

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

	Consolidated		Company	
	2018	2017	2018	2017
Net financing costs comprise:				
Interest paid - external	(1 049)	(973)	(956)	(839)
Interest capitalised	45	34	45	34
Interest paid to subsidiaries			(66)	(60)
Financing costs	(1 004)	(939)	(977)	(865)
Finance income:				
Interest received - external	126	129	5	8
Net financing costs	(878)	(810)	(972)	(857)

**21. TAX (Rmillion)**

	Consolidated		Company	
	2018	2017	2018	2017
Tax on earnings before capital profits:				
Current	222	542	26	17
Deferred	94	(128)	(128)	(47)
Prior years - current and deferred	3	1		
	319	415	(102)	(30)
Tax on capital profits:				
Deferred	(14)	13	(19)	13
Prior years - deferred	(56)			
	(70)	13	(19)	13
Tax charge/(relief) for the year	249	428	(121)	(17)
Foreign tax included above	261	277	26	17
Reconciliation of statutory rate to effective rate:				
Tax charge at normal rate of South African tax	302	426	52	283
Adjusted for:				
Non-taxable capital surplus on disposal of property, plant and equipment	(31)	(38)	(5)	(41)
Other non-taxable amounts	(18)	(39)	(4)	(13)
Dividends received from subsidiaries			(198)	(287)
Assessed losses of foreign subsidiaries	4	11		
Non-deductible funding costs of BEE SPVs and related expenses	16	16		
Other non-deductible expenditure	12	17	10	12
Foreign tax rate variations	(14)	(12)		
Foreign withholding tax	22	11	20	9
Capital gains tax	9	35	4	20
Prior years	(53)	1		
Tax charge/(relief)	249	428	(121)	(17)
Normal rate of South African tax	28,0%	28,0%	28,0%	28,0%
Adjusted for:				
Non-taxable capital surplus on disposal of property, plant and equipment	(2,9)	(2,5)	(2,7)	(4,0)
Other non-taxable amounts	(1,6)	(2,6)	(2,2)	(1,3)
Dividends received from subsidiaries			(106,6)	(28,4)
Assessed losses of foreign subsidiaries	0,4	0,7		
Non-deductible funding costs of BEE SPVs and related expenses	1,5	1,1		
Other non-deductible expenditure	1,1	1,1	5,4	1,2
Foreign tax rate variations	(1,3)	(0,8)		
Foreign withholding tax	2,0	0,7	10,8	0,9
Capital gains tax	0,8	2,3	2,2	1,9
Prior years	(4,9)	0,1		
Effective rate of tax	23,1%	28,1%	(65,1%)	(1,7%)

Normal tax losses of R4 189 million (2017: R3 151 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 R88 million (2017: R110 million) that may not be utilised in the short term or may expire in terms of applicable tax legislation.

**22. HEADLINE EARNINGS** (Rmillion)

	Consolidated	
	2018	2017
Profit attributable to shareholders	713	983
Less after tax effect of:	(96)	(1)
Capital profit on disposal of land, cane roots and buildings	(27)	(12)
Loss/(surplus) on disposal of property, plant and equipment	3	(4)
	(24)	(16)
Minority (non-controlling) interest	(1)	1
Tax on capital profit on sale of land, cane roots and buildings	(70)	13
Tax on disposal of other fixed assets	(1)	1
Headline earnings	617	982
Headline earnings per share (cents)		
Basic	534,8	852,7
Diluted	534,8	852,7

**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 115 371 597 (2017: 115 158 241).

**24. DIVIDENDS** (Rmillion)

	Consolidated		Company	
	2018	2017	2018	2017
Ordinary share capital				
Final for previous year, paid 29 June 2017: 200 cents (2017: 60 cents)	270	81	270	81
Interim for current year, paid 8 February 2018: 100 cents (2017: 100 cents)	135	135	135	135
	405	216	405	216
Less dividends relating to BEE SPV consolidation shares	(75)	(40)		
	330	176	405	216

The final ordinary dividend for the year ended 31 March 2018 of 60 cents per share declared on 24 May 2018 and payable on 28 June 2018 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	
	2018	2017	2018	2017
Financial assets				
Derivative instruments in designated hedge accounting relationships	7		7	
Unlisted shares	25	28		
Trade and long-term receivables at amortised cost	5 230	4 689	1 611	1 532
Cash and cash equivalents	2 662	2 741	64	58
	<b>7 924</b>	<b>7 458</b>	<b>1 682</b>	<b>1 590</b>
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	8	9	8	9
Financial liabilities at amortised cost (trade payables and long and short-term borrowings)	13 282	11 075	11 244	9 317
Non-recourse equity-settled BEE borrowings	603	623		
	<b>13 893</b>	<b>11 707</b>	<b>11 252</b>	<b>9 326</b>

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.

### 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	
	2018	2017	2018	2017
Less than 1 month	323	366	94	63
Between 1 to 2 months	55	36	8	10
Between 2 to 3 months	4	17	1	1
Greater than 3 months	352	98	4	6
Total past due	734	517	107	80

### 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	46	36	8	4
Currency alignment	(4)	(4)		
Amounts written-off	(2)	(3)	(1)	(2)
Amounts recovered	(2)		(2)	
Increase in allowance recognised in profit or loss	5	17	5	6
Balance at end of year	43	46	10	8

### 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	2018 Fair value of FEC Rmillion	2017 Fair value of FEC Rmillion	Average contract rate	Commitment Rmillion	2018 Fair value of FEC Rmillion	2017 Fair value of FEC Rmillion
<b>Imports</b>								
US Dollar	11,93	15			11,93	15		
Euro	15,25	1			15,25	1		
<b>Exports</b>								
US Dollar	13,48	54	6		13,48	54	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.

**25. FINANCIAL RISK MANAGEMENT** (Rmillion) continued

Forward exchange contracts that do not constitute designated hedges of currency risk at year end are summarised as follows:

	Consolidated				Company			
	Average contract rate	Commitment Rmillion	2018 Fair value of FEC Rmillion	2017 Fair value of FEC Rmillion	Average contract rate	Commitment Rmillion	2018 Fair value of FEC Rmillion	2017 Fair value of FEC Rmillion
<b>Imports</b>								
US Dollar	11,79	3			11,79	3		
UK Pound	17,49	6			17,49	6		
Euro	14,63	1			14,63	1		
<b>Exports</b>								
US Dollar	11,79	1	1		11,79	1	1	
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	2018 Rmillion	2017 Rmillion	Foreign amount million	2018 Rmillion	2017 Rmillion
Australian Dollar	5	49	82	5	49	77
US Dollar	3	30	3	2	30	3
New Zealand Dollar		4				
		83	85		79	80

The impact of a 10% strengthening or weakening of the Rand on the uncovered Australian dollar receivable will have a R5 million (2017: R8 million) impact on profit before tax and a R4 million (2017: R6 million) impact on equity. The impact of a 10% strengthening or weakening of the Rand on the uncovered US dollar receivable will have a R3 million (2017: R0,3 million) impact on profit before tax and a R2 million (2017: R0,2 million) impact on equity. The impact of a 10% strengthening or weakening of the Rand on the uncovered New Zealand dollar receivable will have a R0,4 million (2017: nil) impact on profit before tax and a R0,3 million (2017: nil) impact on equity. This sensitivity is based on the exchange rates at the financial year end and the foreign values of the abovementioned receivables.

**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 2018 and a significant portion of its requirements for the period to 31 May 2019 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			
	Tons	Contract value Rmillion	2018 Fair value Rmillion	2017 Fair value Rmillion	Tons	Contract value Rmillion	2018 Fair value Rmillion	2017 Fair value Rmillion
<b>Futures - hedge accounted:</b>								
Maize futures sold	27 700	54	(2)	(10)	27 700	54	(2)	(10)
Maize futures purchased	5 200	10	(6)	1	5 200	10	(6)	1
			(8)	(9)			(8)	(9)
Period when cash flow is expected to occur			2018/19	2017/18			2018/19	2017/18
When expected to affect profit or loss			2018/19	2017/18			2018/19	2017/18
Gain transferred from equity and recognised in profit or loss				5				5

### 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 2018. Changes in the fair value are included in profit or loss, with a benefit of R370 million (2017: R143 million) being recognised in profit or loss in the current year. The key unobservable inputs used in determining fair value and 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 81 tons per hectare (2017: 76 tons per hectare) and for the company it is 60 tons per hectare (2017: 60 tons per hectare). For commercial reasons, selling prices cannot be disclosed. A change in yield of one ton per hectare would result in a R34 million (2017: R35 million) change in fair value for the consolidated results and R13 million (2017: R12 million) for the company. A change of one percent in the cane price would result in a R28 million (2017: R32 million) change in fair value for the consolidated results and R8 million (2017: R9,7 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 R34 million (2017: R26 million) effect on profit before tax and a R25 million (2017: R19 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 R2,87 billion (2017: R3,06 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
<b>2018</b>							
Bank loans	9,0	4 813 *	2 075	3 300	687	(1 879)	8 996
Foreign loans	9,2	81	54			(8)	127
Other borrowings	8,3	506				(20)	486
Financial lease liability	11,5	2	1			(1)	2
Other non-interest bearing liabilities		3 540					3 540
Net settled derivatives		8					8
<b>Total for Tongaat Hulett</b>		<b>8 950</b>	<b>2 130</b>	<b>3 300</b>	<b>687</b>	<b>(1 908)</b>	<b>13 159</b>
Non-recourse equity-settled BEE borrowings		631				(28)	603
<b>Total including SPV debt</b>		<b>9 581</b>	<b>2 130</b>	<b>3 300</b>	<b>687</b>	<b>(1 936)</b>	<b>13 762</b>
<b>2017</b>							
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
<b>Total for Tongaat Hulett</b>		<b>6 751</b>	<b>2 031</b>	<b>3 168</b>	<b>775</b>	<b>(1 641)</b>	<b>11 084</b>
Non-recourse equity-settled BEE borrowings		642				(19)	623
<b>Total including SPV debt</b>		<b>7 393</b>	<b>2 031</b>	<b>3 168</b>	<b>775</b>	<b>(1 660)</b>	<b>11 707</b>

\* 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		Indebtedness	
		2018	2017	2018	2017
Tongaat Hulett Starch (Pty) Ltd	Wet maize milling, starch & glucose manufacturing operation	15	15	45	59
Tongaat Hulett Developments (Pty) Ltd Tongaat Hulett Estates (Pty) Ltd	Land & property development activities	6	6	291	(231)
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	5 396	286	(90)
The Tongaat Group Limited		54	54	(58)	(59)
		<b>5 471</b>	<b>5 471</b>	<b>564</b>	<b>(321)</b>

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 R1 million (2017: R9 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. Its financial year end is 31 March. 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	
	2018	2017
Non-current assets	2 688	2 915
Current assets	1 487	1 466
Non-current liabilities	(1 113)	(1 195)
Current liabilities	(344)	(261)
Equity attributable to Tongaat Hulett	(1 368)	(1 472)
Non-controlling interests	1 350	1 453
Revenue	1 781	2 092
Profit attributable to Tongaat Hulett	67	48
Profit attributable to non-controlling interests	65	47
Profit for the year	132	95

**Summarised financial information as consolidated  
in Tongaat Hulett's financial statements** continued

	Consolidated	
	2018	2017
Other comprehensive (loss)/income attributable to Tongaat Hulett	(171)	(158)
Other comprehensive (loss)/income attributable to non-controlling interests	(168)	(156)
Other comprehensive (loss)/income for the year	(339)	(314)
Total comprehensive (loss)/income attributable to Tongaat Hulett	(104)	(110)
Total comprehensive (loss)/income attributable to non-controlling interests	(103)	(109)
Total comprehensive (loss)/income for the year	(207)	(219)
Net cash flow from operating activities	332	427
Net cash outflow from investing activities	(329)	(33)
Net cash flow from financing activities	(29)	(368)
Net cash (outflow)/inflow for the year	(26)	26

**27. GUARANTEES AND CONTINGENT LIABILITIES** (Rmillion)

	Consolidated		Company	
	2018	2017	2018	2017
Guarantees in respect of obligations of Tongaat Hulett and third parties	91	96	3	3

**28. LEASES** (Rmillion)

	Consolidated		Company	
	2018	2017	2018	2017
<b>Amounts payable under finance leases</b>				
Minimum lease payments due:				
Not later than one year	2	1	2	1
Later than one year and not later than five years	1	2	1	2
	3	3	3	3
Less future finance charges	(1)	(1)	(1)	(1)
Present value of lease obligations	2	2	2	2
Payable:				
Not later than one year	1	1	1	1
Later than one year and not later than five years	1	1	1	1
	2	2	2	2
<b>Operating lease commitments, amounts due:</b>				
Not later than one year	43	38	36	33
Later than one year and not later than five years	16	22	11	18
Later than five years	1		1	
	60	60	48	51
In respect of:				
Property	38	35	28	26
Vehicles and office equipment	22	25	20	25
	60	60	48	51

The operating leases relating to property are mainly in respect of sugar storage warehouses in South Africa with lease periods of up to one year.

The operating leases relating mainly to vehicles and office equipment are in respect of lease periods up to five years.



**29. CAPITAL EXPENDITURE COMMITMENTS** (Rmillion)

	Consolidated		Company	
	2018	2017	2018	2017
Contracted	398	104	67	38
Approved but not contracted	240	250	101	201
	<b>638</b>	<b>354</b>	<b>168</b>	<b>239</b>

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 with subsidiaries as set out in note 26, are eliminated on consolidation.

	Consolidated		Company	
	2018	2017	2018	2017
Goods and services:				
Between the company and its subsidiaries			609	874
Administration fees and other income:				
Between the company and its subsidiaries			138	109
Transacted with/between joint operations within Tongaat Hulett	1	8		
Paid to insurance broker	5	6		
Interest received/paid:				
Paid by the company to its subsidiaries			66	60
Transacted with/between joint operations within Tongaat Hulett		2		
Sale/transfer of fixed assets and intangibles:				
Between the company and its subsidiaries			180	149
Loan balances:				
Between the company and its subsidiaries (note 26)			564	321
Pension Fund loan payable	102	93	102	93
Dividends:				
Between the company and its subsidiaries			707	1 024

Other related party information:

Total dividends paid - refer to note 24

Executive directors/key management personnel - refer to pages 85 to 86 and 91 to 92 of the Remuneration Report

Non-executive directors - refer to page 86 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.

