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	Consolidated 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 2017	Consolidated 2016	Company 2017	Company 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			
			2017	2016			2017	2015
	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	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)

		Interest of holding company			
		Equity		Indebtedness	
Name	Principal activity	2017	2016	2017	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.

	Consolidated	
Summarised financial information as consolidated in Tongaat Hulett's financial statements:	2017	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.