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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