# TONGAAT-HULETT
# AUDITED RESULTS FOR YEAR ENDED 31 DECEMBER 2004

- Revenue of R6,3 billion (2003: R6,6 billion)
- Headline earnings of R214 million (2003: loss of R93 million)
- Annual dividend of 170 cents per share (2003: 120 cents per share)

## COMMENTARY

Management actions continue throughout the Group to improve profitability. Early benefits of these actions are reflected in the 2004 results. The proactive optimisation of capacity utilisation, enhancement of sales mix, improvement of raw material procurement, growth of volumes and reduction of costs will realise further considerable value from the Group's strong asset and business base.

The Group recorded headline earnings of R214 million, generated off revenue of R6,3 billion (2003: R6,6 billion) in a year when the Rand strengthened against the US dollar by 15%. These earnings show an improvement of R307 million from the headline loss in 2003. This is in line with the ongoing Tongaat-Hulett strategy of unlocking the earnings improvement opportunities that exist in the balanced group of four sizeable, strategically positioned and focused operating companies.

African Products experienced a year of transition, with a move to a new maize procurement and product pricing model, and the commencement of a profit recovery. Operating profit improved to R63 million (2003: loss of R104 million) despite the pressure of the exchange rate on local pricing and export contributions, together with the high priced maize procured under the previous business model. Domestic sales volumes of prime products were 2% below those of 2003 as a result of the pressure from imports of starch and glucose in African Products' markets and imports of finished products in its customers' markets. A large proportion of the volumes lost to direct imports were regained during the last quarter of 2004. The maize priced under the previous procurement approach was utilised by the end of October. The maize for all sales thereafter was priced when the product prices and volumes were agreed with customers. Using this approach, more than 35% of the maize required for 2005 has been priced against product prices with margins that will contribute to a return to an acceptable level of profitability for African Products. Fixed cash costs were again held below the 2002 levels, with ongoing focus on procurement practices and manning structures.

Hulett Aluminium improved its operating profit to R150 million (2003: R5 million), with the Group's share being 50% thereof. The focus remains on increasing volumes, improving product mix and reducing unit costs. These factors have together generated financial benefits approaching R450 million in the past two years, and have largely offset the effects of the strengthening Rand. Hulett Aluminium started benefiting late in 2004 from rising US dollar rolling margins, especially in North America and Asia. As one of the few independent rolled products producers that are able to manufacture high quality, higher margin and technically demanding niche products, the business continues to experience strong demand. Total sales volumes of rolled products grew by 10% to 144 000 tons. Local market sales grew by 11%, particularly in the transport, automotive and packaging sectors. Export sales growth was limited to 10% by the increased local demand and the available production output. Production was hampered by a fire on the Camps Drift hot mill in May 2004 and a four week strike in the second half of the year. The average output of rolled products in the last quarter increased to 160 000 tons annualised. The rolled products target for 2005 is 175 000 tons, moving towards 200 000 tons in the years thereafter. Conversion costs per ton decreased by 5% in 2004 as a result of the volume growth and cost savings, particularly in metal recycling. The aluminium extrusion operation grew local market sales by 13% and increased profitability, as did the commercial products businesses.

Moreland's platform of prime property developments established over the past decade has enabled it to capitalise on the favourable resorts and residential property market and post a record operating profit of R182 million (2003: R90 million). New projects were launched during the year, with outstanding performances achieved in the Zimbali resort and the Ilala and Izinga Ridge residential projects in La Lucia and Umhlanga respectively. Increased sales have been achieved in the Umhlanga Ridge New Town Centre including sites for apartments and offices. Several large transactions were concluded at RiverHorse Valley Business Estate, a partnership with the eThekweni Municipality (Durban), and Briardene Industrial Park. The three new major road developments in areas where Moreland operates are opening-up new development nodes for substantial future growth. A number of environmental impact studies and planning programmes are due to be completed in 2005 to maintain Moreland's current momentum.

Tongaat-Hulett Sugar's profit from operations, before interest, totalled R184 million (2003: R202 million). This includes dividends from Triangle, the equity accounted share of operating profit at Xinavane in Mozambique and is before restructuring costs. The relatively low sugar crop for the second year in a row, together with the decrease in the South African domestic sugar price late in 2003 and the strengthening Rand's effect on export realizations, depressed margins in 2004. Sales volumes in South Africa were 464 365 tons with raw sugar export volumes at 291 922 tons. The recent increase in the international sugar price has not yet impacted the financial results.

Sugar production for the 2004 year grew by 2,8% to 1,081 million tons. Production from the South African operations increased by 11% to 724 000 tons while that of Mozambique rose to 85 000 tons. In Swaziland, Tambankulu produced the raw sugar equivalent of 50 000 tons. Triangle Sugar in Zimbabwe produced 222 000 tons.

Actions completed this year by Tongaat-Hulett Sugar include the closure of the Entumeni mill with the diversion of cane to the Amatikulu mill, the closure of the sugar head office, downsizing of centralised services and the reorganisation of the South African milling operations from five mill structures to two regional business units. Restructuring costs of R29 million were incurred in 2004. The Mozambique operations achieved a turnaround with a positive contribution to earnings. Triangle Sugar continues to operate profitably in the difficult Zimbabwean economic and business environment.

Management's profit improvement actions across the Group, which have started taking effect, largely offset the effects of factors such as the strengthening Rand, high priced maize and the small sugar crops harvested in 2003 and 2004. This limited the decrease in underlying operating profit to R65 million. The valuation adjustments charged against income were R347 million less than the prior year. These valuation items relate mainly to the valuation of certain contracts and balance sheet items at the end of the period. The maize futures position reported in the previous year, which was required to be marked to market through the income statement, was eliminated in 2004 and a close-out valuation gain of R18 million realised, compared to the R211 million charge in the previous year. The Group's total operating profit improved to R364 million from R80 million in 2003.

The Group's balance sheet remains sound with net borrowings as a percentage of equity at 13,2% (2003: 13,4%).

The Board has declared a final dividend of 120 cents per share, which brings the total annual dividend to 170 cents per share (2003: 120 cents per share).

**A POSITIVE OUTLOOK**

Tongaat-Hulett is well placed to increase the returns in its businesses and there are signs of improving economic conditions in the areas where it operates. The benefits of the actions being taken across the Group to grow earnings will increasingly be reflected in future financial results. Considerable earnings growth is expected in the year ahead.

# THE TONGAAT-HULETT GROUP LIMITED

Registration No. 1892/000610/06 Share code TNT Issuer code THGL ISIN ZAE000007449

## Audited Results and Final Dividend Declaration

**for the year ended 31 December 2004**

### Income Statement

| Rmillion | Note | 2004 | 2003 |
|---|---|---|---|
| **Revenue** | | **6 298** | 6 559 |
| Underlying operating profit | | **387** | 452 |
| Triangle dividend | | **51** | 19 |
| Restructure costs | | **(29)** | |
| Valuation adjustments on financial instruments and other items | 1 | **(51)** | (398) |
| Exceptional items | 2 | **6** | 7 |
| **Operating profit** | 9 | **364** | 80 |
| Net financing costs | 3 | **(93)** | (152) |
| **Earnings/(loss) before tax** | | **271** | (72) |
| Tax | 4 | **(41)** | 77 |
| **Earnings after tax** | | **230** | 5 |
| Share of associate company's earnings/(loss) | | **6** | (45) |
| Minority shareholders' share of earnings | | **(10)** | (1) |
| **Total net earnings/(loss)** | | **226** | (41) |
| **Headline earnings/(loss)** | | **214** | (93) |
| **Earnings/(loss) per share (cents)** | | | |
| **Total net earnings/(loss)** | | | |
| Basic | | **222.2** | (40.4) |
| Diluted | | **219.9** | (40.3) |
| **Headline earnings/(loss)** | | | |
| Basic | | **210.4** | (91.7) |
| Diluted | | **208.2** | (91.3) |
| **Dividend per share (cents)** | | **170.0** | 120.0 |
| **Currency conversion** | | | |
| Rand/US dollar average | | **6.44** | 7.55 |
| Rand/US dollar closing | | **5.65** | 6.67 |
| Rand/GB pound closing | | **10.84** | 11.94 |

## Balance Sheet

| Rmillion | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **4 115** | 4 162 |
| Growing crops | **185** | 179 |
| Long-term receivable | **210** | 210 |
| Goodwill | **35** | 37 |
| Investments | **23** | 5 |
| Derivative instruments | **36** | 11 |
| | **4 604** | 4 604 |
| **Current assets** | **3 558** | 3 709 |
| Inventories | **1 649** | 1 769 |
| Trade and other receivables | **1 106** | 1 132 |
| Cash and cash equivalents | **803** | 808 |
| **TOTAL ASSETS** | **8 162** | 8 313 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | **102** | 101 |
| Share premium | **759** | 730 |
| Non-distributable reserves | **69** | 29 |
| Retained income | **3 427** | 3 333 |
| Equity | **4 357** | 4 193 |
| Minority interests in subsidiaries | **71** | 6 |
| Deferred tax | **854** | 866 |
| Long-term borrowings | **255** | 371 |
| Provisions | **271** | 260 |
| Derivative instruments | **52** | 53 |
| **Current liabilities** | **2 302** | 2 564 |
| Trade and other payables (note 8) | **1 171** | 1 551 |
| Short-term borrowings | **1 125** | 998 |
| Tax | **6** | 15 |
| **TOTAL EQUITY AND LIABILITIES** | **8 162** | 8 313 |
| **Number of shares (000)** | | |
| – in issue | **102 248** | 101 467 |
| – weighted average (basic) | **101 718** | 101 418 |
| – weighted average (diluted) | **102 791** | 101 816 |
| **Net asset value per share (cents)** | **4 261** | 4 132 |
| **Debt to equity** | **31.7%** | 32.6% |
| **Net debt to equity** | **13.2%** | 13.4% |

## Cash Flow Statement

| Rmillion | 2004 | 2003 |
|---|---|---|
| Operating profit | **364** | 80 |
| Net financing costs | **(93)** | (152) |
| Non-cash items: | | |
| Depreciation | **231** | 223 |
| Other non-cash items | **11** | (6) |
| Tax payments | **(71)** | (42) |
| Change in working capital | **(203)** | (3) |
| **Cash flow from operating activities** | **239** | 100 |
| Expenditure on property, plant and equipment: | | |
| New | **(81)** | (206) |
| Replacement | **(78)** | (106) |
| Major plant overhaul costs capitalised | **(32)** | (39) |
| Growing crops | **20** | 21 |
| Proceeds on disposal of property, plant and equipment | **44** | 43 |
| Investments | **(19)** | (19) |
| **Net cash flow before dividends and financing activities** | **93** | (206) |
| Dividends paid | **(132)** | (233) |
| **Net cash flow before financing activities** | **(39)** | (439) |
| Borrowings raised | **32** | 553 |
| Shares of a subsidiary issued to the minority | **54** | |
| Hedges of foreign loans | **(35)** | (161) |
| Shares issued | **30** | 2 |
| **Net increase/(decrease) in cash and cash equivalents** | **42** | (45) |
| Balance at beginning of year | **808** | 938 |
| Exchange rate translation loss | **(47)** | (80) |
| Foreign exchange adjustment | | (9) |
| Gain on cash equivalent investment | | 4 |
| **Cash and cash equivalents at end of year** | **803** | 808 |

## Statement of Changes in Equity

| Rmillion | **2004** | 2003 |
| --- | --- | --- |
| Balance at beginning of year | **4 193** | 4 567 |
| Effect of change in accounting policy | | (16) |
| Restated balance | **4 193** | 4 551 |
| Total net earnings/(loss) for the year | **226** | (41) |
| Dividends paid | **(132)** | (233) |
| Share capital issued | **30** | 2 |
| Hedge reserve released to income statement | **27** | (23) |
| Gains/(losses) from cash flow hedges | **9** | (27) |
| Share of associate's movement in currency translation reserve | **(4)** | 16 |
| Currency exchange rate changes | **8** | (13) |
| Gain on cash equivalent investment | | 4 |
| Realised gain on cash equivalent investment sold | | (43) |
| **Balance at end of year** | **4 357** | 4 193 |

## Headline Earnings

| Rmillion | **2004** | 2003 |
| --- | --- | --- |
| Total net earnings/(loss) | **226** | (41) |
| Less after tax effect of: | | |
| Exceptional items (note 2) | **(9)** | (9) |
| Surplus on disposal of fixed assets | **(3)** | (1) |
| Realised gain on cash equivalent investment | | (42) |
| **Headline earnings/(loss)** | **214** | **(93)** |

## SEGMENTAL ANALYSIS

**2004**

| Rmillion | Revenue | Underlying Operating Profit | Operating Profit | Total Assets | Total Liabilities | Capital Employed | Capital Expenditure | Depreciation |
|---|---|---|---|---|---|---|---|---|
| African Products | 1 344 | 42 | 63 | 1 666 | 381 | 1 287 | 40 | 82 |
| Hulett Aluminium (50%) | 1 671 | 74 | 75 | 2 665 | 621 | 2 410 | 38 | 57 |
| Moreland | 420 | 185 | 182 | 453 | 228 | 256 | | |
| Tongaat-Hulett Sugar | 2 863 | 120 | 136 | 2 466 | 391 | 2 149 | 112 | 91 |
| Corporate | | (34) | (51) | 912 | 1 259 | 883 | 1 | 1 |
| Exchange rate translation loss | | | (47) | | | | | |
| Exceptional items | | | 6 | | | | | |
| **Group total** | 6 298 | 387 | 364 | 8 162 | 2 880 | 6 985 | 191 | 231 |

**2003**

| Rmillion | Revenue | Underlying Operating Profit | Operating Profit | Total Assets | Total Liabilities | Capital Employed | Capital Expenditure | Depreciation |
|---|---|---|---|---|---|---|---|---|
| African Products | 1 487 | 114 | (104) | 1 984 | 792 | 1 296 | 81 | 69 |
| Hulett Aluminium (50%) | 1 600 | 22 | 3 | 2 590 | 700 | 2 340 | 55 | 52 |
| Moreland | 226 | 92 | 90 | 428 | 180 | 248 | | |
| Tongaat-Hulett Sugar | 3 246 | 263 | 233 | 2 407 | 582 | 1 989 | 212 | 101 |
| Corporate | | (39) | (69) | 904 | 994 | 874 | 3 | 1 |
| Exchange rate translation loss | | | (80) | | | | | |
| Exceptional items | | | 7 | | | | | |
| **Group total** | 6 559 | 452 | 80 | 8 313 | 3 248 | 6 747 | 351 | 223 |

## Notes

| Rmillion | **2004** | 2003 |
|---|---|---|
| **1. Valuation adjustments on financial instruments and other items** | | |
| Maize procurement contracts | **18** | (211) |
| Translation of foreign currency: | | |
| Foreign cash | **(47)** | (80) |
| Other | **(22)** | (57) |
| Export receivables | **3** | (33) |
| Other financial instruments | **(3)** | (17) |
| | **(51)** | (398) |
| **2. Exceptional items** | | |
| Surplus on sale of property | **18** | 15 |
| Estate closure costs | **(10)** | (3) |
| Goodwill amortised | **(2)** | (3) |
| Impairment of assets | | (2) |
| Exceptional items before tax | **6** | 7 |
| Tax | **3** | 2 |
| Exceptional items after tax | **9** | 9 |
| **3. Net financing costs** | | |
| Interest paid | **(275)** | (438) |
| Financial instrument income | **112** | 174 |
| Interest received | **70** | 69 |
| Realised gain on cash equivalent investment | | 43 |
| | **(93)** | (152) |
| **4. Tax** | | |
| Normal | **(51)** | (24) |
| Deferred | **22** | 130 |
| Secondary tax on companies | **(12)** | (29) |
| | **(41)** | 77 |
| **5. Capital expenditure commitments** | | |
| Contracted | **52** | 46 |
| Approved but not contracted | **86** | 85 |
| | **138** | 131 |
| **6. Operating lease commitments** | **57** | 59 |
| **7. Guarantees and contingent liabilities** | **34** | 43 |

**8. Trade and other payables**

Included in trade and other payables is a constructive maize obligation (interest bearing) in respect of maize of R218 million (2003: R553 million).

**9. Operating profit**

Operating profit includes underlying operating profit, Triangle dividend, restructure costs, valuation adjustments and exceptional items. It replaces the line in the Income Statement previously referred to as earnings before interest and tax. This presentation is as required by AC101: Presentation of Financial Statements.

**10. Basis of preparation of the results**

The Group's accounting policies conform with South African Statements of Generally Accepted Accounting Practice. The results for the year ended 31 December 2004 have been prepared on a basis that is consistent with that of the previous year.

**11. Audited results**

The results for the year ended 31 December 2004 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

## DIVIDEND DECLARATION

Notice is hereby given that the board has declared a final dividend (number 155) of 120 cents per share for the year ended 31 December 2004 to shareholders recorded in the register at the close of business on Friday 18 March 2005.

The salient dates of the declaration and payment of this final dividend are as follows:

| | | |
|---|---|---|
| Last date to trade ordinary shares "CUM" dividend | Friday | 11 March 2005 |
| Ordinary shares trade "EX" dividend | Monday | 14 March 2005 |
| Record date | Friday | 18 March 2005 |
| Payment date | Thursday | 24 March 2005 |

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 14 March 2005 and Friday 18 March 2005, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday 11 March 2005.

For and on behalf of the board

**S Davidson**
Group Secretary

Amanzimnyama,
Tongaat, KwaZulu-Natal

18 February 2005