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.