statement of financial position, root planting costs being capitalised to the cost of the roots and thereafter the roots depreciated over their estimated useful lives. Standing cane is now disclosed under current assets. The effect of the change in accounting policy on the 2015/16 financial statements is disclosed below.

Previously cane roots and standing cane were disclosed under the heading of Growing Crops and classified as non current asssets in the statement of financial position. Changes in the fair value of cane roots and standing cane and root planting costs were included in profit or loss.

	Consolidated	Company
Effect on profit or loss for the year ended 31 March 2016		
Root planting costs capitalised to property, plant and equipment	601	63
Reversal of root fair valuation	(96)	(1)
Depreciation of roots	(644)	(143)
Decrease in operating profit	(139)	(81)
Deferred tax relief	32	23
Decrease in profit after tax for the year	(107)	(58)
Attributable to:		
Shareholders of Tongaat Hulett	(104)	(58)
Minority (non-controlling) interest	(3)	
	(107)	(58)
Effect on earnings per share (basic and diluted) - cents		
Net profit per share	(90,1)	
Headline earnings per share	(90,1)	
Effect on other comprehensive income for the year ended 31 March 2016		
Foreign currency translation	2	
Increase in other comprehensive income	2	
Net decrease in total comprehensive income	(105)	(58)
Attributable to:		
Shareholders of Tongaat Hulett	(102)	(58)
Minority (non-controlling) interest	(3)	
	(105)	(58)
Effect on the statement of financial position at 31 March 2016		
Equity as previously reported	15 530	2 607
Effect of change in accounting policy	(105)	(58)
Operating profit	(139)	(81)
Foreign currency translation	2	
Decrease in carrying value of cane roots	(137)	(81)
Deferred tax	32	23
Equity restated	15 425	2 549

35. CHANGE IN ACCOUNTING POLICY (Rmillion) continued

	Consolidated	Company
Property, plant and equipment as previously reported	13 318	3 340
Effect of change in accounting policy	3 097	1 153
Transfer of cane roots from growing crops	3 234	1 234
Adjusted for application of IAS 16 and IAS 41:		
Root planting costs capitalised	601	63
Reversal of root fair valuation	(96)	(1)
Depreciation of roots	(644)	(143)
Foreign currency translation	2	
Property, plant and equipment restated	16 415	4 493
Growing crops as previously reported	6 148	1 699
Transfer of cane roots to property, plant and equipment	(3 234)	(1 234)
Growing crops restated	2 914	465

Effect on statement of cash flows for the year ended 31 March 2016

	Consolidated	Company
Cash flow from operations as previously reported	1 262	972
Expenditure on root planting now included in capex *	601	63
Cash flow from operations restated	1 863	1 035

* This is a reallocation and there is thus no effect on cash flow before dividends and financing activities.

Effect on the statement of financial position at 31 March 2015

	Consolidated	Company
Property, plant and equipment as previously reported	12 059	2 894
Transfer of cane roots from growing crops	2 923	1 164
Property, plant and equipment restated	14 982	4 058
Growing crops as previously reported	5 473	1 490
Transfer of cane roots to property, plant and equipment	(2 923)	(1 164)
Growing crops restated and disclosed under current assets	2 550	326

36. SUBSEQUENT EVENTS

There were no material events between 31 March 2017 and the date of this report.

FIVE-YEAR REVIEW

FINANCIAL STATISTICS		2017	2016 Restated (note 35)	2015	2014	2013
TRADING RESULTS (Rmillion)						
Revenue		**17 915**	16 676	16 155	15 716	14 373
Operating profit		**2 333**	1 669	2 089	2 374	2 131
Net financing costs		**(810)**	(680)	(617)	(609)	(560)
Profit before tax		**1 523**	989	1 472	1 765	1 571
Tax		**(428)**	(326)	(425)	(538)	(392)
Minority (non-controlling) interest		**(112)**	53	(58)	(72)	(100)
Net profit attributable to shareholders		**983**	716	989	1 155	1 079
Headline earnings attributable to shareholders		**982**	679	945	1 106	1 067
SOURCE OF CAPITAL (Rmillion)						
Shareholders' interest		**10 781**	13 273	11 889	10 562	8 332
Minority (non-controlling) interest		**1 957**	2 152	1 887	1 628	1 373
Equity		**12 738**	15 425	13 776	12 190	9 705
Deferred tax		**2 537**	2 864	2 491	2 131	1 930
Borrowings - long and short-term		**7 521**	6 978	5 660	5 387	5 559
Non-recourse equity-settled BEE borrowings		**623**	605	654	691	722
Provisions		**784**	826	743	696	722
Capital employed		**24 203**	26 698	23 324	21 095	18 638
EMPLOYMENT OF CAPITAL (Rmillion)						
Property, plant, equipment, investments and intangibles		**14 464**	17 091	15 449	14 237	12 968
Long-term receivables		**619**	564	518	485	455
Inventories, growing crops, receivables and derivative instruments		**10 130**	11 160	8 908	8 187	6 961
Cash and cash equivalents		**2 741**	1 877	1 668	1 067	917
Total assets		**27 954**	30 692	26 543	23 976	21 301
Current liabilities (excluding short-term borrowings)		**3 751**	3 994	3 219	2 881	2 663
		24 203	26 698	23 324	21 095	18 638
RATIOS AND STATISTICS						
EARNINGS						
Headline earnings per share (cents)		**852,7**	588,0	826,1	990,5	968,0
Dividends per share (cents)		**300,0**	230,0	380,0	360,0	340,0
Dividend cover (times)		**2,8**	2,6	2,2	2,8	2,8
PROFITABILITY						
Operating margin		**13,0%**	10,0%	12,9%	15,1%	14,8%
Return on capital employed		**10,5%**	7,4%	10,3%	12,9%	13,3%
FINANCE						
Debt to equity		**59,0%**	45,2%	41,1%	44,2%	57,3%
Net debt to equity		**37,5%**	33,1%	29,0%	35,4%	47,8%
SHARES						
Shares in issue (millions)	- issued	**135**	135	135	110	109
	- weighted	**115**	115	114	112	110
Market capitalisation	- Rmillion	**16 627**	14 111	18 173	12 501	15 586
Value of shares traded	- Rmillion	**6 985**	4 752	7 287	6 038	7 348
Share price (cents)	- balance sheet date	**12 306**	10 444	13 450	11 368	14 345
	- high	**13 550**	13 976	17 493	14 500	14 940
	- low	**10 030**	7 785	11 236	10 700	10 301
Volume of shares traded	- millions	**57**	43	48	49	56

DEFINITIONS

OPERATING PROFIT
Operating profit comprises results of operations, centrally accounted and consolidation items.

HEADLINE EARNINGS
Headline earnings are calculated in note 22, in accordance with the South African Institute of Chartered Accountants' Circular 2/2015: Headline Earnings.

HEADLINE EARNINGS PER SHARE
Headline earnings divided by the weighted average number of shares in issue.

OPERATING MARGIN
Operating profit expressed as a percentage of revenue.

RETURN ON CAPITAL EMPLOYED
Operating profit excluding exceptional items, expressed as a percentage of average capital employed, excluding capital work in progress and including cash as part of net debt.

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

as at 31 March 2017 **Tongaat Hulett Limited**

Number of shareholders	Spread	Shares held	% Held
4 883	1 - 1 000 shares	1 336 948	0,99
1 365	1 001 - 10 000 shares	4 426 299	3,28
559	10 001 - 100 000 shares	18 623 626	13,78
151	100 001 - 1 000 000 shares	43 642 878	32,30
20	more than 1 000 000 shares	67 082 755	49,65
6 978	Total	135 112 506	100,00
	Category		
49	Banks	936 215	0,69
2	BEE TH Infrastructure and yoMoba SPVs	25 104 976	18,58
2	BEE Share Ownership Plans	649 079	0,48
52	Close Corporations	43 522	0,03
73	Endowment Funds	707 448	0,53
5 009	Individuals	5 229 247	3,87
61	Insurance Companies	5 700 009	4,22
79	Investment Companies	2 800 173	2,07
23	Medical Aid Funds	421 055	0,31
355	Mutual Funds	47 448 179	35,12
658	Nominees and Trusts	4 944 217	3,66
32	Other Corporations	196 322	0,15
429	Pension Funds	39 677 911	29,37
142	Private Companies	732 698	0,54
9	Public Companies	329 073	0,24
3	Share Schemes	192 382	0,14
6 978	Total	135 112 506	100,00
	Type of shareholder		
	Non-public		
2	Directors and associates of the company	524 464	0,39
4	BEE entities	25 754 055	19,06
3	Share Schemes	192 382	0,14
9	Total non-public	26 470 901	19,59
6 969	Public	108 641 605	80,41
6 978	Total	135 112 506	100,00
	Beneficial shareholdings over four percent		
	Public Investment Corporation (GEPF)	19 559 056	14,48
	BEE - TH Infrastructure SPV Proprietary Limited	13 947 209	10,32
	Allan Gray	11 803 909	8,74
	BEE - yoMoba SPV Proprietary Limited	11 157 767	8,26
	Old Mutual Investment Group	7 174 087	5,31
	Investec Asset Management	5 470 332	4,05

CORPORATE INFORMATION

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

Company Secretary
MAC Mahlari

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Amanzimnyama Hill Road
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KwaZulu-Natal
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Attorneys
Bowman Gilfillan
Cox Yeats
Garlicke & Bousfield
Shepstone & Wylie
Taback & Associates

Independent External Auditor
Deloitte & Touche

Internal Auditor
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 Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
P O Box 61051
Marshalltown 2017

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

SHAREHOLDERS' DIARY

Financial year end		31 March
Annual general meeting		August
Reports and profit statements:		
Interim results		November
Annual results and final dividend declaration		May
Annual financial statements		June
Dividends:		
Interim	Declared	November
	Paid	February
Final	Declared	May
	Paid	June

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twenty fifth annual general meeting of shareholders of the Company will be held at the Corporate Office, Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal on Tuesday 1 August 2017 at 09h00, to among other matters, consider and if deemed fit, to pass (with or without modification) the ordinary and special resolutions set out below.

The record date on which shareholders must be registered in the Company's securities register in order to attend, participate and vote at the annual general meeting is Friday, 21 July 2017.

Order of business

1. To receive and consider the annual financial statements of the Company for the year ended 31 March 2017, such annual financial statements having been approved by the Board as required by Section 30(3)(c) of the Companies Act 2008 ("the Act"), including the reports of the directors, the Risk, SHE, Social and Ethics Committee, the Audit Committee and the auditors, which are presented to the shareholders in the integrated annual report.

2. As required by section 90(1) of the Act, and as recommended by the Audit Committee, to re-appoint Deloitte & Touche as external auditors for the 2017/2018 financial year (with Mr G Kruger as individual designated auditor).

3. To re-elect each of SM Beesley, F Jakoet and TN Mgoduso 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. The Nomination Committee has assessed each of the retiring directors and the board unanimously recommends their re-election. Details of each of these retiring directors are set out on pages 62 to 63 of the integrated annual report

4. As required by section 94(2) of the Act, to elect the Audit and Compliance committee comprising of the following independent non-executive directors: J John (Chairman), SM Beesley, F Jakoet and RP Kupara. Details of each of these proposed committee members are set out on page 62 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 RESOLUTIONS:
To adopt special resolutions, each resolution must be supported by at least 75% of the total number of votes which the shareholders or their proxies exercise at the meeting.

ORDINARY RESOLUTIONS:
Unless otherwise provided, to adopt ordinary resolutions, each resolution must be supported by more than 50% of the total number of votes which the shareholders or their proxies exercise at the meeting.

Special Resolution Number 1
"Resolved as a special resolution that the Company hereby approves, as a general approval contemplated in the JSE Listings Requirements, the acquisition by:

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

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

provided that:

1. the aggregate number of ordinary shares acquired by the Company and its subsidiaries 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 shareholders' 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 this general approval is granted) of the relevant class of securities, and for each three percent in aggregate of the initial number of that class acquired thereafter, an announcement must be made giving the details required in terms of the JSE Listings Requirements, in respect of such acquisitions;

8. 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

8.1 authorise the general repurchase;

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

8.3 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;

9. 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. major shareholders: page 137;
b. directors' responsibility statement: page 89;
c. share capital: page 114.

There have been no material changes to this information since 31 March 2017. 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 in the integrated annual report 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 the above special resolution number 1 contains all the required information.

Reason and Effect:
In terms of the JSE Listings Requirements, a company may only make a general repurchase of securities if approved by shareholders in terms of a special resolution. The reason for special resolution number 1 is to provide a general authority for the Company and its subsidiaries to acquire shares issued by the Company in accordance with the provisions of the Act and the JSE Listings Requirements. If special resolution number 1 is passed, it will have the effect of authorising the Company or any of its subsidiaries to acquire any of the shares issued by the Company, which authority will last until the earlier of the next annual general meeting of the Company or the expiry of a period of 15 months from the date of special resolution number 1.

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 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 representing 6 755 625 of the number of the Company's shares in issue at 1 August 2017 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 representing 6 755 625 shares 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 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."

Reason and Effect:
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.

The above special resolution number 2 (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 2 to be adopted, the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution is required.

Proposed Directors' Fees from 1 August 2017 to 2018 AGM

Type of fee	Existing Annual Fees		Proposed Annual Fees from August 2017 AGM to 2018 AGM	
	Annual Fixed/Retainer Fee	Attendance Fee Per Meeting	Annual Fixed/Retainer Fee	Attendance Fee Per Meeting
Tongaat Hulett Board:				
Chairman	779 784	103 970	830 469	110 728
Non-Executive Directors	220 794	29 439	235 146	31 352
Audit and Compliance Committee:				
Chairman	216 777	48 173	230 867	51 304
Non-Executive Directors	108 399	24 083	115 445	25 648
Remuneration Committee:				
Chairman	172 956	38 416	184 198	40 913
Non-Executive Directors	86 472	19 208	92 092	20 456
Risk, SHE, Social and Ethics Committee:				
Chairman	172 956	38 416	184 198	40 913
Non-Executive Directors	86 472	19 208	92 092	20 456

Special Resolution Number 3

"Resolved as a special resolution that the remuneration, as set out in the table above, 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".

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

Reason and Effect:

Special resolution number 3 is proposed to comply with the provisions of sections 66(8) and (9) of the Act which provide that the company may pay remuneration to its directors for their service as directors by special resolution.

If special resolution number 3 is passed, the Company will be authorised to pay its directors the remuneration specified in the table above.

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 73 to 76 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 15h00 on Friday 28 July 2017 for administrative purposes. Proxies to be delivered thereafter must be delivered by hand to the transfer secretaries on 1 August 2017 before the commencement of the annual general meeting, at the venue of the annual general meeting. The completion of a proxy form will not preclude a member from attending the meeting.

A proxy need not be a shareholder of the Company. In terms of section 63(1) of the Act, before any person may attend or participate in the annual general meeting, that person must present reasonable satisfactory identification to the chairman of the meeting, who must be reasonably satisfied that that person has the right to attend, participate in and vote at the meeting, either as a shareholder or as a proxy for a shareholder. Acceptable forms of identification include a valid identity document, passport or driver's license.

By order of the Board

MAC Mahlari

Company Secretary

Amanzimnyama

Tongaat, KwaZulu-Natal

25 May 2017

NOTES

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 do hereby appoint

....

or failing him, Mr CB Sibisi or failing him, Mr PH 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 Tuesday 1 August 2017 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
Re-appointment of Deloitte & Touche as auditors (with Mr G Kruger as designated auditor)			
Re-election of directors:			
SM Beesley			
F Jakoet			
TN Mgoduso			
Election of Audit and Compliance Committee until the next AGM:			
J John			
SM Beesley			
F Jakoet			
RP Kupara			
Special Resolution Number 1 authorising the repurchase of issued ordinary shares to a maximum of five percent in any financial year.			
Ordinary Resolution Number 1 authorising directors to give effect to Special Resolution Number 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 Number 2			
Special Resolution Number 2 giving authority to directors to authorise the company, which acts, inter alia, as treasury manager to its subsidiaries and associates, to provide financial assistance as per section 45 of the Companies Act .			
Special Resolution Number 3 authorising the remuneration payable to directors for their service as directors of the company			
Non-binding advisory vote endorsing the company's remuneration policy.			

Signed this .... day of .... 2017 Signature ....

Completed forms of proxy should be returned to the office of the company's transfer secretaries at the address given below, to be received by 15h00 on Friday 28 July 2017 for administrative purposes. Proxies to be delivered thereafter must be delivered by hand to the transfer secretaries on 1 August 2017 before the commencement of the annual general meeting, at the venue of the annual general meeting.

South Africa: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

United Kingdom: Capita Registrars, PXS, 34 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.

GLOSSARY OF TERMS

- Bagasse - Bagasse is a fibrous co-product of the sugar crushing process which can be used as an ingredient in the production of animal feeds, or burnt to generate electricity
- Bulk infrastructure - The large-scale roads, sewerage, water, electrical and drainage works necessary to enable a land holding to be converted from agricultural to other, higher value usage
- CDP - Previously Carbon Disclosure Project
- Developable hectares - The area of a land holding left over after deducting areas not available for development, such as very steep, geologically unstable or environmentally sensitive land. These hectares will carry both sites that can be sold as well as roads, parks and other amenities
- ESOP - Employee Share Ownership Plan
- Ethanol - Ethanol is pure alcohol, produced through the fermentation of sugar
- EU - European Union
- GHG emissions - Greenhouse gas emissions
- Glucose - Glucose is a simple sugar found in plants
- Land conversion - The activity, consciously and proactively undertaken by Tongaat Hulett, of moving appropriate components of its land holdings from an agricultural land use to other uses in order to create and realise value for a range of its stakeholders
- Land development - An activity within the land conversion process that includes the installation of services to a land holding, its establishment as a township and the sale of individual subdivisional stands, sometimes with a range of additional value-adding services provided to the buyer
- LTIs - Lost Time Injuries
- LTIFR - Lost Time Injury Frequency Rate
- Molasses - Molasses is a viscous co-product of the process of refining sugarcane
- MSOP - Management Share Ownership Plan
- Renewable energy - Renewable energy is as energy that comes from natural resources which are organically replenished, such as bagasse
- RSE - Raw Sugar Equivalent
- SACU - Southern African Customs Union, whose membership includes Botswana, Lesotho, Namibia, South Africa and Swaziland
- SADC - Southern African Development Community, whose membership includes 15 countries in Southern Africa
- Shovel ready land - The status of an element of the land portfolio where environmental (EIA), zoning and subdivisional permissions are sufficiently advanced that it is assessed that, within a short space of time (generally around six months or less), physical work on both infrastructure and buildings could be commenced. A key consideration in the ability to realise optimum value from a particular land holding
- Sorbitol - Sorbitol is a sugar alcohol which is produced through the reduction of glucose
- FTSE/JSE Responsible Investment Index - Socially Responsible Investment index of the JSE Limited
- Sucrose - Sucrose is table sugar (or cane sugar or beet sugar)
- The Jobs Fund - A National Treasury initiative with the goal to address the challenge of unemployment in South Africa. It forms partnerships, through grant funding, with public, private and civil society organisations on projects that will significantly contribute to job creation
- US c/lb - US cents per pound

Tongaat Hulett

www.tongaat.com