The Tongaat-Hulett Group Limited

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

AUDITED RESULTS AND FINAL DIVIDEND DECLARATION

for the year ended 31 December 2003

INCOME STATEMENT

Rmillion	Note	2003	2002 Restated
Revenue		**6 559**	6 103
Earnings for the year			
Underlying operating profit		**452**	818
Triangle dividend		**19**	71
Valuation adjustments on financial instruments and other items	1	**(398)**	(215)
Earnings before interest and tax		**73**	674
Net financing costs	2	**(152)**	(134)
(Loss)/earnings before exceptional items		**(79)**	540
Exceptional items	3	**7**	6
(Loss)/earnings before tax		**(72)**	546
Tax	4	**77**	(122)
Earnings after tax		**5**	424
Share of associate company's loss		**(45)**	(36)
Minority shareholders' share of loss		**(1)**	
Total net (loss)/earnings		**(41)**	388
Headline (loss)/earnings		**(93)**	380
(Loss)/earnings per share (cents)			
Total net (loss)/earnings			
Basic		**(40,4)**	383,1
Diluted		**(40,3)**	377,2
Headline (loss)/earnings			
Basic		**(91,7)**	375,2
Diluted		**(91,3)**	369,4
Dividend per share (cents)		**120,0**	270,0
Interim		**40,0**	80,0
Final		**80,0**	190,0
Currency conversion			
Rand/US dollar average		**7,55**	10,48
Rand/US dollar closing		**6,67**	8,58
Rand/GB pound closing		**11,94**	13,81

HEADLINE (LOSS)/EARNINGS

Rmillion	2003	2002 Restated
Total net (loss)/earnings	**(41)**	388
Less after tax effect of:		
* Realised gain on cash equivalent investment	**(42)**	
Exceptional items	**(9)**	(8)
Surplus on disposal of plant and equipment	**(1)**	
Headline (loss)/earnings	**(93)**	380

* Previously accounted for directly in equity

BALANCE SHEET

Rmillion	2003	2002 Restated
Assets		
Property, plant and equipment	**4 199**	4 144
Growing crops	**179**	168
Long-term receivable	**210**	210
Investments	**5**	29
Derivative instruments	**11**	51
Inventories	**1 769**	1 887
Accounts receivable	**1 132**	982
Cash resources	**808**	938
Total assets	**8 313**	8 409
Equity and liabilities		
Shareholders' equity	**4 193**	4 551
Minority interests in subsidiaries	**6**	5
Deferred tax	**866**	1 006
Long-term borrowings	**371**	614
Provisions	**260**	245
Derivative instruments	**53**	186
Current liabilities (note 5)	**2 564**	1 802
Total equity and liabilities	**8 313**	8 409
Number of shares (000)		
– in issue	**101 467**	101 352
– weighted average (basic)	**101 418**	101 269
– weighted average (diluted)	**101 816**	102 870
Net asset value per share (cents)	**4 132**	4 490

STATEMENT OF CHANGES IN EQUITY

Rmillion	2003	2002 Restated
Balance at beginning of period	**4 551**	4 382
Effect of change in accounting policy		(3)
Restated balance	**4 551**	4 379
Total net (loss)/earnings for the year	**(41)**	388
Dividends paid	**(233)**	(292)
Share capital issued	**2**	8
Hedge reserve released to income statement	**(23)**	41
(Losses)/gains from cash flow hedges	**(27)**	16
Gain on cash equivalent investment	**4**	4
Realised gain on cash equivalent investment sold (note 2)	**(43)**	
Share of associate's movement in currency translation reserve	**16**	21
Currency exchange rate changes	**(13)**	(14)
Balance at end of period	**4 193**	4 551

CORPORATE INFORMATION

Executive directors: D G Aitken, B G Dunlop, A Fourie, G R Hibbert, G P N Kruger, M H Munro, S J Saunders, M Serfontein, P H Staude (Chief Executive Officer)

Non-executive directors: D D Barber, P M Baum, L Boyd, E le R Bradley, M W King, J B Magwaza, M Mia, T H Nyasulu, C M L Savage (Chairman), R H J Stevens, A M Thompson

Alternate directors: J Thomas, G F Young

Registered office: Amanzimnyama Hill, Tongaat, KwaZulu-Natal, P O Box 3, Tongaat 4400
Telephone (032) 439 4000, Facsimile (032) 945 3333

Transfer secretaries: Computershare Limited, 70 Marshall Street, Johannesburg, 2001, P O Box 61051, Marshalltown, 2107
Telephone (011) 370 7700, Facsimile (011) 688 7709

Sponsor: HSBC Investment Services (Africa) (Pty) Ltd
HSBC Place, 6-9 Riviera Road, Houghton, 2198
Telephone (011) 481 4200, Facsimile (011) 646 8406

- **Revenue up 7,5% to R6,6 billion**
- **Negative valuation adjustments of R398 million**
- **Headline loss of R93 million**
- **Annual dividend of 120 cents per share**

COMMENT ON RESULTS

Tongaat-Hulett experienced a year dominated by a number of external developments that had a significant impact on earnings. A headline loss of R93 million (2002: headline profit of R380 million) was incurred for the year.

The strengthening of the Rand affected export revenue adversely and led to a decrease in domestic selling prices in the face of import threats. Current reductions to the cost base in the business were not sufficient to compensate for reduced margins. The sharp decline in the maize price in the first half of the year led to a charge against income on the valuation of maize procurement contracts. The movement in the exchange rate during the year resulted in negative valuation adjustments in respect of foreign currency denominated balance sheet items.

The low rainfall and the resultant reduced sugar production in South Africa, as well as the low world sugar price further impacted underlying operating profit. The dividend received from Triangle Sugar in Zimbabwe was lower than the previous year.

The aforementioned factors offset the substantial progress that was achieved in growing sales volumes, particularly at Hulett Aluminium, and increased earnings by Moreland from the development of its prime land holdings.

Revenue grew by 7,5% to R6,6 billion and underlying operating profit amounted to R452 million (2002: R818 million).

Valuation items charged to the income statement amounted to R398 million for the year and included the mark-to-market adjustment of R211 million required on maize procurement contracts.

A total net loss of R41 million (2002: total net earnings of R388 million) was incurred for the year. The Board has declared a final dividend of 80 cents per share, which follows the interim dividend of 40 cents per share.

The Group's balance sheet at 31 December 2003 remains sound with net borrowings as a percentage of equity at 13,4% (2002: zero).

OPERATIONAL PERFORMANCE

African Products' prime domestic volumes declined by 1,5% as a consequence of increased competition from imports. Domestic prices had to be decreased significantly in order to retain business. Export volumes grew by 3,5% in 2003, with reduced contributions as a result of the strong Rand. Fixed costs were maintained at levels below those of 2002. The impact of the stronger currency combined with the cost of maize purchased in 2002 for the 2003/2004 season resulted in a reduction in underlying operating profit to R114 million (2002: R262 million).

The mark-to-market valuation adjustment required on maize contracts resulted in a charge to the income statement of R211 million for the year. The decrease in the maize price of some 40 to 45% in the first six months of the year gave rise to a charge of R255 million at the half year. There was an increase in the maize price towards the end of the year and this resulted in a gain of R44 million in the second half of the year.

Tongaat-Hulett Sugar's revenue grew by 13% as a result of increased sales volumes in South Africa and Mozambique, while underlying operating profit for the year declined to R263 million (2002: R391 million). The higher sales volumes were offset by lower margins.

Sugar production from South African operations at 652 000 tons was 24% lower than last year, resulting in an increase in the cost per ton of sugar produced. In addition, the domestic price of sugar decreased by 7% in October 2003 and export realisations declined due to the strength of the Rand.

In Mozambique, production at Xinavane and Mafambisse increased by 15% to 82 000 tons and progress has been made in securing the domestic market against imports, with sales by domestic producers growing by 68%. The rehabilitation and growth at Xinavane have not yet reached their potential and an operating loss combined with a high interest cost and valuation adjustments on foreign loans resulted in a loss being reported for this associate company.

Triangle Sugar in Zimbabwe continues to perform well in turbulent economic and business conditions. The decrease in dividends to R19 million (2002: R71 million) is attributable to the difficulty in the remittance of dividends from Zimbabwe.

Moreland reaped the benefit of the platform that it developed in past years and capitalised on the strong property market, posting a 55% increase in revenue to R226 million and a record operating profit of R92 million. This was achieved whilst generating a strong positive cash flow. A highlight of the year was the conclusion of the Zimbali joint venture agreement with Kuwaiti-based International Financial Advisers. Record sales were achieved in the residential portfolio, particularly in the Mount Edgecombe Country Club Estate and Ilala Ridge. Development of the RiverHorse Valley Business Estate and the Durban Point Waterfront, which are public private partnerships with the eThekweni Municipality, progressed well and good sales were recorded.

Hulett Aluminium increased total sales volumes by 22%, with export volumes growing by 37%. Sales of rolled products increased to 130 000 tons (2002: 105 000 tons). A record production level of over 150 000 tons annualised was achieved in December 2003. The increase in total rolled products manufacturing conversion costs has been limited to 2%, notwithstanding the significant increase in sales volumes. These benefits have been offset by the effects of the strength of the Rand, coupled with low international rolling margins and the effect of a metal price lag on cost of sales. Underlying operating profit accordingly declined and the Group's 50% share amounted to R22 million (2002: R179 million). An improvement in earnings in the second half was achieved in spite of a stronger Rand and reflects the benefits flowing from the sustained improvement in sales volumes and mix.

OUTLOOK

The developments impacting on Tongaat-Hulett's results for the past year have acted as a catalyst to accelerate management actions to improve profitability.

The Group's results will continue to be affected by fluctuating exchange rates and commodity prices and, in the first half of 2004, by restructuring costs as well as by the size of last year's sugar crop in South Africa. Group-wide initiatives to reduce the cost base, increase sales volumes and optimise capacity utilisation will provide benefits as the year progresses.

The Group expects to record a substantial headline earnings recovery in 2004. Its asset and business base remains sound, with considerable opportunities for sustained earnings growth.

For and on behalf of the board

C M L Savage
Chairman

P H Staude
Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal

20 February 2004

DIVIDEND DECLARATION

Notice is hereby given that the board has declared a final dividend (number 153) of 80 cents per share for the year ended 31 December 2003 to shareholders recorded in the register at the close of business on Friday 19 March 2004.

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

Last date to trade ordinary shares "CUM" dividend	Friday	12 March 2004
Ordinary shares trade "EX" dividend	Monday	15 March 2004
Record date	Friday	19 March 2004
Payment date	Thursday	25 March 2004

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 15 March 2004 and Friday 19 March 2004, 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 12 March 2004.

For and on behalf of the board

M A Kennedy
Group Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal

20 February 2004

SEGMENTAL ANALYSIS

Rmillion	Revenue	Underlying Operating Profit	EBIT	Total Assets	Total Liabilities	Capital Employed	Capital Expenditure	Depreciation
2003								
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	214	2 407	582	1 989	212	101
Corporate		(39)	(69)	904	994	874	3	1
Triangle dividend			19					
Exchange rate translation loss			(80)					
Group total	6 559	452	73	8 313	3 248	6 747	351	223
2002 (Restated)								
African Products	1 470	262	236	2 083	900	1 428	107	77
Hulett Aluminium (50%)	1 623	179	136	2 626	843	2 402	31	34
Moreland	146	20	20	405	114	292		
Tongaat-Hulett Sugar	2 864	391	420	2 330	628	1 853	119	97
Corporate		(34)	(58)	965	362	949	5	1
Triangle dividend			71					
Exchange rate translation loss			(151)					
Group total	6 103	818	674	8 409	2 847	6 924	262	209

CASH FLOW STATEMENT

Rmillion	2003	2002 Restated
Earnings before interest and tax	**73**	674
Net financing costs	**(152)**	(134)
Non-cash items:		
Depreciation	**223**	209
Adjustment for exchange rate translation loss	**80**	151
Provisions	**15**	20
Surplus on disposal of plant and equipment	**(2)**	
Other non-cash items	**(92)**	(17)
Tax payments	**(42)**	(39)
Change in working capital	**(3)**	(303)
Cash flow from operating activities	**100**	561
Expenditure on property, plant and equipment:		
– New	**(206)**	(167)
– Replacement	**(106)**	(56)
– Major plant overhaul costs capitalised	**(39)**	(39)
Growing crops	**21**	(12)
Proceeds on disposal of property, plant and equipment	**43**	36
Investments	**(19)**	(1)
Dividends paid	**(233)**	(292)
Net cash flow before financing activities	**(439)**	30
Borrowings raised/(repaid)	**553**	(226)
Hedges of foreign loans	**(161)**	159
Shares issued	**2**	8
Net decrease in cash resources	**(45)**	(29)
Cash resources at beginning of year	**938**	1 125
Exchange rate translation loss	**(80)**	(151)
Foreign exchange adjustment	**(9)**	(11)
Gain on cash equivalent investment	**4**	4
Cash resources at end of year	**808**	938

NOTES

Rmillion	2003	2002 Restated
1. Valuation adjustments on financial instruments and other items		
Maize procurement contracts	**(211)**	(20)
Translation of foreign currency:		
– foreign cash holdings	**(80)**	(151)
– other	**(57)**	(15)
Export receivables	**(33)**	(26)
Other financial instruments	**(17)**	(3)
	(398)	(215)
2. Net financing costs		
Interest paid	**(438)**	(340)
Financial instrument income	**174**	149
* Realised gain on cash equivalent investment	**43**	
Interest received	**69**	57
	(152)	(134)

Increased borrowings from R931 million at 31 December 2002 to R1 369 million at 31 December 2003 arose from the funding of operations and expenditure on property, plant and equipment, resulting in the increase in interest paid.

* Previously accounted for directly in equity

Rmillion	2003	2002 Restated
3. Exceptional items		
Surplus on sale of property held as fixed assets	**15**	9
Goodwill amortisation	**(3)**	(2)
Impairment of assets	**(2)**	
Other	**(3)**	(1)
Exceptional items before tax	**7**	6
Tax	**2**	2
Exceptional items after tax	**9**	8

4. Tax

Includes the deferred tax reversal of R64 million relating to the reserves of foreign subsidiaries which will no longer be taxable on repatriation to South Africa as a result of amended tax legislation.

Rmillion	2003	2002 Restated
5. Current liabilities		
Accounts payable	**998**	1 030
Maize obligation - interest bearing	**553**	446
Trade and other payables	**1 551**	1 476
Short-term borrowings	**998**	317
Tax	**15**	9
	2 564	1 802
6. Capital expenditure commitments		
Contracted	**46**	90
Approved but not contracted	**85**	221
	131	311
7. Operating lease commitments	**59**	44
8. Guarantees and contingent liabilities	**43**	44
9. Effect of change in accounting policy		
Balance Sheet		
Equity prior to accounting policy change	**4 219**	4 567
Cumulative effect of change in accounting policy	**(26)**	(16)
Increase in maize inventory	**517**	424
Increase in current liability	**(553)**	(446)
Decrease in deferred tax	**10**	6
Adjusted equity at beginning of year	**4 193**	4 551
Income Statement		
Total net (loss)/earnings prior to accounting policy change	**(31)**	401
Effect of change:		
Increase in operating profit	**42**	16
Increase in interest cost	**(56)**	(34)
Decrease in deferred tax	**4**	5
Total net (loss)/earnings	**(41)**	388

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 2003 have been prepared on a basis that is consistent with that of the previous year, except for the change detailed below.

The Group has implemented an accounting policy for the recognition of maize purchase commitments that are considered to be constructive obligations. Maize that relates to such a constructive obligation is recognised as inventory, the related liability is recognised as a current liability and to the extent that the final purchase price includes a financing element, this is recognised as interest over the period of the obligation. Comparative figures for the year ended 31 December 2002 have been restated on a consistent basis.

AUDITED RESULTS

The results for the year ended 31 December 2003 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.

Additional information about the Group is available at our website: www.tongaat.co.za