Tongaat Hulett Limited
(Registration number 1892/000610/06)
Share code: TON
ISIN ZAE000096541
("Tongaat Hulett" or "the group" or “the company”)

UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

SALIENT FEATURES

Financial features	Operational features
• Revenue of R8,085 billion, down 1.5%	• Realised interim cash flow improvement targets and will exceed full year targets
• Operating profit of R1,278 billion (Sep 2018: R315 million)	• Achieved and exceeded first debt reduction milestone
• EBITDA of R1,586 billion (Sep 2018: R703 million)	• Reached annual production target from the new Mozambique refinery
• Adjusted EBITDA* of R1,452 billion (Sep 2018: R1,092 billion)	• Extending our farming operations in Zimbabwe to support export strategy
• Loss per share improved to -235 cents (Sep 2018: -356 cents)	• Successfully launched Uzinzo farming operation in South Africa
• Headline loss improved to R314 million (Sep 2018: R354 million loss)	• Navigating the hyperinflation effects in Zimbabwe
• Headline loss per share improved to -233 cents (Sep 2018: -322 cents)	• Continuing with efforts to initiate a dividend stream from Zimbabwe
• Operating cash flows before working capital movements of R1,478 billion (Sep 2018: R1,076 billion)	• Reporting of financial results brought up to date
• No interim dividend declared	• Lifting of suspended listing imminent

***** *Adjusted EBITDA is defined as profit from operations adjusted to exclude depreciation, amortisation, any impairment (or reversal thereof), any other non-trading items, as well as any fair value adjustments relating to biological assets.*

INTRODUCTION

The challenges faced by the Tongaat Hulett group since the beginning of 2019 are well publicised. Tongaat Hulett has taken decisive steps to stabilise the business, strengthen its governance and financial structures, restructure its high debt levels and initiate processes to start reducing the debt to more sustainable levels. While early in the process, it is encouraging to note signs of progress emerging on several fronts, in terms of the positive steps being taken towards positioning Tongaat Hulett for its return to sustainable value creation for shareholders.

The forensic audit process is now complete and the company is actively engaged in responding to the recommendations contained in the review. A new board and executive management team is in place, new structures, frameworks and policies have been, and continue to be, implemented to reinforce governance and financial discipline, and a new vision and strategy has been defined and is being executed.

Tongaat Hulett is in a period of transition as we continue to advance the resetting of our business' base across a number of fronts. The initial phases of reducing our debt through streamlining and rationalising operations and improving business performance and accountability are well progressed. We have clear targets in place for cash flow improvement and debt reduction. Steady progress is being made on improving cash flow and the company is well on track to meet its first-year target of a R1 billion improvement in cash flows. Tongaat Hulett has also met and exceeded its first debt reduction milestone of R500 million as defined in its refinancing agreements with funders through the receipt of an interim distribution from the liquidation of a legacy pension fund. Asset disposal assessments are at an advanced stage. Tongaat Hulett is considering multiple options, with its main priority to protect shareholder value while we honour standstill agreements in a responsible way. Disposals will only be considered at the right price and right time. In November 2019, the company announced the disposal of its sugar packaging and distribution business in Namibia for $220 million (R220 million). The disposal is currently subject to Namibian Competition Commission approval after which our share of the proceeds representing some R112 millon will be utilised to reduce debt levels.

Operational performance has improved in Zimbabwe and Mozambique, while the South African sugar operations continue to be impacted by subdued local sales and consequential low margin exports, with modest recovery evident more recently. The starch and glucose operation continued its steady performance and the land development operations were impacted by the revised revenue recognition policy and benefitted from one additional transaction in the period. Tongaat Hulett introduced hyperinflation accounting for its operations in Zimbabwe for the first time and implemented the new accounting standard for leases which resulted in a lease obligation of R344 million being recognised on the balance sheet as at 30 September 2019.

Restatement of prior financial results

The restatements as discussed at year-end, were carried forward for the September 2018 interim results. The accounting principles established for the restatement of the March 2018 financial statements have been applied in preparing the restated September 2018 interim financials and which have been amended to provide for the split of profits between the two halves of the financial year.

In the reported September 2018 results, IFRS 15 *Revenue from Contracts with Customers* was adopted using the modified retrospective approach, which as a result of the restatement was no longer applicable and was reversed.

Impact of restatements for the six months ended 30 September 2018

R 'millions	Revenue September 2018		Operating profit September 2018	
	Reported	Restated	Reported	Restated
Tongaat Hulett	**8,808**	**8,207**	**530**	**315**
Sugar	6,908	6,244	311	68
South Africa**	2,518	2,337	* (78)	(121)
Mozambique	1,108	676	7	(211)
Other SADC**	698	696	63	94
Zimbabwe	2,584	2,535	319	306
Starch	1,872	1,871	300	305
Property	28	92	(30)	(6)
Corporate	n/a	n/a	(51)	(52)

* *Operating profit for the South African sugar operations includes an amount of R31 million that was separately disclosed as "other capital items".*

** *In the reported numbers, the Namibian and Botswana sugar packing operations were previously included as part of the South Africa sugar operations and to ensure comparability, have been reallocated to Other SADC operations.*

FINANCIAL RESULTS

Gross revenue for the six months ended 30 September 2019 decreased by 1,5% to R8,085 billion (Sep 2018: R8,207 billion). Operating profit of R1,278 billion signals a significant improvement on the R315 million generated in the prior comparable period and reflects the impact of operational progress on a variety of fronts, the application of hyperinflation to Zimbabwean operations, as well as the re-recognition of certain land transactions. This recovery was countered by net finance costs which increased by 47% to R894 million (Sep 2018: R608 million), a non-taxable net monetary loss arising from hyperinflation accounting of R329 million, and a tax charge of R256 million (Sep 2018: R57 million). The net effect is a loss which has been reduced by 19% to R318 million (Sep 2018: loss of R392 million).

The headline loss for the six months was R314 million (Sep 2018: headline loss of R354 million).

Tongaat Hulett's Broad-Based Black Empowerment ("B-BBEE") equity transaction involving two B-BBEE SPVs was transferred to the funders during the period. Following a decline in the company's share price, the preference share funders exercised their security rights by acquiring the shares in the B-BBEE SPVs and effectively control over the Tongaat Hulett shares held by these entities. The transaction has resulted in the weighted average number of shares in issue used for the calculation of loss per share ("LPS") and headline loss per share ("HLPS") increasing by 25 million shares (23%), which impacts on the comparability to prior periods. Consequently, Tongaat Hulett generated basic LPS for the period of -235 cents per share (Sep 2018: -356 cents), and HLPS of -233 cents per share (Sep 2018: -322 cents). As the business recorded a loss for the period, had the dilution not occurred, basic LPS and HLPS would have worsened to 288 cents per share and 286 cents per share respectively. No interim dividend was declared.

Headline earnings for the six months to 30 September 2019

	September 2018		September 2019	
	Reported	Restated	Reported	% change
Loss for the period (Rm)	-R110 million	-R392 million	-R318 million	+19%
Headline loss for the period (Rm)	-R87 million	-R354 million	-R314 million	+11%
Weighted average number of shares (000's)	117 441	110 008	135 113	+23%
Loss per share (cents)	-94 cents	-356 cents	-235 cents	+34%
Headline loss per share (cents)	-74 cents	-322 cents	-233 cents	+28%

Finance costs of R894 million include additional borrowings required to fund the construction of a refinery at the Xinavane sugar operation in Mozambique, a repricing of short-term borrowing facilities and a foreign exchange loss of R167 million recognised on foreign currency denominated loans in Zimbabwe.

Finance costs continue to be significant and to constrain liquidity, again underlining the imperative to substantially reduce debt and improve cash flow as part of the turnaround plan.

Zimbabwe hyperinflation dynamics

Zimbabwe's official inflation has increased substantially and at 30 September 2019 equated to 350% relative to 1 October 2018. Accordingly, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy and as a result, the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29") have been applied to the financial results for the six months ended 30 September 2019.

A comprehensive discussion of the implementation of IAS 29 and the related assumptions are disclosed in the Basis of Preparation of the interim financial statements. Key points with regards to the implementation are:

- The comparatives in the group financial statements have not been restated as these have been reported in South African rand, a non-hyperinflation currency.
- Hyperinflation accounting requires all financial information to be expressed in the purchasing power applicable at the end of the reporting period to allow for more meaningful comparisons.
- The net monetary loss arises from the local currency cash balances in Zimbabwe that cannot be repatriated are losing purchasing power. If Tongaat Hulett had been able to declare this surplus cash as a dividend in previous financial years or invested in non-monetary assets this loss would have reduced.
- Hyperinflation accounting assists in preserving the inherent value in non-monetary assets such as factory plant, cane roots and vehicles on the balance sheet.
- Tongaat Hulett has applied the official inter-bank closing exchange rate which was at parity with the South African rand to translate its earnings as per accounting guidance, but the emergence of a parallel exchange rate is becoming evident. At 30 September 2019, the parallel exchange rate was approximately 1 Zimbabwean dollar to 0.80 South African rand.
- Any disconnect between devaluation of the currency and the rate of inflation has the potential to distort earnings.
- Hyperinflation can distort the fair value adjustments to biological assets reflected in profit and for this reason, Tongaat Hulett utilises the concept of adjusted EBITDA that removes these fair value adjustments.

Impact of hyperinflation

R 'millions	September 2019			
	As reported: Hyperinflation + official rate (closing)	Sensitivity 1: Hyperinflation + parallel rate (closing)	Sensitivity 2: No hyperinflation + official rate (average)	Sensitivity 3: No hyperinflation + official rate (closing)
Revenue (external)	1,577	1,265	2,784	1,135
Operating profit	928	733	2,772	1,089
Depreciation and amortisation	50	40	30	12
EBITDA	978	773	2,802	1,101
Fair value movement on biological assets	(261)	(209)	(1 530)	(617)
Adjusted EBITDA	717	564	1,273	484
Segment assets	3,099	2,479	n/a	2,312

Cashflow

Cash flows and liquidity are monitored on a daily basis by management with oversight by the Board. Operating cash flow before working capital movement was positive in the period, increasing from R1,076 billion in the prior period to R1,478 billion.

Working capital absorbed R2,093 billion of cash in the six months to 30 September 2019 compared to R329 million in the prior period. A significant focus of the sugar businesses has been to reduce sugar stock holdings by accelerating export sales which have traditionally been weighted towards the second half of the financial year. The benefit of reduced inventory was eroded by the requirement to normalise supplier payment terms across the group and settle deferred creditors who had provided extended credit terms. The movement on trade payables was exaggerated by a significant hold-back of supplier payments in September 2018.

Capital expenditure during the period was confined to essential replacement items and has reduced from R370 million to R84 million. The replanting of sugarcane roots was curtailed in both South Africa and Mozambique due to cash constraints. Capital expenditure requirements will lighten considerably now that the Xinavane refinery has come on stream.

Debt funding

In December 2019, Tongaat Hulett entered into new senior term-loan facilities, senior revolving credit facilities and overdraft facilities on new commercial terms including the provision of security over South African assets. While the weighted average cost of borrowings under the new facilities will increase by some 3% per annum, the cash interest payments will remain in line with the existing facilities. The refinancing arrangement will become effective in early February 2020 when all outstanding, administrative-type conditions precedent have been fulfilled. The new facilities will be used to primarily refinance amounts owing to lenders in South Africa under existing facilities. While an additional facility was negotiated to meet any shortfall arising during the peak of the sugar businesses' working capital requirements, the cash flow improvements realised to date will have meant that this facility will not be required.

As part of the refinancing arrangement, Tongaat Hulett is committed to reducing its debt in South Africa by at least R8,1 billion by March 2021. The debt burden will be reduced through a combination of cost savings and cash flow initiatives, the sale of certain non-core assets, as well as an equity capital raise and/or the disposal of core assets or majority stakes in core assets. The business has clear targets in place for its debt reduction programme. The cost of borrowings reduces as debt reduction milestones are achieved and increases if these are missed.

The Mozambique operations entered into a debt standstill arrangement with its lenders until December 2020. A debt reduction proposal and security package are being formulated for the Mozambique business for consideration by the lenders. While cash flow improvements are visible within the business, the standstill agreement makes provision for a US$15 million facility to be negotiated to cover the shutdown period between the two periods when cash inflows are lean.

Total borrowings have remained relatively stable to the prior period at this point of the season, increasing by 3% on the back of increased sugar production and higher finance costs.

Regional debt exposure

R 'millions	March 2018 Restated	September 2018 Restated	March 2019	September 2019
South Africa	10,327	10,672	9,886	11,568
Mozambique	38	656	1,156	1,263
Zimbabwe	808	965	92	20
Local Currency Borrowings	**11,173**	**12,293**	**11,134**	**12,851**
Mozambique	108	123	58	31
Zimbabwe	20	171	245	110
Foreign Currency Borrowings	**128**	**294**	**303**	**141**
Lease Obligations	**2**	**1**	**1**	**1**
Total Borrowings	**11,303**	**12,588**	**11,438**	*** 12,993**

* *Proceeds of R500 million for the first debt reduction milestone were received in January 2020.*

Regional cash balances

R 'millions	March 2018 Restated	September 2018 Restated	March 2019	September 2019
South Africa	176	67	72	38
Mozambique	363	339	108	237
Other SADC	79	59	32	138
Zimbabwe	2,105	2,729	750	237
Total Cash Balances	**2,723**	**3,194**	**962**	**650**

SEGMENTAL PERFORMANCE

R 'millions	September 2019	September 2018	% Change
Operating profit	**1 278**	**315**	**306%**
Sugar	855	68	>200%
Zimbabwe	928	306	203%
Mozambique	122	(211)	n/a
South Africa	(283)	(121)	(134%)
Other SADC	88	94	(6%)
Starch and glucose	305	305	-
Property	243	(6)	n/a
Corporate	(125)	(52)	(140%)
Adjusted EBITDA	**1 452**	**1 092**	**33%**
Sugar	968	790	23%
Zimbabwe	717	736	(3%)
Mozambique	280	(37)	n/a
South Africa	(158)	(31)	(>200%)
Other SADC	129	122	6%
Starch and glucose	366	359	2%
Property	243	(5)	n/a
Corporate	(125)	(52)	(140%)

In assessing interim results, it should be noted that the sugar as well as the starch and glucose operations have strong seasonal traits associated with the operations and financial results.

The nature and impact of the seasonality has been included in note 2 of the interim financial statements to illustrate some of the underlying drivers.

Starch and glucose

Operating profit in the Starch and Glucose operations was stable at R306 million (Sep 2018: R305 million). The business again demonstrated its well-established market position and high quality, widely diversified product range in the period, growing starch and glucose sales volumes by 4.5% to 254 000 tons (Sep 2018: 243 000 tons).

Sales benefited from increased demand in the alcoholic beverages sector following customer marketing campaigns, the continuing growth in the coffee creamer sector, and the recapture of imported glucose volumes within the confectionary sector which also benefited from new customer investments.

Margins came under pressure during the period due to higher maize costs as dry weather and lower plantings reduced the maize crop compared to the previous season by 10%. Co-product revenue benefited from a weaker exchange rate, shortages in competitor animal feed and various initiatives targeted at growing specific segments. Despite some plant downtime which constrained export volumes, operating efficiencies were realised through improved recoveries.

The business continues to be a consistent, strong cash generator.

Sugar

The various sugar operations recorded an operating profit of R855 million, relative to R685 million in the prior period. The increase was mainly attributable to hyperinflation in Zimbabwe and a notable turnaround in Mozambican operations.

- **South Africa**

South African sugar operations generated an operating loss of R283 million (Sep 2018: R121 million loss). The worsening financial performance reported masks a significantly improved operation from a productivity, cost management and production perspective, and management is of a view that the financial performance will improve going forward. Cash flow generation has improved notably.

Milling performance improved during the season with sugar production to 30 September 2019 of 474 000 tons (Sep 2018: 431 000 tons). The combination of higher production and initiatives to accelerate exports to generate cash flow has resulted in an additional 89 000 tons of sugar stocks being located at the sugar terminal at 30 September 2019. These stocks are designated for export markets at lower global sugar prices. As the sale of sugar into export markets contributes to fixed costs but prices do not exceed the fully-absorbed cost of production, this attracted a R180 million write-down (relative to the previous period) of sugar stocks to their net realisable value. The loss was recognised in the first half of the current financial year, whereas the equivalent loss was recognised in the second half of the prior financial year.

Local sales volumes of 150 000 tons were 31 000 tons behind the comparable period, owing to a significant buy-in of sugar stocks in August 2018 ahead of a 19.5% price increase in September 2018. The price increase resulted in average local market pricing that was 14% higher than the prior period. At an industry level, overall local market demand for the season is anticipated to be 1.25 million tons compared to the previous season of 1.14 million tons indicating some recovery. Pressure from duty-free imports from eSwatini continues to grow and compete against local producers for market share in South Africa.

The animal feeds business, Voermol, continued a steady operational performance, albeit winter sales were lower than expected.

A key focus of the six-month period was delivery of a cost savings initiative, which culminated in savings of R83 million before an initial phase of retrenchment costs totalling R62 million. Furthermore, while the group reassesses its transfer pricing policy and given the expiry of a technical service agreement with its operations in Zimbabwe, costs totalling some R51 million have not been on-charged to various other operations.

- **Zimbabwe**

The Zimbabwe sugar operations generated operating profit of R928 million (Sep 2018: R306 million). At an adjusted EBITDA level, which removes the impact of fair value movements on biological assets that are sensitive to inflation rates, the performance of the Zimbabwe operations is largely consistent with the prior period.

Sugar production of 303 000 tons was marginally lower than the prior period (Sep 2018: 306 000 tons), with improved yields on our own agricultural estates offset by lower yields achieved by private farmers. Local sales volumes decreased from 206 000 tons to 183 000 tons sales due to the impact of the hyperinflationary environment on customers' affordability, as well as the need to control the supply of sugar into the local market (as sugar tends to be accumulated as a defensive holding against the declining currency). Local market prices are regularly reviewed and continued to be aligned with inflation with reference to US$ prices in neighbouring countries to prevent arbitrage opportunities for commodity traders. The operation expects that the US$ price of sugar will trend toward pricing achieved in 2016/17 of some US$850 per ton for prepacked raw sugar.

The focus remains on growing export sales to generate foreign currency and reduce foreign denominated debt. A consequence of this strategy is the trade-off between earning lower global sugar prices and generating hard currency. In terms of exchange control regulations, the Zimbabwe operations are permitted to retain 80% of their export earnings and generate sufficient proceeds to fund foreign input costs. Surplus export proceeds were prioritised to repay foreign-denominated borrowing and reduce the associated foreign exchange risk. During the period, Tongaat Hulett made a concerted effort to reduce its foreign-denominated borrowings, which decreased from US$17 million to US$7 million.

Despite infrastructural damage to logistic routes from Cyclone Idai which impacted exports via Beira, export volumes increased from 37 000 tons to 47 000 tons, representing 20% of total sales volumes (Sep 2018: 15%). Efforts notwithstanding, we have not been able to repatriate dividends from Zimbabwe. Management is engaging on multiple levels with the relevant authorities to find solutions.

- **Mozambique**

The Mozambican sugar operations experienced a notable turnaround, generating an operating profit of R122 million, relative to a loss in the prior period of R211 million. The Xinavane operation benefitted from the completion of the 90 000-ton refinery which came on stream in the six months under review, producing 23 000 tons of refined sugar to 30 September 2019. Refined sugar production replaces imported white sugar which is necessary to satisfy the country's growing industrial demand, realising a meaningful price premium relative to what the raw sugar could be sold for in alternative export markets. The refinery contributed R39 million to operating profit in the six-month period.

At the industry level, local market sales volumes recovered from 69 000 tons to 90 000 tons on the back of beneficial pricing and promotions that extended across the six-month period. To generate cash flow, the export shipping programme was brought forward which increased export sales to 62 000 tons, relative to 46 000 tons in the prior period.

Sugar production decreased by 6% to 160 000 tons, relative to 170 000 tons in the prior period. The decline arose from lower cane yields achieved by the Xinavane estate, together with the impact of Cyclone Idai that damaged areas surrounding the Mafambisse estate including portions of the sugarcane crop and impacted on the ability to access fields.

Cost containment was a significant focus across all areas of the business. In particular, farming was halted on more than 1 800 ha where the poor yield potential of the field rendered the farming of the field uneconomical. Total cost savings realised in the period amounted to R52 million.

Land portfolio and property development

Land conversion and development profits increased notably, with operating profit of R243 million (Sep 2018: loss of R6 million). This was mainly due to the re-recognition of revenue from historic property deals to the value of R398 million which, under new revenue recognition policy implemented in 2019, aligns with the transfer of the property to the purchaser. The deals recognised in the six-month period represents the equivalent of 141 000m^2 of new building floor space compared to 17 000m^2 in the prior period. One property of R27 million was sold and transferred during the period.

A focussed project plan has been implemented to address outstanding planning approvals impacting the balance of the historic deals not yet transferred. Deals that have been concluded but where various planning approvals remain outstanding, represent R609 million of the order book (as at 31 December 2019) and will be re-recognised as and when the properties are transferred. It is anticipated that a further R50 million will be transferred before 31 March 2020.

Good progress has been made to accelerate further land disposals. Sales agreements in respect of ten transactions representing R422 million of revenue are in the process of being finalised, including land for a new catalytic brewery to serve the local regional market which will signal substantial infrastructure investment in the KwaZulu-Natal region. Five more transactions totalling R259 million, are under negotiation.

Retrenchment costs in the period impacted negatively on current year operating expenditure by R13 million. The cost benefit of a substantially streamlined operation will flow through in coming years.

Corporate costs

The substantial increase in centrally allocated costs are mainly transitory in nature and relate to the advisory costs associated with the forensic audit, various disposal transactions and restructuring of debt, together with temporary contracted-in resources and retrenchment costs. It masks strong progress in substantially reducing corporate overheads.

BLACK ECONOMIC EMPOWERMENT AND ECONOMIC TRANSFORMATION

Tongaat Hulett's B-BBEE schemes were dissolved in the previous year. We are troubled by this regrettable turn of events and Tongaat Hulett remains strongly committed to playing our part in economic empowerment. Transformation remains very firmly on the agenda of the Board and we are seeking alternative ways to make a meaningful impact on the societies we operate in. All four of the partnerships envisaged in the restructuring strategy have placed a strong emphasis on maximising their transformational impact, while they improve the group's financial sustainability.

KEY TRANSFORMATIONAL PARTNERSHIPS

An essential part of the turnaround strategy of the group is to re-visualize the business models and associated structures of the group to improve returns. We have identified demonstrable opportunities for us to raise significant cash, step-change our transformation initiatives, and build strong strategic partnerships, several of which were initiated in this period:

- **Transforming sugarcane farming in South Africa**

Tongaat Hulett has identified the opportunity for the company to exit its direct sugarcane farming activities in South Africa and create a large-scale black-owned sugarcane farming enterprise set to ensure that land which has been targeted for future property development remains productive under sugarcane, simultaneously creating opportunities for third party growers to farm company owned land, mitigating potential job losses at the farm level and guaranteeing sugar supply.

Launched during the period, Uzinzo Sugar Farming is owned 20% by Tongaat Hulett, 15% by an employee trust and 65% by three African previously disadvantaged individuals (including a black female youth). Three prime agricultural estates have been leased to the entity at below market rates making Uzinzo the largest Black grower in the SA sugar industry, and one of our top 5 largest supplying private growers. It also allows Uzinzo sufficient scale to farm more cost competitively than Tongaat Hulett as a corporate.

- **Resetting profitability in the South African milling industry**

The overall sugar industry remains under pressure and we continue to work with key stakeholders to define a solution that addresses both the regional and industry challenges and ensuring sustainability as well as empowerment and transformation.

Tongaat Hulett initiated the "MillCo" project in the period, with the aim to establish one correctly structured, competitive sugar business on the KwaZulu-Natal North Coast that mills, refines and sells sugar and associated products in South Africa, with equity held by commercial farmers and others. Negotiations are ongoing in relation to the "MillCo" project. If the MillCo project proceeds, Tongaat Hulett will inject assets in the form of its mills, refinery, associated products (Voermol animal feeds, speciality and liquid sugars) and its sales and distribution operation and envisages to retain at least 50.1% ownership with an arms-length management and technical agreement.

- **Converting income streams in property portfolio**

In response to the realisation that Tongaat Hulett has progressively been participating lower down the value chain and disposing of its land assets selectively and without realising an annuity income stream, a property strategy action plan is being developed and executed to create a stable and sustainable long-term earnings platform. This involves transitioning away from bulk land disposals towards more structured property transactions that will realise increased value and provide an opportunity for annuity-type income streams. A special purpose vehicle ("PropCo") is being created to facilitate diverse investment partnership opportunities to raise capital, accelerate the pace of development and contribute towards debt reduction and inclusive growth and development.

- **Rural transformation and job creation in Zimbabwe**

Tongaat Hulett officially launched project Kilimanjaro with the Zimbabwe government in November 2019. The project aims to increase productivity of land through the development of 4,000 ha of new land for sugar cane farming for the benefit of 200 farmers.

DIVIDEND

In view of the group's current financial status, the Board has determined that no dividend should be declared for the 2020 financial year. It is also envisaged that no further dividends will be declared until the debt restructuring has been completed, currently targeted by March 2021.

CHANGES TO THE BOARD

Mr Louis von Zeuner, assumed the role of non-executive Chairman of the Board with effect from 1 October 2019. Mr Andile Sangqu, Ms Linda de Beer, Mr Jean Nel and Mr Robin Goetzsche were appointed as new independent non-executive directors on the Board with effect from 1 October 2019. Mr Dan Leseja Marokane was appointed as an executive director on 18 November 2019.

Independent non-executive directors Mr Stephen Beesley and Ms Fatima Daniels, stepped down from their position as directors with effect from 24 January 2020. The company secretary, Ms Maditshaba Mahlari resigned 15 November 2019 and Mr Johann van Rooyen was appointed as company secretary as from 1 January 2020.

The Board thanks the directors who stepped down and Ms Mahlari for their service and valuable contribution to Tongaat Hulett over many years and wishes them well in their future endeavours.

LIFTING OF THE SUSPENSION ON TONGAAT HULETT'S SHARES

Shareholders were advised in December 2019 that the Board viewed the suspension of its shares on the JSE Limited ("JSE") as a temporary measure until the company is in a position to provide sufficient further information to the market and that it is expected that the suspension will be lifted once the company has released its trading statement for the six-month period ended 30 September 2019. Accordingly, the Board has entered into discussions with the JSE to request the potential lifting of the suspension of its shares. The JSE has agreed to lift the suspension with effect from Monday, 3 February 2020 to enable investors to absorb the financial information that is now available.

OUTLOOK

It is expected that 2020 will continue to be a challenging year. Good progress has been made in this period and an important outcome is that the company is well on track to meet its first-year target of a R1 billion improvement in cash flows. A substantial task remains ahead to firmly re-establish a sustainable growth path.

Following a strong recovery in volumes in the first half of the year in the **starch and glucose** operation, some slowdown in growth is expected in the second half of the year due to muted domestic market demand and operational constraints related to load shedding and plant downtime. Margins, as indicated previously, are expected to be below the prior year levels due to higher maize prices following a smaller domestic maize crop. The impact of higher co-product prices combined with a weaker exchange rate will partially mitigate the impact of higher maize prices. Ongoing operational improvement programmes, cost saving initiatives and cost deferrals continue to provide support to earnings.

In **Zimbabwe**, domestic sugar sales have declined due to the factors discussed earlier and price adjustments are being implemented regularly. Exports continue to be maximised with a view to earning foreign currency and reducing foreign denominated debt. Efforts are also intensified to purchase locally to protect foreign exchange reserves.

Sugar production at the **Mozambican operations** is expected to be lower than the prior year, due to the cyclone damaged areas surrounding Mafambisse, while local sales should continue to be robust. The operations will continue to focus on cost control and cash generation as well as potential asset sales to reduce debt. Retrenchment costs will impact in the second half of the financial year.

South African sugar operations are expecting to yield higher sugar production compared to the prior season. Revenue should also benefit from a 6.5% increase in the local sugar price from November 2019, as well as marketing initiatives such as new pack sizes and new routes to market, in order to drive sales. Significant progress has been made to reshape the business through improving free cash flow and reducing costs, the benefit of which will be realised in the following financial year. Cost reduction and working capital management will continue to be key focus areas.

Sales remain resilient in a tough **property market** with a large number of deals at an advanced stage. The further implementation of PropCo will be a key focus area for the year, as will initiatives to address outstanding planning approvals to finalise historic land sales. Tongaat Hulett is also in the process of putting an advisory panel of non-executive members in place, to strengthen the governance in this important area of our business.

Debt reduction strategies

In assessing the various options available to reduce debt, the Tongaat Hulett Board is in the process of considering the merits and quantum of inter alia a potential equity raise and disposal of care assets, reviewing the cash flow generation opportunities as well as the benefits and returns of the different options.

The challenge that the group faces is a high debt burden in South Africa which, because of constraints on distributing profits from Zimbabwe and Mozambique, can only be serviced by South African earnings, or the proceeds of asset sales, and/or an equity capital raise. While the turnaround of the South African sugar operations to date have been significant, the realisation of the full value out of the South African sugar operations will not be sufficient, in and of itself, to meet the required debt repayment timeframes as agreed with funders.

Once a decision as to the correct approach has been taken, a further announcement will be made to shareholders.

Conclusion

Tongaat Hulett has made significant strides in the past year to elevate governance and accountability within the business and shift the culture. Operationally, we are pleased with the pace and progress of our initiatives to stabilise and restructure the businesses to become more profitable and sustainable. We remain committed to restoring confidence in Tongaat Hulett and returning it to its rightful position as a leading diversified African agri business.

Our opportunities lie in our ability to maximise the potential of our premier portfolio of assets to create value for our stakeholders. The Board remains confident that we have laid the right foundations and have appropriate strategies in place to position the group optimally to take advantage of these opportunities.

For and on behalf of the Board

Louis von Zeuner
Chairman

Gavin Hudson
Chief Executive Officer

Tongaat
31 January 2020

Sponsor
Investec Bank Limited

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

R' million	Note	30 September 2019 (Unaudited)	30 September 2018 Restated (Unaudited)	31 March 2019 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment		5 619	7 325	5 709
Right-of-use assets	1.1	361	-	-
Goodwill		47	46	48
Other intangible assets		358	464	388
Investments in associates and joint venture		4	24	6
Deferred tax assets		214	313	123
Other non-current financial assets		856	975	860
Total non-current assets		**7 459**	**9 147**	**7 134**
Current assets				
Inventories		5 488	6 625	3 673
Biological assets		1 307	1 519	1 552
Trade and other receivables		1 623	1 991	1 528
Derivative financial instruments		-	-	12
Current tax assets		59	57	72
Cash and cash equivalents		650	3 194	962
		9 127	**13 386**	**7 799**
Assets classified as held for sale		92	107	100
Total current assets		**9 219**	**13 493**	**7 899**
TOTAL ASSETS		**16 678**	**22 640**	**15 033**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		135	135	135
Share premium		1 544	1 544	1 544
BEE held consolidation shares		-	(635)	-
Accumulated losses		(3 832)	(2 879)	(3 548)
Other reserves		(2 364)	1 646	(1 704)
Total equity attributable to owners of Tongaat Hulett Limited		**(4 517)**	**(189)**	**(3 573)**
Non-controlling interests		592	1 075	601
Total equity		**(3 925)**	**886**	**(2 972)**
Non-current liabilities				
Deferred tax liabilities		809	831	660
Lease liabilities	1.1	260	-	-
Post-retirement benefit obligations		457	775	585
Contract liabilities		94	58	85
Provisions		923	989	1 041
Government grants		78	98	88
Total non-current liabilities		**2 621**	**2 751**	**2 459**
Current liabilities				
Borrowings	3	12 993	12 588	11 438
Lease liabilities	1.1	84	-	-
Trade and other payables		4 191	5 429	3 553
Contract liabilities		102	39	109
Provisions		478	91	302
Government grants		20	20	20
Post-retirement benefit obligations		45	67	58
Non-recourse equity-settled BEE borrowings		-	613	-
Derivative financial instruments		4	15	-
Current tax liabilities		39	114	46
		17 956	**18 976**	**15 526**
Liabilities directly associated with assets classified as held for sale		26	27	20
Total current liabilities		**17 982**	**19 003**	**15 546**
TOTAL EQUITY AND LIABILITIES		**16 678**	**22 640**	**15 033**

Certain comparative information has been restated, reclassified or re-presented, as a result of a correction of prior period errors. Refer to note 11.

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended

R' million	Note	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Revenue	4	8 085	8 207	17 069
Cost of sales		(5 353)	(6 295)	(12 447)
Gross profit		**2 732**	**1 912**	**4 622**
Marketing and selling expenses		(367)	(512)	(975)
Administrative and other expenses		(1 151)	(1 220)	(2 523)
Net impairment reversal / (loss)		1	(3)	65
Other non-trading items		(6)	(62)	(57)
Other operating income		69	200	75
Profit from operations		**1 278**	**315**	**1 207**
Net finance costs		(894)	(608)	(1 361)
Finance costs		*(948)*	*(662)*	*(1 509)*
Finance income		*54*	*54*	*148*
Net monetary loss		(329)	-	-
Share of net profit of associates		2	-	2
Profit / (loss) before taxation		**57**	**(293)**	**(152)**
Income tax	5	(256)	(57)	(640)
Loss for the period		**(199)**	**(350)**	**(792)**
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to profit or loss				
Foreign exchange differences on translation of foreign operations		(779)	1 267	(2 728)
Movements on cash flow hedges		-	(8)	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of post-retirement benefit obligations		45	-	(37)
Tax effect of remeasurement of post-retirement benefit obligations		(13)	-	8
Other comprehensive income / (loss) for the period, net of tax		**(747)**	**1 259**	**(2 757)**
Total comprehensive income / (loss) for the period		**(946)**	**909**	**(3 549)**
Loss for the period is attributable to:				
Owners of Tongaat Hulett Limited		(318)	(392)	(1 063)
Non-controlling interests		119	42	271
		(199)	**(350)**	**(792)**
Total comprehensive income / (loss), net of tax, for the period is attributable to:				
Owners of Tongaat Hulett Limited		(956)	737	(3 319)
Non-controlling interests		10	172	(230)
		(946)	**909**	**(3 549)**
Loss per share (cents)	6			
Basic and Diluted loss per share		(235)	(356)	(948)

Certain comparative information has been restated, reclassified or re-presented, as a result of a correction of prior period errors. Refer to note 11.

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

R' million	Share Capital and Share Premium	B-BBEE Held Consolidation Shares	Accumulated Losses	Foreign Currency Translation Reserve	Hedging Reserve	Share-based Payment Reserve	Total Equity Attributable to Owners of Tongaat Hulett Limited	Non-controlling Interests	Total
Restated Balance at 31 March 2018 (Audited)	**1 679**	**(623)**	**(2 435)**	**255**	**-**	**264**	**(860)**	**921**	**61**
Total comprehensive loss for the period	-	-	(390)	1 135	(8)	-	**737**	172	**909**
Loss for the period (restated)	*-*	*-*	*(390)*	*-*		*-*	***(390)***	*40*	***(350)***
Other comprehensive income / (loss) for the period, net of tax (restated)	*-*	*-*	*-*	*1 135*	*(8)*	*-*	***1 127***	*132*	***1 259***
Share-based payment charge (restated)	-	-	-	-	-	24	**24**	-	**24**
Purchase of shares for delivery to employees	-	-	-	-	-	(27)	**(27)**	-	**(27)**
BEE share-based payment charge	-	-	-	-	-	2	**2**	-	**2**
Reallocation of SPV reserves	-	(12)	12	-	-	-	**-**	-	**-**
Dividends	-	-	(66)	-	-	-	**(66)**	-	**(66)**
Dividends - non-controlling shareholders	-	-	-	-	-	-	**-**	(18)	**(18)**
Restated total equity at 30 September 2018 (Unaudited)	**1 679**	**(635)**	**(2 879)**	**1 390**	**(8)**	**264**	**(189)**	**1 075**	**886**
Restated Balance at 31 March 2018 (Audited)	**1 679**	**(623)**	**(2 435)**	**255**	**-**	**264**	**(860)**	**921**	**61**
Total comprehensive loss for the period	-	-	(1 083)	(2 236)	-	-	**(3 319)**	(230)	**(3 549)**
Loss for the period	*-*	*-*	*(1 063)*	*-*	*-*	*-*	***(1 063)***	*271*	***(792)***
Other comprehensive loss for the period, net of tax	*-*	*-*	*(20)*	*(2 236)*	*-*	*-*	***(2 256)***	*(501)*	***(2 757)***
Share-based payment charge	-	-	-	-	-	38	**38**	-	**38**
Purchase of shares for delivery to employees	-	-	-	-	-	(27)	**(27)**	-	**(27)**
BEE share-based payment charge	-	-	-	-	-	2	**2**	-	**2**
Deconsolidation of B-BBEE held shares	-	623	36	-	-	-	**659**	(18)	**641**
Dividends	-	-	(66)	-	-	-	**(66)**	-	**(66)**
Dividends - non-controlling shareholders	-	-	-	-	-	-	**-**	(72)	**(72)**
Total equity at 31 March 2019 (Audited)	**1 679**	**-**	**(3 548)**	**(1 981)**	**-**	**277**	**(3 573)**	**601**	**(2 972)**
Balance at 31 March 2019 (Audited)	**1 679**	**-**	**(3 548)**	**(1 981)**	**-**	**277**	**(3 573)**	**601**	**(2 972)**
Total comprehensive loss for the period	-	-	(284)	(669)	-	-	**(953)**	11	**(942)**
Profit / (Loss) for the period	*-*	*-*	*(318)*	*-*	*-*	*-*	***(318)***	*119*	***(199)***
Other comprehensive income / (loss) for the period, net of tax	*-*	*-*	*34*	*(669)*	*-*	*-*	***(635)***	*(108)*	***(743)***
Share-based payment charge	-	-	-	-	-	9	**9**	-	**9**
BEE share-based payment charge	-	-	-	-	-	1	**1**	-	**1**
Dividends - non-controlling shareholders	-	-	-	-	-	-	**-**	(20)	**(20)**
Total equity at 30 September 2019 (Unaudited)	**1 679**	**-**	**(3 832)**	**(2 650)**	**-**	**287**	**(4 517)**	**592**	**(3 925)**

Certain comparative information has been restated, reclassified or re-presented, as a result of a correction of prior period errors. Refer to note 11.

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

R' million	Note	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (required for) / generated from operations	A	(615)	746	1 720
Taxation paid		(70)	(276)	(408)
Net cash (outflow) / inflow generated from operating activities		**(685)**	**470**	**1 312**
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income		21	39	90
Additions to property, plant and equipment		(120)	(718)	(1 089)
Intangible assets		(1)	(9)	(37)
Dividends received from associates		3	11	-
Proceeds on disposal of investments		8	3	2
Proceeds on disposal of property, plant and equipment		10	1	8
Net proceeds from other disposals and movement on cane grower loans		6	(6)	(5)
Net cash outflow from investing activities		**(73)**	**(679)**	**(1 031)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(20)	(84)	(120)
To owners of Tongaat Hulett Limited		*-*	*(66)*	*(66)*
To non-controlling shareholders		*(20)*	*(18)*	*(54)*
Finance costs		(645)	(558)	(1 107)
Borrowings		1 599	1 064	542
Raised		*7 085*	*8 899*	*8 940*
Repaid		*(5 486)*	*(7 835)*	*(8 398)*
Lease liability		(67)	-	-
Net movement on non-recourse equity-settled BEE borrowings		-	(14)	(12)
Purchase of shares for delivery to employees		-	(27)	(27)
Net cash inflow / (outflow) from financing activities		**867**	**381**	**(724)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**109**	**172**	**(443)**
Cash and cash equivalents at the beginning of the period		962	2 723	2 723
Translation effects on cash and cash equivalents		(426)	318	(1 309)
Transfer to assets held for sale		5	(19)	(9)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**650**	**3 194**	**962**

Certain comparative information has been restated, reclassified or re-presented, as a result of either a correction of prior period errors. Refer to note 11

TONGAAT HULETT LIMITED

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
A. CASH GENERATED FROM OPERATIONS			
Loss for the period	**(200)**	**(350)**	**(792)**
Adjusted for:			
Finance costs	948	662	1 509
Finance income	(54)	(54)	(148)
Income tax	255	57	640
Net monetary loss	329	-	-
Profit from operations	**1 278**	**315**	**1 209**
Adjusted for:			
Depreciation on property, plant and equipment	284	366	596
Amortisation of intangible assets	25	24	57
Movement in fair value of biological assets	(139)	324	(470)
Loss on disposal of property, plant and equipment and intangibles	7	64	96
Share-based payment charge	10	26	40
(Reversal of) / impairment losses on property, plant, equipment and intangibles	(1)	3	(76)
Movement in provision for retirement benefit obligations and other provisions	(2)	(20)	(111)
Other non-cash items	16	(26)	(76)
Operating cash flows before movements in working capital	**1 478**	**1 076**	**1 265**
Working capital			
Movement in inventories	(1 992)	(2 414)	184
Movement in trade and other receivables	(356)	(334)	(115)
Movement in trade and other payables and contract liabilities	287	2 490	518
Movement in infrastructure obligation	(32)	(72)	(132)
Net movements in working capital	**(2 093)**	**(330)**	**455**
Cash (required for) / generated from operations	**(615)**	**746**	**1 720**

BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements of Tongaat Hulett Limited ('Tongaat Hulett' or the 'Company'), together with its subsidiaries ('the Group') for the six months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards ('IFRS') IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, 2008, as amended, and the JSE Limited Listings Requirements.

The condensed consolidated interim financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 31 March 2019 and any public announcements made by Tongaat Hulett Limited during the interim reporting period.

The condensed consolidated interim financial statements are presented in South African Rand, which is Tongaat Hulett's functional and presentation currency, rounded to the nearest million. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

The condensed consolidated interim financial statements appearing in this announcement are the responsibility of the directors. The directors take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared under the supervision of Mr. R Aitken CA (SA), Chief Financial Officer and were approved for issue by the Board of Directors on 30 January 2020.

Going concern

The Group's financial statements at and for the year ended 31 March 2019 were prepared on a going concern basis with disclosure of material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. These material uncertainties continue to remain relevant.

The Board of Directors ('Board') believes that as of the date of this report, the presumption that the Group will continue in operation in the foreseeable future (which is defined as 12 months from the date of publishing these financial statements) is still appropriate and accordingly the financial statements at and for the 6 months ended 30 September 2019 have been prepared on the going concern basis taking into consideration the following:

- There continues to be significant headroom in the fair value of the assets over the fair value of the liabilities and the Group is solvent.
- Management continues to monitor cash flows and liquidity on a daily basis applying the same assumptions as disclosed in the financial statements for the year ended 31 March 2019 which indicate sufficient cash resources for the foreseeable future subject to the availability of the usual seasonal working capital facility to cover any shortfall during the inventory build up period of the 2020/2021 sugar season and the expectation that the cash flows from future land sales will be sufficient to fund previously committed development expenditures.
- In Mozambique, a standstill agreement in respect of debt owed to lenders of the Mozambique operations was concluded on 18 December 2019. The standstill covers the period to 15 December 2020. In terms of the agreement the Group is required to deliver a debt reduction proposal by 31 March 2020 and provide a security package consisting of both the encumbered and unencumbered assets of the Mozambique operations that can be legally pledged. In addition, the standstill agreement allows for a syndicated term loan of up to US$15 million to be negotiated for which a last ranking cross border guarantee may be provided.
- The new senior term loan facilities, senior revolving credit facilities and overdraft facilities ("New SA Facilities") entered into by the South African Group are not yet effective, but at the date of this report the outstanding conditions precedent to bring into effect the New SA Facilities are considered administrative in nature with a low risk of not being met. The amendment of the Memorandum of Incorporation to remove the borrowing limitation was approved by shareholders on 7 January 2020.
- The reduction in debt through the sale of assets and/or equity raise to meet debt reduction milestones continues to progress and the first debt milestone has been achieved through the liquidation of the Tongaat Hulett Pension Fund.
- The operational turnaround plan continues to progress.
- No known material claims, or regulatory investigations have been instituted against the entities at the date of this report and the Group continues to co-operate with various regulators.

The Group has reported a net loss of R199 million for the 6 months ended 30 September 2019. The Group's current liabilities of R18 billion exceeded its current assets of R9 billion at 30 September 2019 and its total liabilities of R21 billion exceeded its total assets of R17 billion at 30 September 2019.

BASIS OF PREPARATION (continued)

IAS 29 Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board of Zimbabwe classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* ('IAS 29'), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflation accounting has therefore been applied by the Group for the 6 months ended 30 September 2019 in respect of its Zimbabwean operations.

The Group concurs with this classification, supported by the following factors:

- There was a rapid increase in official inflation rates. As at March 2019, the annual inflation rate was 67% resulting in a three-year cumulative inflation rate of 72%. The annual inflation rate through to June 2019 increased to 176% resulting in a three-year cumulative inflation rate for Zimbabwe of 185%.
- There was significant deterioration in the interbank Zimbabwe Dollar (ZWL$)[1] exchange rate during the period. Trading commenced at a closing interbank rate of ZWL$ 2.5 to US$ 1 during February 2019 and weakened to a rate of ZWL$ 15.19 to US$ 1 at 30 September 2019.
- Access to foreign currency to settle foreign currency denominated liabilities remains constrained.

Hyperinflation has been applied with effect from 1 October 2018, being the date that the functional currency of the Group's Zimbabwean operations changed from the US Dollar (as a stable currency) to the Zimbabwe Dollar.

Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index as the general price index to restate amounts as it provides an official observable indication of the change in the price of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. An impairment loss is recognised in profit or loss if the remeasured amount of a non-monetary asset exceeds the recoverable amount.

All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the change in the average monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss before tax in the statement of profit or loss and other comprehensive income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The comparative amounts in the Group financial statements have not been restated for changes in the price level as the presentation currency of the Group, being the South African Rand, is that of a non-hyperinflationary economy. Any difference between the adjusted opening balances after applying IAS 29 and the balance previously recorded by the Group are recognised in other comprehensive income as part of the foreign currency translation reserve.

The results and financial position of the Zimbabwean operations have been translated at the official inter-bank closing exchange rate of ZWLS$ 1: ZAR 0.9982 in line with the requirements of the provisions of IAS 21 *The Effects of Foreign Exchange Rates* ('IAS 21') for the translation of hyperinflationary economies.

The following general price indices and conversion factors were applied:

Date	**General price index**	**Conversion Factor**
30 September 2019	290.4	1.000
31 March 2019	104.4	2.782
1 October 2018	64.0	4.532

The average conversion factor for the 6 months to 30 September 2019 was 1,705.

Footnote:

[1] On 21 June 2019, the Government of Zimbabwe issued Statutory Instrument, (SI) 142 and introduced a single currency for local transactions called the Zimbabwe Dollar (ZWL$). References to the Zimbabwe Dollar (ZWL$) are coterminous with references to the RTGS Dollar (RTGS$), bond notes and coins, all of which are at par in value.

1. ADOPTION OF ACCOUNTING STANDARDS

1.1 Adoption of IFRS 16 *Leases* ('IFRS 16')

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases and service contracts where an identified asset is controlled by a customer.

This note explains the impact of the adoption of IFRS 16, on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019.

The Group adopted IFRS 16 using the modified retrospective approach permitted by IFRS 16, with no restatement of comparative information. The comparative information remains as previously reported under IAS 17 *Leases* and related interpretations. Consequently, the cumulative effect of adopting IFRS 16 is recognised in the opening statement of financial position on 1 April 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied on 1 April 2019 ranged from 11.83% to 12.45% in South Africa, 11.83% to 13.22% for Rand denominated leases in Mozambique and 14.48% to 15.69% for those in Metical denominated leases in Mozambique.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued operating lease payments relating to that lease recognised as at 31 March 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right to use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- to account for each lease component and any non-lease components as a single lease component. However, for leases of cane haulage vehicles and equipment for which the group is a lessee, it has elected to separate lease and non-lease components. In this case, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.
- reliance on previous assessments on whether leases are onerous.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets and lease obligations of R115 million were recognised at 1 April 2019, with no net impact on accumulated losses. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 12.92%.

The recognised right-of-use assets relate to the following types of assets:

R' million	**30 September 2019** (Unaudited)	**1 April 2019** (Unaudited)
Buildings	25	29
Land	18	20
Plant and equipment	10	12
Vehicles	12	14
Cane haulage vehicles and equipment	296	40
Total right-of-use assets	**361**	**115**

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Right-of-use assets R 115 million
- Lease liabilities R 115 million

Earnings per share decreased by 5 cents per share for the six months to 30 September 2019 as a result of the adoption of IFRS 16.

Accounting for the Group's leasing activities

The group leases various properties, including land for farming, cane haulage vehicles and equipment, plant and equipment and motor vehicles. Lease terms are typically made for fixed periods of 1 to 10 years, with the exception of land which is significantly longer, and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. ADOPTION OF ACCOUNTING STANDARDS continued

1.1 Adoption of IFRS 16 *Leases* (continued)

In calculating the present value of the lease liability and corresponding right-of-use asset the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group recognises the following leases on a straight-line basis in profit or loss:
- short-term leases - leases with a term of 12 months or less
- low-value leases - which comprise of office equipment

Leases related to farm land contain variable payment terms that are linked to a percentage of proceeds of harvested cane, as well as haulage agreements based on the amount of cane delivered. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Critical estimates and judgements

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of certain plant and equipment there are early termination options where it is reasonably certain the Group will not terminate the lease early, taking into consideration historical lease duration.

For certain building leases that are running on a month-to-month basis it is not reasonably certain for what period the lease will remain in place given the current restructure initiatives, in this case the lease term is less than 12 months.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Incremental borrowing rate used

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The calculation of the appropriate borrowing rate begins with the reference to a risk free rate and the selection of an additional spread that accounts for the entities credit risk, the collateral underpinning the lease, liquidity constraints and the lenders funding costs and margins.

1.2 Adoption of IFRIC 23 *Uncertainty over Income Tax Treatments* ('IFRIC 23')

IFRIC 23 addresses the accounting for income tax treatments that have not yet been accepted by the tax authorities. It provides a framework to consider, recognise and measure the impact of such tax uncertainties. It also clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

Management has considered the guidance in the interpretation note in determining its obligations to the tax authorities.

2. SEGMENTAL REPORTING

Overview

The Group's operating segments are identified on the basis of the internal reporting structure used by the chief operating decision maker (CODM) to make key decisions, allocate resources and to assess performance. The CODM is the Group's Executive Committee. The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes and the products that they market or manufacture.

The following reportable segments have been identified:

SUGAR OPERATIONS	Growing and processing of sugarcane to produce raw and refined sugar for sale to local and export markets. Downstream activities include the manufacture of animal feeds.
STARCH OPERATIONS	Manufacturer of starch and glucose products in South Africa, supplying some of the largest local and multinational customers operating in key food and industrial sectors.
PROPERTY	Conversion, development and sale of agricultural land to third-party customers for onward development for a range of urban uses across multiple market sectors.
CORPORATE	Comprises the Group's headquarters that provides management oversight, governance, technical support and treasury services.

The Group evaluates the performance of its reportable segments and allocates resources to segments based on revenue, operating performance and capital employed. The following is an analysis of the Group's segmental performance.

Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs/income, and income tax expense. Taxation and finance costs are not allocated to segments as these are specialised functions that are managed centrally. Sales between segments are recorded at prices that approximate market prices. Inter-segment transactions are eliminated on consolidation.

Business segments

6 months ended 30 September 2019 (Unaudited)	**Sugar Operations**										
R' million	**South Africa**	**Mozambique**	**Other SADC[1]**	**Total Sugar Operations - excluding Zimbabwe**	**Zimbabwe**	**Total Sugar Operations**	**Starch Operations**	**Property**	**Corporate**	**Inter-segment / Unallocated**	**Total**
Segment revenue	**2 662**	**909**	**778**	**4 349**	**1 600**	**5 949**	**2 101**	**425**	**-**	**(390)**	**8 085**
External customers	*2 295*	*909*	*778*	*3 982*	*1 577*	*5 559*	*2 101*	*425*	*-*	*-*	*8 085*
Inter-segment	*367*	*-*	*-*	*367*	*23*	*390*	*-*	*-*	*-*	*(390)*	*-*
Profit from operations	**(283)**	**122**	**88**	**(73)**	**928**	**855**	**305**	**243**	**(125)**	**-**	**1 278**
Depreciation and amortisation	89	100	8	**197**	50	247	**61**	**-**	**-**	**-**	**308**
EBITDA[2]	**(194)**	**222**	**96**	**124**	**978**	**1 102**	**366**	**243**	**(125)**	**-**	**1 586**
Non-trading items - loss / (profit)	6	(1)	-	5	-	5	-	-	-	-	**5**
Fair value adjustments to biological assets	**30**	**59**	**33**	122	(261)	(139)	-	-	-	-	**(139)**
Adjusted EBITDA[3]	**(158)**	**280**	**129**	**251**	**717**	**968**	**366**	**243**	**(125)**	**-**	**1 452**
Segment assets [4]	**3 902**	**3 074**	**445**	**7 421**	**3 099**	**10 520**	**2 203**	**1 808**	**32**	**-**	**14 563**
Capital expenditure [5]	**11**	**57**	**7**	**75**	**20**	**95**	**26**	**-**	**9**	**-**	**130**
Expansion	*-*	*36*	*-*	*36*	*-*	*36*	*-*	*-*	*-*	*-*	*36*
Replacement and core	*10*	*21*	*7*	*38*	*20*	*58*	*26*	*-*	*9*	*-*	*93*
Intangibles	*1*	*-*	*-*	*1*	*-*	*1*	*-*	*-*	*-*	*-*	*1*

2. SEGMENTAL REPORTING (continued)

Business segments (continued)

6 months ended 30 September 2018 Restated (Unaudited) R' million	Sugar Operations										
	South Africa	Mozambique	Other SADC[1]	Total Sugar Operations - excluding Zimbabwe	Zimbabwe	Total Sugar Operations	Starch Operations	Property	Corporate	Inter-segment / Unallocated	Total
Segment revenue	**2 611**	**676**	**696**	**3 983**	**2 589**	**6 572**	**1 871**	**92**	**-**	**(328)**	**8 207**
External customers	*2 337*	*676*	*696*	*3 709*	*2 535*	*6 244*	*1 871*	*92*	*-*	*-*	*8 207*
Inter-segment	*274*	*-*	*-*	*274*	*54*	*328*	*-*	*-*	*-*	*(328)*	*-*
Profit from operations	**(121)**	**(211)**	**94**	**(238)**	**306**	**68**	**305**	**(6)**	**(52)**	**-**	**315**
Depreciation and amortisation	95	48	8	**151**	182	333	**54**	**1**	**-**	**-**	**388**
EBITDA[2]	**(26)**	**(163)**	**102**	**(87)**	**488**	**401**	**359**	**(5)**	**(52)**	**-**	**703**
Non-trading items - loss / (profit)	-	3	-	3	62	65	-	-	-	-	**65**
Fair value adjustments to biological assets	(5)	123	20	138	186	324	-	-	-	-	**324**
Adjusted EBITDA[3]	**(31)**	**(37)**	**122**	**54**	**736**	**790**	**359**	**(5)**	**(52)**	**-**	**1 092**
Segment assets [4]	**4 063**	**3 046**	**440**	**7 549**	**6 314**	**13 863**	**2 347**	**1 833**	**16**	**-**	**18 059**
Capital expenditure [5]	**110**	**401**	**8**	**519**	**169**	**688**	**39**	**-**	**-**	**-**	**727**
Expansion	*13*	*334*	*-*	*347*	*-*	*347*	*-*	*-*	*-*	*-*	*347*
Replacement and core	*91*	*64*	*8*	*163*	*169*	*332*	*39*	*-*	*-*	*-*	*371*
Intangibles	*6*	*3*	*-*	*9*	*-*	*9*	*-*	*-*	*-*	*-*	*9*

Notes:

1. Other SADC operations include a sugarcane estate in eSwatini and distribution operations in Botswana and Namibia.

2. EBITDA represented profit from operations adjusted to exclude depreciation and amortisation.

3. Adjusted EBITDA is defined as EBITDA adjusted to exclude any impairment (or reversal thereof), any non-trading items as well as any fair value adjustments related to biological assets.

4. Segment assets represent total assets, adjusted for deferred tax, long-term receivables, investments, current tax assets and derivatives financial instruments.

5. Capital expenditure comprises additions of property, plant and equipment (including cane roots) as well as intangible assets.

Seasonality effects on operating segments

Sugar

The financial results of the sugar operations, being largely agricultural in nature, are significantly affected by seasonality. The financial results of a complete season, which include sugarcane cultivation, harvesting, milling and refining activities, are captured in the twelve month results to 31 March. Due to this seasonality, there are a number of factors that can impact period-on-period comparability of the financial results presented in the interim financial statements, including:

- In terms of various sugar industry agreements, certain cash payments and receipts occurring during the season are derived from the expected production tonnages, estimated sales volumes into different markets, and prices to be achieved for the season as a whole. The effect of this is that sugar sales proceeds received and sugarcane prices paid (i.e. sucrose or sugarcane) may be provisional in nature until the conclusion of the season.
- The timing of when the sugar season commences, or any other delay in the season (e.g. industrial action, heavy rainfall) can affect the production volumes recorded in the interim reporting period and create period-on-period timing differences that may not be indicative of underlying operational or financial performance.
- At the end of an interim reporting period, the quantity of sugar stock designated for sale into low-priced export markets may vary considerably and necessitate an adjustment of this stock to its net realisable value.
- A sugar mill operates for approximately nine months of the year and has to produce sufficient stocks to be sold into the market over twelve months. As a consequence, the working capital requirements to fund the build-up of inventory peak between September and December. In addition, during the three month shutdown a significant amount of maintenance is carried out to restore the plant and machinery to its condition at the beginning of the season.
- Biological assets are influenced by the age profile of standing cane with an increase in age towards the end of the year due to harvesting in the earlier part of the season.

Starch

The financial results of the starch operations, being closely dependent on the maize harvesting season are affected by seasonality as follows:

- Working capital requirements peak between June and August when maize is harvested by and purchased from private farmers.
- During the months from October through to November, sales volumes tend to be higher that other months to support the starch requirement of customers in various sectors ahead of the summer holiday period.

3. BORROWINGS

R' million	31 March 2019 (Audited)	Capital Raised	Capital Repaid	Non-Monetary Gain	Effects of Foreign Currency	30 September 2019 (Unaudited)	30 September 2018 Restated (Unaudited)
Borrowings in functional currency							
Secured borrowings at amortised cost	1 266	423	(782)	-	56	963	1 693
Unsecured borrowings at amortised cost	9 868	6 657	(4 601)	(35)	(1)	11 888	10 600
Term loans	*3 230*	-	-	-	-	*3 230*	*3 230*
Bonds	*1 100*	-	-	-	-	*1 100*	*1 100*
Development finance	*662*	-	-	-	-	*662*	*662*
General short-term	*3 861*	*5 953*	*(3 861)*	-	-	*5 953*	*5 098*
Other	*1 015*	*704*	*(740)*	*(35)*	*(1)*	*943*	*510*
Borrowings not in functional currency							
Secured borrowings at amortised cost	58	5	(35)	-	3	31	123
Unsecured borrowings at amortised cost	245	-	(66)	(133)	64	110	170
Finance lease liabilities	1					1	2
Total borrowings	**11 438**	**7 085**	**(5 484)**	**(168)**	**122**	**12 993**	**12 588**

The company has not met the default financial covenants of its term loans and as such the borrowing are repayable on demand and classified as current. A covenant waiver was concluded with various lenders in May 2019 and a debt refinancing agreement was entered into in December 2019. Refer to note 12 - Events occurring after the reporting period.

The increase in borrowings is mainly related to inventory build-up in the first half of the year in the sugar business, and a normalisation of trade payables to align Group credit terms.

4. REVENUE

The Group generates revenue primarily from the sale of land, sugar, starch, glucose and other related products.

Revenue is derived from the transfer of goods and services over time and at a point in time in respect of the following:

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 Reclassified (Audited)
Revenue from contracts with customers from:			
Sugar operations			
South Africa	**2 295**	**2 337**	**5 078**
Sugar sales	1 743	1 730	4 068
Animal feeds	552	607	1 010
Zimbabwe	**1 577**	**2 535**	**4 360**
Sugar sales	1 501	2 381	4 125
Alcohol	50	108	169
Molasses	18	27	45
Livestock and other	8	19	21
Mozambique	**909**	**676**	**1 403**
Sugar sales	846	636	1 347
Specialties and molasses	63	40	56
Other SADC	**778**	**696**	**1 279**
Sugar sales	778	696	1 278
Livestock and other	-		1
	5 559	**6 244**	**12 120**
Land conversion and development	**425**	**92**	**941**
Sale of land	360	24	733
Provision of services	65	68	208
Starch operations	**2 101**	**1 871**	**4 008**
Starch, glucose and other related products	2 101	1 871	4 008
	8 085	**8 207**	**17 069**
Timing of revenue recognition			
At a point in time	8 020	8 139	16 861
Over time	65	68	208
	8 085	**8 207**	**17 069**

The revenue at 31 March 2019 has been reclassified to include a breakdown of 'Other SADC'. These figures were previously reported under 'Mozambique'.

5. TAXATION

The income tax expense for the interim reporting period represents the sum of current and deferred tax accrued using the statutory rates applicable to the various tax jurisdictions in which the group operates. The income tax expense is based on management's best estimate of the annual effective tax rate.

The effective tax rate for the 6 months ended 30 September 2019 was 441,7% (September 2018: 19,3%). The higher effective tax rate is mainly due to a deferred tax asset not being recognised on tax losses where, given that the group has estimated tax losses in excess of R5,097 billion, there is uncertainty whether the tax loss will be utilised within the next three years. The non-taxable net monetary loss of R329 million has further contributed to the increased effective tax rate.

6. LOSS PER SHARE AND HEADLINE LOSS PER SHARE

The calculation of basic loss per share has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Reconciliation of loss:			
The calculation of basic and headline earnings per share is based on:			
Net loss attributable to owners of Tongaat Hulett	**(318)**	**(392)**	(1 063)
Adjusted for:			
Profit on disposal of land, cane roots and buildings	-	-	1
Tax effect of profit on disposal of land, cane roots and buildings	1	-	3
Profit on disposal of property, plant and equipment	(2)	2	39
Tax effect of profit on disposal of property, plant and equipment	-	-	(11)
Impairment loss on property, plant and equipment	-	-	240
Tax effect of impairment loss on property, plant and equipment	-	-	(3)
Reversal of impairment loss on property, plant and equipment	(1)	-	(305)
Tax effect of reversal of impairment loss on property, plant and equipment	-	-	78
Impairment loss on intangible assets	-	3	-
Tax effect of impairment loss on intangible assets	-	(1)	-
Derecognition of growing crops and cane roots	6	62	58
Tax effect of derecognition of growing crops	(1)	(16)	(15)
Minority interest	-	(12)	55
Headline loss	**(315)**	(354)	(923)
Number of shares: ('000)			
The weighted average number of shares in issue amounts to:	**135 113**	**110 008**	**112 277**

The Tongaat Hulett's shares held by the Group's Broad-Based Black Empowerment entities were transferred to the preference share funders following a decline in the Group's share price. This transaction has resulted in the weighted average number of shares in issue used for the calculation of loss per share and headline loss per share increasing by 25 million shares.

Cents	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Loss per share			
Basic and diluted	(235)	(356)	(948)
Headline loss per share			
Basic and diluted	(233)	(322)	(823)
A comparable loss per share calculation was performed using values that excluded the results of the Zimbabwean operations.			
Loss per share *- excluding the Zimbabwean operations*			
Basic and diluted	(355)	(492)	(1 568)
Headline loss per share *- excluding the Zimbabwean operations*			
Basic and diluted	(353)	(487)	(1 285)

The Group has potential ordinary shares held in the employee share option plan and management share option plan that have not vested or are unallocated, in addition to contingently issuable shares held by employees in terms of employee incentive schemes which are anti-dilutive for the periods ended 30 September 2018 and 30 September 2019. The diluted loss per share and diluted headline loss per share have therefore been calculated based on the weighted average number of shares in issue.

7. CAPITAL MANAGEMENT

The Group's objective is to manage its capital to ensure that its operations are able to continue as a going concern and achieve a sustainable debt level given the recent events that have taken place and the position in which the Group currently finds itself.

The capital structure of the Group continues to consist of debt, which includes borrowings, cash and cash equivalents and equity. As a result of a breach of financial covenants, term borrowings remain classified as current at 30 September 2019, 30 September 2018 and 31 March 2019.

Management continue to implement a turnaround plan, with a key focus being the restructuring of debt (refer to note 12 Events occurring after the reporting period).

8. FINANCIAL INSTRUMENTS

Accounting classifications and fair values

The Group's activities expose it to a variety of financial risks, including:
a) capital risk
b) credit risk
c) market risk (including foreign currency risk, commodity price risk and interest rate risk)
d) liquidity risk

The condensed consolidated financial statements do not include all financial risk management information and should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2019.

The following table summarises the carrying amount of financial instruments and sets out the Group's classification of each class of financial assets and liabilities, as well as a comparison to their fair values. The different fair value levels are described below:

- *Level 1:* quotes prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly *(i.e. derived from prices).*
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

R' million	Fair value level	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Financial assets				
Measured at amortised cost:				
Other non-current financial assets		161	429	197
Trade and other receivables*		1 427	1 637	1 064
Cash and cash equivalents**		650	3 194	962
Fair value through profit or loss:				
Derivative financial instruments	2	-	-	12
Total		**2 238**	**5 260**	**2 235**
Financial liabilities				
Measured at amortised cost:				
Trade and other payables*		4 158	5 394	3 316
Borrowings***		12 993	12 588	11 438
Fair value through profit or loss:				
Derivative financial instruments	2	4	15	-
Total		**17 155**	**17 997**	**14 754**

* The fair value of these instruments approximates their carrying value, due to their short-term nature.
** The carrying value of cash is considered to reflect its fair value.
*** Since the borrowings have been classified as current, the fair value thereof approximates the carrying value as they are repayable on demand.

9. RELATED PARTY TRANSACTIONS

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 are eliminated on consolidation.

Transactions between the Group and its related parties are disclosed below.

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Goods and services			
Transacted with / between joint venture (DNA) of Tongaat Hulett	846	636	1 495
Loan balances			
Pension Fund loan payable	143	107	112

10. REPORTING ON THE ZIMBABWEAN OPERATIONS

The Group results are impacted by the significant currency devaluation between the Zimbabwe Dollar (ZWL$) and the South African Rand and the application of the provisions of IAS 29 that complicates comparability on a Group level. The Group's Zimbabwean operations have applied hyperinflationary accounting for the 6 months ended 30 September 2019. A net monetary loss of R330 million arose from the application of IAS 29. The results, net assets and cash flows were translated from ZWL into rand at a closing rate of 1 ZWL$ to R0,9982 compared to 1 ZWL$ to R4,80 at March 2019, which had a material impact on the results.

Refer to the Basis of Preparation for further detail pertaining to reporting in hyperinflationary economies.

Refer to note 6 for the comparable earnings which reflect the earnings per share and headline earnings per share excluding the results of the Zimbabwean operations.

The standalone statement of profit or loss and other comprehensive income and statement of financial position of the Group's Zimbabwean operations, after adjusting for inflation and translating at the closing exchange rate, are presented below for ease of reference. Comparatives have not been adjusted for the impact of inflation as they were already presented in Rand (a stable currency).

Statement of profit or loss and other comprehensive income
for the period ended

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Revenue	1 578	2 589	4 469
Cost of sales	(310)	(1 257)	(2 194)
Gross profit	**1 268**	**1 332**	**2 275**
Marketing and selling expenses	(225)	(340)	(621)
Administrative and other expenses	(283)	(485)	(827)
Other operating income	216	(156)	382
Other non-trading items		(62)	247
Profit from operations	**976**	**289**	**1 456**
Net finance costs	(155)	(11)	(98)
Finance costs	*(160)*	*(39)*	*(155)*
Finance income	*5*	*28*	*57*
Net monetary loss	(329)	-	-
Share of net profit of associates	3	-	2
Profit before taxation	**495**	**278**	**1 360**
Income tax expense	(215)	(72)	(446)
Profit for the period	**280**	**206**	**914**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations	(732)	772	(2 528)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-retirement benefit obligations	(16)	-	(81)
Tax effect of remeasurement of post-retirement benefit obligations	4	-	21
Other comprehensive income / (loss) for the period, net of tax	**(744)**	**772**	**(2 588)**
Total comprehensive income / (loss) for the period	**(464)**	**978**	**(1 674)**

These results of the Zimbabwean operations do not include inter-group eliminations.

10. REPORTING ON THE ZIMBABWEAN OPERATIONS (continued)

Statement of Financial Position
as at

R' million	Note	30 September 2019 (Unaudited)	30 September 2018 Restated (Unaudited)	31 March 2019 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment		958	2 576	1 130
Other intangible assets		23	87	29
Investments in subsidiaries and joint operations		(263)	(263)	(263)
Amounts owing by Group companies		12	51	129
Investments in associates and joint venture		3	14	6
Other non-current financial assets		11	161	54
Total non-current assets		**744**	**2 626**	**1 085**
Current assets				
Inventories		916	1 738	461
Biological assets		816	990	957
Trade and other receivables		387	922	555
Current tax assets		5	37	-
Cash and cash equivalents		230	2 674	731
Total current assets		**2 354**	**6 361**	**2 704**
TOTAL ASSETS		**3 098**	**8 987**	**3 789**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		-	-	-
Accumulated losses		3 044	2 481	2 901
Other reserves		(1 940)	2 083	(1 208)
Total equity attributable to owners of Tongaat Hulett Limited		**1 104**	**4 564**	**1 693**
Non-controlling interests		528	1 028	541
Total equity		**1 632**	**5 592**	**2 234**
Non-current liabilities				
Deferred tax liabilities		522	727	436
Post-retirement benefit obligations		41	227	160
Amounts owing to Group companies		110	207	255
Total non-current liabilities		**673**	**1 161**	**851**
Current liabilities				
Borrowings	4	130	1 136	337
Trade and other payables		657	1 078	324
Post-retirement benefit obligations		4	20	-
Current tax liabilities		2	-	43
Total current liabilities		**793**	**2 234**	**704**
TOTAL EQUITY AND LIABILITIES		**3 098**	**8 987**	**3 789**

These results of the Zimbabwean operations do not include inter-group eliminations.

11. RESTATEMENTS

As disclosed in the Group's financial statements at and for the year ended 31 March 2019 the financial statements at and for the year ended 31 March 2018 were restated as a result of the identification of a number of prior period errors.

The Group financial statements at and for the 6 months ended 30 September 2018 were released prior to the identification of the prior period errors and therefore management have presented below the impact of correcting the financial statements at and for the 6 months ended 30 September 2018 as previously reported.

Impact of the restatements on the Statement of Financial Position as at

R' million	30 September 2018 Previously Reported (Unaudited)	Restatements	30 September 2018 Restated (Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	15 906	(8 581)	7 325
Goodwill	407	(361)	46
Other non-current assets	1 194	582	1 776
Total non-current assets	**17 507**	**(8 360)**	**9 147**
Current assets			
Inventories	6 886	(261)	6 625
Biological assets	2 290	(771)	1 519
Trade and other receivables	5 092	(3 101)	1 991
Other current assets	42	15	57
Cash and cash equivalents	2 908	286	3 194
	17 218	**(3 832)**	**13 386**
Assets classified as held for sale		107	107
Total current assets	**17 218**	**(3 725)**	**13 493**
TOTAL ASSETS	**34 725**	**(12 085)**	**22 640**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	135	-	135
Share premium	1 544	-	1 544
BEE held consolidation shares	(635)	-	(635)
Accumulated profit / (losses)	9 064	(11 943)	(2 879)
Other reserves	1 763	(117)	1 646
Total equity attributable to owners of Tongaat Hulett Limited	**11 871**	**(12 060)**	**(189)**
Non-controlling interests	2 197	(1 122)	1 075
Total Equity	**14 068**	**(13 182)**	**886**
Non-current liabilities			
Deferred tax liabilities	2 324	(1 493)	831
Borrowings	5 023	(5 023)	-
Provisions and other non-current liabilities	843	1 077	1 920
Total non-current liabilities	**8 190**	**(5 439)**	**2 751**
Current liabilities			
Borrowings	5 639	6 949	12 588
Trade and other payables	6 099	(670)	5 429
Provisions and other current liabilities	729	230	959
	12 467	**6 509**	**18 976**
Liabilities directly associated with assets classified as held for sale	-	27	27
Total current liabilities	**12 467**	**6 536**	**19 003**
TOTAL EQUITY AND LIABILITIES	**34 725**	**(12 085)**	**22 640**

The Namibian operations was first disclosed as held for sale on 31 March 2019 and relates to a reclassification and not a restatement. Refer to note 12.

Impact of the restatements on the Statement of Profit or Loss for the period ended

R' million	6 months ended 30 September 2018 Previously Reported (Unaudited)	Restatements	6 months ended 30 September 2018 Restated (Unaudited)
Revenue	**8 808**	**(601)**	**8 207**
Profit / (loss) from operations	**530**	**(215)**	**315**

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

A number of significant events disclosed in the Group's financial statements at and for the year ended 31 March 2019 occurred subsequent to 30 September 2019 and relevant information, including any updates, relating to those events have been included below.

Turnaround plan

Significant progress continues to be made in the implementation of the turnaround plan and the development of a robust remedial plan that will contribute to significantly improving the operations and oversight of the business and governance at all levels within the organisation. As a consequence of the turnaround plan there are a number of once-off restructuring and retrenchment costs being incurred over a period of time.

Mozambique debt

In Mozambique, a standstill agreement in respect of debt owed to lenders of the Mozambique operations was concluded on 18 December 2019 (refer to Going Concern Note).

South African debt

In South Africa, the covenant waiver concluded with various lenders in May 2019 in respect of the breach of financial covenants remains in effect until the refinancing agreement becomes effective.

As part of its debt restructuring initiative, the South African Group entered into new senior term loan facilities, senior revolving credit facilities and overdraft facilities ('New SA Facilities') on new commercial terms including the provision of security. The New SA Facilities will be used to primarily refinance amounts owing to lenders in South Africa under existing facilities and to fund general corporate and working capital requirements. At the date of this report fulfilment of the conditions precedent is well progressed. The outstanding conditions precedent to bring into effect the New SA Facilities are considered to be administrative in nature with a low risk of not being met (refer to Going Concern Note).

As a condition of the overall debt restructuring, the existing Maize facilities available to the Starch operations are required to be structured to formalise the security arrangements. At this point, the key terms of the restructure have been agreed.

Disposal of core and non-core assets

Management continues to make significant progress with its plans to meet debt reduction milestones arising from the debt restructure. This is expected to be achieved via a combination of non-core and potentially core asset disposals and a rights issue. In November 2019, the Group disposed of its 51% stake in Tongaat Hulett Namibia. The disposal remains subject to the Namibian Competition Approval and is expected to result in gross proceeds of R112 million. It has been disclosed as an asset classified as held for sale since 31 March 2019. As it does not represent a separate major line of business or major geographical area, it has not been disclosed as a discontinued operation. The contribution to profit from operations for the 6 months ended 30 September 2019 was R16 million (Sep 2018 : R29 million).

The Group continues to receive non-binding expressions of interest in relation to various operations and assets within the Group.

Pension fund employer surplus account

The liquidation of the Tongaat Hulett Pension Fund surplus has been completed. The first liquidation distribution of R500 million, representing the majority of the funds, has been received. This will be used to meet the first debt reduction milestone arising from the debt restructure.

Uzinzo transaction

Effective 1 October 2019 Uzinzo Sugar Farming Proprietary Limited ("Uzinzo") was established as part of the Group's transformation initiative. The Group holds a 20% interest in Uzinzo with the remaining interest held by various black sugar farmers and black employees. Uzinzo entered into a 10 year lease for sugar cane estates owned by the Group. In terms of the lease Uzinzo took over the sugar cane farming operations of these estates with certain requirements to return the estates back to the Group in the same conditions at the end of the lease. Furthermore a cane supply agreement was entered into between the Group and Uzinzo. The Group made a cash contribution to Uzinzo of approximately R10 million.

Governance changes

Mr Louis van Zeuner, assumed the role of non-executive Chairman of the Board with effect from 1 October. Mr Andile Sangqu, Ms Linda de Beer, Mr Jean Nel and Mr Robin Goetzsche were appointed as new independent non-executive directors on the Board with effect from 1 October 2019. Mr Dan Leseja Marokane was appointed as an executive director on 18 November 2019.

Independent non-executive directors Mr Stephen Beesley and Ms Fatima Daniels stepped down from their position as directors with effect from 24 January 2020. The company secretary, Ms Maditshaba Mahlari resigned 15 November 2019 and Mr Johann van Rooyen was appointed as company secretary as from 1 January 2020.

Regulatory investigations

The investigation by the FSCA relating to the potential contravention of Section 81 of the Financial Markets Act, is pending.

The Group continues to cooperate with enquiries from other regulators, such as the JSE Limited.