

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 85 to 92, page 94 and pages 106 to 139 which comprise the statements of financial position as at 31 March 2018, 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 2018, 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.

National Executive: *LL Bam Chief Executive *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory *NB Kader Africa Tax & Legal TP Pillay Consulting S Gwala BPS *JK Mazzocco Talent & Transformation *MG Dicks Risk Independence & Legal *TJ Brown Chairman of the Board
Regional Leader: *R Redfearn

A full list of partners and directors is available on request

*Partner and Registered Auditor

B-BBEE rating: Level 1 contributor in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter

Growing crops valuation (consolidated and separate)

Under IAS 41: Agriculture, the Group is required to measure its standing cane at fair value.

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 by the directors is required in estimating the expected cane yield, the estimated sucrose content, and the forecast sucrose price for the various markets.

The total value of growing crops amounts to R2,755 billion (2017: R2,549 billion) (Company: R764 million, 2017: R707 million), as set out in note 8 of the consolidated and separate financial statements. Due to the significance of the balance to the financial statements as a whole, combined with the significant judgement associated with determining the carrying value, the valuation of growing crops is considered to be a key audit matter.

How the matter was addressed in the audit

Our procedures performed in considering the appropriateness of the valuation of growing crops included the following:

- We assessed the design and implementation of key controls by management over the standing cane valuation;
- We assessed the appropriateness of the principles used in the valuation of standing cane 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; and
- Sensitivity analyses were performed to assess the impact of changes in the key inputs.

Based on our procedures performed the growing crops valuation appears to be within a reasonable range.

Key Audit Matter

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 by the directors 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, which amounts to R585,692 million (2017: R600,374 million) at year end, is a key audit matter. This accrual has been included in accounts payable as disclosed in note 17 of the consolidated financial statements.

How the matter was addressed in the audit

We assessed the appropriateness of the accrual by performing audit procedures which included the following:

- We assessed the design and implementation of management's key controls around the accrual determination;
- 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.

Based on the procedures performed we concurred with Tongaat Hulett Developments' determination of the accrual.

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Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Governance Report, the Remuneration Report, the Certificate by Company Secretary, the Directors' Statutory Report and the Audit and Compliance Committee Report 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 skepticism 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 80 years.



Deloitte & Touche

Registered Auditor
Per: Gavin Kruger CA (SA), RA
Partner
24 May 2018

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