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

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

2019 IN PERSPECTIVE

Financial features	Operational features
• Revenue of R17,069 billion, down 2%	• Financial and strategic review undertaken
• Operating profit of R1,207 billion (2018: R142 million)	• Forensic investigation undertaken into accounting irregularities
• EBITDA* of R1,860 billion (2018: R727 million)	• New board appointed
• Basic loss per share of 948 cents (2018: loss of 1 054 cents)	• New executive committee appointed
• Headline loss of R923 million (2018: headline loss of R947 million)	• Debt restructured and refinanced
• Headline loss per share of 823 cents (2018: loss of 861 cents)	• Cost reduction programme implemented
• Cash inflow from operations of R1,720 billion, down 8% from the R1,876 billion reported in the prior year	• New strategy developed and implemented
• No dividend declared	• Disposal of Tongaat Hulett Namibia

* Earnings before Interest, Tax, Depreciation & Amortisation.

INTRODUCTION

The total restatement amounts to R11,886 billion. Tongaat Hulett highlighted to shareholders in May 2019 that the group's audited consolidated financial statements for the year ended 31 March 2018 would need to be restated. At the time of the announcement it was estimated that the impact on equity would be a reduction of between R3,5 and R4,5 billion. The difference between this range and the R11,886 billion is mainly due to impairments and the derecognition of expropriated land in Zimbabwe of R4 billion and some R3 billion of deferred tax assets that have not been recognised.

Despite these restatements, it is encouraging to note that core business remains strong with positive cash flows from operating activities and strong margins at an operational profit level. Our investment case is supported by our lenders, with whom we have signed debt refinancing agreements.

Tongaat Hulett has gone through significant change since the beginning of the 2019 calendar year, which has culminated in a new board and executive management team, considerably strengthened governance and financial structures, with a new vision and strategy underpinned by key values. The group initiated an independent forensic investigation into suspected accounting irregularities, the key findings of which were recently published, and has implemented a range of corrective actions to effectively respond to the recommendations contained in the review. A key component of these was to review and strengthen current accounting policies and restate prior financials to more accurately reflect Tongaat Hulett's underlying business performance. Tongaat Hulett also took the necessary steps to stabilise the business, restructure its high debt levels and initiate processes to start reducing the debt to more sustainable levels.

Operational performance continued to decline despite sustained good performance from the starch operation and the land development business benefitting from the revised revenue recognition policy. The operational performance decline was mainly due to the overhang of surplus sugar arising from excessive imports in South Africa and Mozambique, a significant reduction in demand for sugar in South Africa as a result of the Health Promotion Levy (sugar tax) and low world sugar prices.

Despite the challenges of the past year, Tongaat Hulett has made considerable progress on its journey to recovery and continues to advance with resetting its base. The initial phases of reducing the group’s debt through streamlining and rationalising operations and improving business performance and accountability have commenced. Twelve key projects across all areas of the business have been rolled out, aimed at maximising net cash. We are pleased with the progress across all projects and are cautiously confident that we are on track to achieve our cash flow objectives. We have also identified and initiated a process to sell non-core assets, with some projects well advanced. The group post year-end announced the disposal of its sugar packaging and distribution business, Tongaat Hulett (Namibia) (Proprietary) Limited, for N$220 million (R220 million). Tongaat Hulett owns 51% of the company and its share of the proceeds will be utilised to reduce debt levels.

Tongaat Hulett remains a leading African agri business, a leader in starch and glucose manufacture and in multiple sugar markets while owning one of the largest portfolios of prime land in South Africa. Our opportunities lie in our ability to maximise the potential of these assets to create value for our shareholders, as well as for the economies in which we participate.

Restatement of prior financial results

Immense focus has been applied to determine and disclose the true financial position of the group, increasing the robustness of the accounting and financial governance frameworks, improving financial discipline and strengthening the balance sheet. Areas of revenue recognition, asset valuation, capitalisation of costs and provisioning policies were specifically scrutinised based on issues raised in the PwC forensic investigation, the internal financial review, as well as input from the JSE Limited.

Existing accounting policies were thoroughly reviewed, revised, approved and applied with oversight from the Audit Committee. Significant focus has gone into strengthening the governance around areas of key financial judgement and the design and implementation of appropriate decision frameworks for critical assessments, with the aim to achieve technically correct and commercially sensible outcomes. Details of key judgements and estimates are fully disclosed in the Annual Financial Statements. In many cases, the restatements go back several years and have been adjusted to result in a total restatement as at 31 March 2017

Key restatements

The required adjustments include the reassessment of land sales against the IFRS revenue recognition criteria and the associated profit margins, a revision to growing cane valuations, and a reversal of costs capitalised on a cumulative basis to, among others, projects, cane roots, maintenance and inventory. These adjustments have all been implemented in the preparation of the Annual Financial Statements for the 2019 financial year. Key outcomes of the restatements are reflected below:

R million	2018 Restated	2018 Published
Revenue	R17,505 billion	R16,982 billion
Operating profit	R142 million	R1,956 billion
Total assets	R18,686 billion	R29,115 billion
Equity	R62 million	R12,009 billion
Borrowings	R11,303 billion	R9,125 billion

FINANCIAL RESULTS

Tongaat Hulett's gross revenue for the 2019 year of R17,069 billion was lower than the R17,505 billion in 2018. Operating profit of R1,207 billion reflects a significant increase on the R142 million generated in the prior year. Net finance costs increased by 24% to R1,361 billion (2018: R1,095 billion), culminating in a loss for the year of R792 million, a 27% decrease on the R1,083 billion (restated) loss in 2018. The headline loss for the year was R923 million (2018: R947 million loss) translating into basic earnings loss per share for the period of 948 cents per share (2018: -1 054 cents), and headline loss per share of 823 cents per share (2018: -861 cents). No dividend was declared.

Gross profit increased by 48% to R4,622 billion (2018: R3,114 billion). An increase in the group's fair value of biological assets of R470 million is largely attributable to currency fluctuations in Zimbabwe. A net impairments reversal contributed R65 million, relative to an impairment of R258 million in the prior year.

Finance costs of R1,361 billion have been significant and have placed severe constraints on liquidity, again underlining the imperative to substantially reduce debt and improve cash flow as part of the turnaround plan.

Capital expenditure, and specifically the replanting of roots has been curtailed in consideration of the group's cash flow constraints and has reduced from R1,258 billion to R1,089 billion. Cash generated from operations declined from R1,876 billion to R1,720 billion.

In May 2019, the group concluded a waiver and undertaking agreement with its lenders to waive their rights arising from any breach of financial covenants contained in the Facilities agreements for the measurement date falling on 31 March 2019. The waiver and undertaking agreement is in relation to existing South African short- and long-term facilities. Long-term borrowings have been reclassified to short term as at 31 March 2018.

Tongaat Hulett has restructured its debt in South Africa and has entered into new facilities which will come into effect once certain outstanding administrative conditions are met. The group has agreed with the South African Lenders that they will execute a plan to reduce the level of debt by a minimum of R8,1 billion by 30 September 2021.

Tongaat Hulett has also, post year-end, negotiated a debt standstill agreement with its lenders in Mozambique until 31 December 2020.

The reduction of the group debt will be achieved by a combination of cost savings, the sale of certain non-core assets, as well as the possibility of 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.

GOING CONCERN

The Board considered Tongaat Hulett's ability to continue as a going concern. In formulating its assessment, the Board utilised all the information at its disposal, with particular focus on the short and long-term cash flow forecasts as well as the impact and likelihood of the debt restructure/refinance and of its ability to raise additional seasonal liquidity facilities. The Board is of the view that given the significant headroom in the fair value of the assets over the fair value of the liabilities, the group and company are solvent as at 31 March 2019 and at the date of this report.

The ability of the entities to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the ability to realise cash through a combination of disposals of core or non-core assets, or part thereof, and the successful raising of equity. The liquidity dependencies indicate that a material liquidity uncertainty exists, that may cast doubt on the company and the group's ability to continue as a going concern.

The Board has no intention to cease trading, curtail operations nor liquidate the businesses, other than the strategic disposals that may be necessary to reduce debt. The Board remains focused on, and committed to, the turnaround strategy and repayment of debt. The Board has concluded that the company and group are able to discharge liabilities in the normal course of business and are committed to continue as a going concern in the foreseeable future.

SEGMENTAL PERFORMANCE

Starch and glucose

The starch and glucose operations have a high quality, widely diversified product range and a well-established market position in a growing market. The starch and glucose operations increased operating profit by 15% to R656 million (2018: R568 million). Margins benefited from lower maize prices that traded closer to export parity levels after the prior season record crop and a surplus crop in the current season. Improved co-product realisations also contributed to improved margins. The benefit of new market development initiatives and the ongoing success in displacing imports, was masked by weaker local consumer demand, particularly in the alcoholic beverage sector, and by customer production constraints within the coffee creamer sector during the first half of the year. The business continues to be a strong cash generator.

Sugar

The various sugar operations recorded an operating profit of R346 million, relative to a R437 million loss in the prior year. The increase was mainly attributable to a fair value gain and foreign currency translation benefits in the Zimbabwe operations. The Zimbabwe sugar operations generated operating profit of R1,201 billion (2018: R425 million). Significant currency gains and a 66% increase in sugar prices translated into a significant fair value gain in standing cane valuations. Readers should note that after the year-end, the Zimbabwean currency has experienced a significant decline and has entered hyperinflation. Management continues to engage with relevant authorities regarding the repatriation of dividends.

Sugar production in Zimbabwe grew from 392 000 tons to 453 700 tons, while yields also improved following the recovery from the drought and through increased irrigation. Local demand has remained steady despite the substantial increases in the sugar price, as sugar is regarded as a defensive holding against a declining currency. The Zimbabwe operations have focused on growing exports to generate foreign currency. Export sales have increased from 58 000 tons per annum to 130 000 tons, trading off lower global sugar prices for hard currency.

The Mozambique sugar operations recorded an operating loss of R471 million, relative to a loss of R306 million in the prior year. Sugar production increased by 5% to 229 700 tons, relative to 218 000 tons in 2018. The cyclone that damaged areas surrounding Mafambisse did not have a material impact on yields in 2019 but is expected to have a notable impact in the next financial year. Local market sales declined to 125 000 tons per annum (2018:151 000 tons), primarily due to increased imported product. Export replacement of local market sales had a negative impact on profitability. The increasing imports have been stemmed to a large extent, through tightened border controls and incentives offered.

South African sugar had an extraordinarily challenging year due to an importation overhang from the previous season and pre-purchases of stock by major clients in anticipation of the 20% price increase in September 2018. Sugar production increased by 16% to 597 300 (2018:513 000). Local demand has declined markedly as a result of the introduction of the Health Promotion Levy in 2018, with estimates of the impact as high as 300 000 - 400 000 tons per annum. Significant duty-free imports from Swaziland also contributed to the oversupply. South African sugar operations generated an operating loss of R482 million (2018 loss of: R610 million).

Land portfolio and property development

No significant new land sale transactions were concluded in the financial year ending March 2019. Since February 2019, six historic land deals had to be cancelled due to non-performance. With the new revenue recognition policy aligning with the transfer of the property to the purchaser, historic deals to the value of R940 million were re-recognised in the current (2019/20) financial year, realising operating profit of R273 million (2018: R135 million). Cash collected in the year ending March 2019 from land sales was R1,037 billion. Of the R2,562 billion debtors balance reported at 31 March 2018 (prior to the restatement), R689 million remains in the order book where deals have been concluded but various planning approvals remain outstanding.

Post year-end, the group disposed of one property in Sibaya to the value of R148 million, with the deal recognised and cash received. A second deal concluded in 2018 for R210 million, was also closed off and cash received. Both deals had a positive impact on cash flow.

DIVIDEND

In view of the group's current financial status, the Board has determined that no dividend should be declared for the 2019 financial year. It is also envisaged that no further dividends will be declared until the debt restructuring has been completed, currently targeted to be by March 2021. Post the debt restructuring, it is envisaged that the future dividend policy will favour the consideration of the extent of free cash flow generation as well as the ongoing capital and expenditure requirements of the group, rather than being driven only by earnings.

CHANGES TO THE BOARD

Mr Gavin Hudson was appointed as Chief Executive Officer in February 2019 and Mr Rob Aitken was appointed as Chief Financial Officer in March 2019. They replaced CEO Mr Peter Staude who retired 31 October 2018 and Mr Murray Munro who stepped down as CFO with effect from 7 August 2018. Mrs Jenitha John and Mrs Nonhlanhla Mjoli-Mncube also resigned from the Board on 31 May 2019 and 30 June 2019 respectively.

Non-executive director and Chairman of the Board, Mr Bahle Sibisi, independent non-executive directors Ms Rachel Kupara, Mr Brand Pretorius and Dr Tomaz Salomao and non-executive director Ms Thandeka Mgoduso stepped down with effect from 30 September 2019.

Independent non-executive director, Mr Louis von Zeuner who joined the Board in December 2018, assumed the role of Chairman of the Board with effect from 1 October 2019. Mr Stephen Beesley continues as a director on the Board and has been appointed Chairman of the Social and Ethics Committee 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. The Board is already benefitting from the wide range of skills, knowledge, extensive experience and business acumen of its new members.

Ms Fatima Daniels will step down as a director of the company at the annual general meeting, having served in this capacity since 2008.

These changes have already enhanced the effectiveness of the Board and have injected fresh perspectives. We have some way to go on board gender and racial diversity, however, this will be put in place in due course.

SUSPENSION OF TONGAAT HULETT'S SHARES

Given the extent of the envisaged restatements and the number of periods it would potentially affect, the company thought it appropriate to request the suspension of its shares on the JSE Limited and the London Stock Exchange on 10 June 2019. The Group's view was that there was insufficient reliable information in the market on which to make informed investment decisions. Tongaat Hulett has subsequently cancelled its London Stock Exchange listing in an effort to further reduce costs and complexity.

With the publishing of Tongaat Hulett's 2019 financial statements, the Board will be requesting the JSE Limited to lift the suspension of its shares in due course.

CAPITAL MARKETS DAY

Shareholders are advised that the group is hosting a capital markets day for interested investors in Cape Town on Tuesday, 10 December 2019.

A presentation which will form the basis of the capital markets day, is available on Tongaat Hulett's website at www.tongaat.com. The presentation contains selected medium and long-term targets which may be considered to be forward looking statements. Shareholders are advised that any forward-looking information contained in the presentation has not been reviewed and reported on by Tongaat's external auditors.

AUDITOR'S REPORT

With respect to the consolidated financial statements for the year-ended 31 March 2019, the auditors, Deloitte & Touche, have issued an unmodified audit opinion in terms of the International Standards on Auditing, with a paragraph on material uncertainty relating to going concern. Events and other matters indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The auditor's report also includes detail of an identified reportable irregularity in terms of the Auditing Profession Act which was reported to the Independent Regulatory Board for Auditors. The reportable irregularity pertained to non-compliance with the Companies Act relating to the preparation, approval, dissemination or publication of financial statements, knowing that those statements fail in a material way to comply with the requirements of the Companies Act or are materially false or misleading. Deloitte & Touche report that they have satisfied themselves that the reportable irregularity is no longer continuing.

The full auditor's report, including the key audit matters, is available on http://www.tongaat.com/2019/Results-for-the-year-ended-31-March-2019.pdf

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the Annual Consolidated Financial Statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

OUTLOOK

It is expected that 2020 will continue to be a challenging year. The group has a substantial task ahead to turn the business around and firmly re-establish a sustainable growth path. Economic recovery in South Africa is expected to be gradual and is not currently conducive to expansive land development projects. The Board remains confident that we have laid the right foundations and have appropriate strategies in place to move the group forward to benefit from improvements in the environment.

The starch and glucose operation is well positioned to grow sales volumes and enhance its product mix, underpinned by available production capacity, ongoing improvements in operating efficiencies and continued market development.

Tongaat Hulett sugar operations are actively focusing on marketing, packaging and route to market to streamline the business, ongoing cost management and growing market penetration in beneficiated deficit markets where direct consumption sugar still attracts a premium. The export orientation with a view to access preferential markets, remains a key strategic driver. Local markets continue to be reshaped through advocacy, diversification of the product range, and a shift away from being a sugar producer to a cane processor that produces fit for purpose products thereby enhancing earnings potential.

During the year, land development debtors of R1,037 billion were collected and, this left a balance of R1,139 billion after cancellations of R386 million. Activities to obtain various planning approvals necessary to enable collection of the outstanding debtor balance are at an advanced stage. This includes application and obtaining of Water Use License Act (WULA) and Land Use amendment approvals. Deals in the pipeline from Izinga, Sibaya, Ridgeside and Cornubia amount to R690 million and these are at various stages of negotiation. Infrastructure costs continue to be managed through ongoing discussions with local authorities and related procurement processes are under review to further reduce these costs.

CONCLUSION

We are acutely aware that our challenges impact directly and indirectly on our employees, growers, shareholders and funders, as well as our communities and the broader society. This knowledge reinforces our commitment to implement the necessary changes that will reposition Tongaat Hulett to again be a profitable business and to reset the path towards sustainable value creation for our shareholder and all other stakeholders.

For and on behalf of the Board

Louis von Zeuner
Chairman

Gavin Hudson
Chief Executive Officer

Tongaat
10 December 2019

Sponsor
Investec Bank Limited

TONGAAT HULETT LIMITED

ABRIDGED SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

ABRIDGED SUMMARISED CONSOLIDATED AUDITED STATEMENT OF FINANCIAL POSITION

R' million	Note	31 March 2019	31 March 2018 Restated	31 March 2017 Restated
ASSETS				
Non-current assets				
Property, plant and equipment		5 709	6 317	6 239
Goodwill		48	50	51
Other intangible assets		388	458	363
Investments in associates and joint venture		6	12	12
Deferred tax assets		123	322	276
Other non-current financial assets		860	934	895
Total non-current assets		**7 134**	**8 093**	**7 836**
Current assets				
Inventories		3 673	4 532	4 870
Biological assets	3	1 552	1 604	1 802
Trade and other receivables	4	1 528	1 713	1 899
Derivative financial instruments		12	7	-
Current tax assets		72	14	-
Cash and cash equivalents		962	2 723	2 788
		7 799	**10 593**	**11 359**
Assets classified as held for sale		100	-	-
Total current assets		**7 899**	**10 593**	**11 359**
TOTAL ASSETS		**15 033**	**18 686**	**19 195**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		135	135	135
Share premium		1 544	1 544	1 544
Accumulated losses		(3 548)	(2 435)	(919)
Other reserves		(1 704)	(103)	428
Total equity attributable to owners of Tongaat Hulett Limited		**(3 573)**	**(859)**	**1 188**
Non-controlling interests		601	921	979
Total Equity		**(2 972)**	**62**	**2 167**
Non-current liabilities				
Deferred tax liabilities		660	935	1 040
Post-retirement benefit obligations		585	728	723
Contract liabilities		85	54	61
Provisions	5	1 041	970	967
Government grants		88	107	84
Total non-current liabilities		**2 459**	**2 794**	**2 875**
Current liabilities				
Borrowings	6	11 438	11 303	9 955
Trade and other payables		3 553	3 558	2 950
Contract liabilities		109	56	44
Provisions	5	302	130	262
Government grants		20	20	12
Post-retirement benefit obligations		58	63	60
Non-recourse equity-settled BEE borrowings		-	603	623
Derivative financial instruments		-	8	9
Current tax liabilities		46	89	238
		15 526	15 830	14 153
Liabilities classified as held for sale		20	-	-
Total current liabilities		**15 546**	**15 830**	**14 153**
TOTAL EQUITY AND LIABILITIES		**15 033**	**18 686**	**19 195**

Certain comparative information has been restated, reclassified or re-presented, as a result of either a correction of prior period errors (note 1.1) or an adoption of new accounting standards (note 1.2)

TONGAAT HULETT LIMITED

ABRIDGED SUMMARISED CONSOLIDATED AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2019

R' million	Note	31 March 2019	31 March 2018 Restated
Revenue	7	17 069	17 505
Cost of sales		(12 447)	(14 391)
Gross profit		**4 622**	**3 114**
Marketing and selling expenses		(975)	(878)
Administrative and other expenses		(2 523)	(2 169)
Net impairment reversal/(loss)		65	(258)
Other operating income		18	333
Profit/(loss) from operations		**1 207**	**142**
Net finance costs		(1 361)	(1 095)
Finance costs		*(1 509)*	*(1 258)*
Finance income		*148*	*163*
Share of profit of associates		2	2
Loss before taxation		**(152)**	**(951)**
Income tax	8	(640)	(132)
Loss for the year		**(792)**	**(1 083)**
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-retirement benefit obligations		(37)	(10)
Tax effect of remeasurement of post-retirement benefit obligations		8	2
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations		(2 728)	(661)
Other comprehensive loss for the period, net of tax		**(2 757)**	**(669)**
Total comprehensive loss for the period		**(3 549)**	**(1 752)**
Loss for the year attributable to:			
Owners of Tongaat Hulett Limited		(1 063)	(1 159)
Non-controlling interests		271	76
		(792)	**(1 083)**
Total comprehensive loss for the year is attributable to:			
Owners of Tongaat Hulett Limited		(3 319)	(1 713)
Non-controlling interests		(230)	(40)
		(3 549)	**(1 753)**
Loss per share [cents]	9		
Basic and Diluted Earnings		(948)	(1 054)

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TONGAAT HULETT LIMITED

ABRIDGED SUMMARISED CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

R' million	Note	Share Capital and Share Premium	Retained Earnings	B-BBEE Held Consolidation Shares	Foreign Currency Translation Reserve	Share-based Payment Reserve	Capital Redemption Reserve funds	Total equity attributable to owners of Tongaat Hulett Limited	Non-controlling interests	Total
Balance at 1 April 2017 as previously reported		**1 679**	**9 044**	**(642)**	**302**	**365**	**33**	**10 781**	**1 957**	**12 738**
Correction of prior period errors	1	-	(9 938)	-	499	(96)	(33)	**(9 568)**	(976)	**(10 544)**
Adoption of new accounting standards		-	(25)	-	-	-	-	**(25)**	(2)	**(27)**
Restated total equity at 1 April 2017		**1 679**	**(919)**	**(642)**	**801**	**269**	**-**	**1 188**	**979**	**2 167**
Total comprehensive loss for the year		-	(1 167)	-	(545)	-	-	**(1 712)**	(40)	**(1 752)**
Profit / (Loss) for the year (restated)		-	*(1 159)*	-	-	-	-	***(1 159)***	*76*	***(1 083)***
Other comprehensive loss for the year, net of tax (restated)		-	*(8)*	-	*(545)*	-	-	***(553)***	*(116)*	***(669)***
Share-based payment charge (restated)		-	-	-	-	48	-	**48**	-	**48**
Purchase of shares for delivery to employees		-	-	-	-	(65)	-	**(65)**	-	**(65)**
BEE share-based payment charge		-	-	-	-	12	-	**12**	-	**12**
Reallocation of SPV reserves		-	(19)	19	-	-	-	**-**	-	**-**
Dividends paid		-	(330)	-	-	-	-	**(330)**	-	**(330)**
Dividends paid - non-controlling shareholders		-	-	-	-	-	-	**-**	(18)	**(18)**
Restated total equity at 31 March 2018		**1 679**	**(2 435)**	**(623)**	**256**	**264**	**-**	**(859)**	**921**	**62**
Total comprehensive loss for the year		-	(1 083)	-	(2 236)	-	-	**(3 319)**	(230)	**(3 549)**
Profit / (Loss) for the year		-	*(1 063)*	-	-	-	-	***(1 063)***	*271*	***(792)***
Other comprehensive loss for the year, net of tax		-	*(20)*	-	*(2 236)*	-	-	***(2 256)***	*(501)*	***(2 757)***
Share-based payment charge		-	-	-	-	37	-	**37**	-	**37**
Purchase of shares for delivery to employees		-	-	-	-	(27)	-	**(27)**	-	**(27)**
BEE share-based payment charge		-	-	-	-	2	-	**2**	-	**2**
Deconsolidation of B-BBEE held shares		-	36	623	-	-	-	**659**	(18)	**641**
Dividends paid		-	(66)	-	-	-	-	**(66)**	-	**(66)**
Dividends paid - non-controlling shareholders		-	-	-	-	-	-	**-**	(72)	**(72)**
Total equity at 31 March 2019		**1 679**	**(3 548)**	**-**	**(1 980)**	**276**	**-**	**(3 573)**	**601**	**(2 972)**

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TONGAAT HULETT LIMITED

ABRIDGED SUMMARISED CONSOLIDATED AUDITED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

R' million		31 March 2019	31 March 2018 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	1 720	1 876
Taxation paid		(408)	(359)
Net cash inflow generated from operating activities		**1 312**	**1 517**
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance Income		90	105
Additions to property, plant and equipment		(1 089)	(1 258)
Intangible assets		(37)	(145)
Sharecropper and cane supply arrangements		*(22)*	*(59)*
Software and other		*(15)*	*(86)*
Net proceeds from disposals, grants and cane grower loans		5	56
Net cash outflow from investing activities		**(1 031)**	(1 242)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(120)	(351)
To shareholders of Tongaat Hulett Limited		*(66)*	*(330)*
To non-controlling shareholders		*(54)*	*(21)*
Finance Costs		(1 107)	(1 025)
Borrowings		542	1 454
Raised		*8 940*	*9 811*
Repaid		*(8 398)*	*(8 357)*
Net movement on non-recourse equity-settled BEE borrowings		(12)	(74)
Purchase of shares for delivery to employees		(27)	(65)
Net cash outflow from financing activities		**(724)**	**(61)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(443)**	**214**
Restated balance at the beginning of the year		**2 723**	**2 788**
Cash and cash equivalents at the beginning of the financial year as previously reported		2 723	2 741
Prior period restatement		-	47
Translation effects on cash and cash equivalents		(1 309)	(279)
Transfer to assets held for sale		(9)	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**962**	**2 723**

TONGAAT HULETT LIMITED

NOTES TO THE ABRIDGED SUMMARISED CONSOLIDATED AUDITED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

R' million	31 March 2019	31 March 2018 Restated
A. CASH GENERATED FROM OPERATIONS		
Loss for the year	**(792)**	**(1 083)**
Adjusted for:		
Finance costs	1 509	1 259
Finance income	(148)	(164)
Income tax	640	132
Cash from operations	**1 209**	**144**
Adjusted for:		
Depreciation on property, plant and equipment	596	549
Amortisation of intangible assets	57	36
(Reversal of) / impairment losses on property, plant, equipment and intangibles	(76)	259
Movement in fair value of biological assets	(470)	(45)
Other non-cash items	(48)	269
Operating cash flows before movements in working capital	**1 268**	**1 212**
Working capital		
Movement in inventories	184	341
Movement in trade and other receivables	(115)	(52)
Movement in trade and other payables and contract liabilities	518	639
Investment in development of land portfolio	(132)	(262)
Net movements in working capital	**455**	**666**
Cash generated from operations	**1 723**	**1 878**

REPORTING ENTITY

Tongaat Hulett Limited (Tongaat Hulett) is incorporated and registered in South Africa. In South Africa, the registered office is Amanzimnyama Hill Road, Tongaat, 4400, KwaZulu-Natal. The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are set out in note 2 on Segment Reporting.

The consolidated financial statements of Tongaat Hulett, as at and for the year ended 31 March 2019, comprise the Group and the Group's interests in associates and joint arrangements (the 'consolidated financial statements').

BASIS OF PREPARATION

Statement of compliance

The abridged summarised consolidated audited financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the interpretations applicable to companies reporting under IFRS as developed by the IFRS Interpretations Committee and issued after approval by the IASB; the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements and the requirementsof the Companies Act of South Africa 2008, as amended, and as a minimum contain the information required by IAS34: Interim Financial Reporting.

The abridged summarised consolidated audited 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 10 December 2019. They will be presented to shareholders at the Annual General Meeting on 24 January 2020.

Historical cost convention

The financial statements are prepared on a historical cost basis.

Presentation

The financial statements are presented in South African Rand, which is Tongaat Hulett's functional and presentation currency, rounded to the nearest million. Accounting policies are presented in terms of IFRS and are consistent with those of the previous annual financial statements, except as disclosed in note 1 - Restatements

Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Group. The financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The Board of Directors (Board) believes that as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis.

Ability of the Group to continue as a going concern

IAS 1, Preparation of Financial Statements, requires management to make an assessment of the Group's ability to continue as a going concern. To this extent, IAS 1 states that when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, such uncertainties should be disclosed. In conducting this assessment, management have taken into consideration the following factors:

- During the current year, a strategic and financial review revealed certain past accounting practices that led to a forensic investigation and the restatement of prior year financial information. The Group's statement of financial position has been negatively impacted by restatements of R10 544 million at 31 March 2017.
- The Group reported a net loss of R793 million for the 2019 financial year. This is mainly attributed to the cost of funding of the entities' debt and the slow response over the past few years to re-align the cost base with the deterioration in the local sugar markets. In addition, the current economic climate is not conducive to land sales and associated development activity, which in the past was able to bolster declining sugar profits. These challenges have in part, been balanced by the performance of the starch business, which remains strong.
- Whilst the Group's total liabilities of R17 985 million exceed the book values of total assets of R15 033 million at 31 March 2019, the fair values of the total assets of the entities exceed their total liabilities. The director's assessment of fair value is supported by independent expert valuations of its material business units and landholdings.
- The Group's current liabilities of R15 546 million exceeded its current assets of R7 899 million at 31 March 2019. This is mainly due to the classification of the long-term facilities as current, arising from the breach of financial covenants contained in the previous South African short and long-term facilities ("previous SA Facilities") for the measurement date falling on 31 March 2019, which called for debt facilities being subject to repayment on demand.

BASIS OF PREPARATION (continued)

Going concern (continued)

The Group signed a waiver and undertaking agreement with its South African Lenders (SA Lenders) on 15 May 2019. In the waiver agreement, the SA Lenders agreed, amongst other things, to waive their rights arising from any breach of financial covenants contained in the previous SA Facilities agreement. In terms of the waiver agreement, the Company and the other obligors agreed to, inter alia, to provide certain indemnities in connection with the previous SA Facilities and any other facilities the SA Lenders might make available from time to time and provide the following security in favour of the SA Lenders in respect of such indemnities:

a) mortgage bonds over the immovable properties owned by them;
b) a cession in security of their right, title and interest in and to the net proceeds realised by them in connection with any disposals of immovable properties they elect to make from time to time;
c) a cession over debtors and inventory as required, and all other security as agreed to from time to time;
d) to procure the subordination of certain intra-group claims that other Tongaat Hulett group companies have against them;
e) to limit the financial support they provide to non-South African companies in the group; and
f) to provide certain financial and other information to the Lenders on an ongoing basis.

As a result of the liquidity constraints, weak trading environments and difficult regulatory conditions in which the entities found themselves, the Board undertook a comprehensive assessment of the entities, including their solvency and liquidity statuses. The events and conditions described in this note give rise to a material uncertainty regarding the ability of the Group to continue as a going concern in the foreseeable future.

Solvency

At 31 March 2019, independent valuations of the majority of the Group's assets indicate that their fair values significantly exceed their carrying values as well as the external debt. The asset base of the entities comprises mainly tangible assets with significant value, not reflected in the book value of the underlying businesses.This position gives the Board several options in dealing with the entities turnaround and debt restructure plans, which are set out below.

Liquidity

In assessing the entities' liquidity, management prepared a cash flow forecast up until 31 March 2021, taking into consideration its turnaround plan and the debt restructuring initiatives which, if successfully implemented, indicate that the entities will have sufficient cash resources for the foreseeable future which is defined as 12 months from the date of publishing these financial statements. Cash flows and liquidity are monitored on a daily basis by management with oversight from the Board Restructuring Committee.

Management has considered a number of estimates, judgments and assumptions in performing the liquidity assessments, the most significant of which are listed and expanded upon below:

- Continued positive results of the operational turnaround plan;
- The reduction in debt through the sale of assets and/or equity raising to meet the debt reduction milestones;
- The availability of the usual seasonal working capital facility to cover any shortfall during the stock build-up period of the sugar season;
- An expectation that cash proceeds from property disposals will be sufficient to fund previously committed development expenditures, during the forecast period; and
- It is unlikely that any material claims will be payable within the next 12 to 18 months and at this point management has not forecast cash outflows related to any material claims that could arise in the future.

Continued positive results of the operational turnaround plan

The Board has initiated a turnaround plan to ensure the entities' long-term sustainability by enhancing operational performance and improving operational liquidity in the short and medium term. The implementation thereof is far advanced. The turnaround plan is aimed at improving overall performance, resetting the cost bases of the various operations in the entities and creating stability. Extensive cost reduction actions that have already been implemented and continue to be rolled out in order to right-size the operations and implement initiatives to improve working capital. Although meaningful progress has been made and significant costs have already been extracted from the business, the turnaround plan is ongoing, and these efforts will need to continue in order to positively impact future cash flows.

Significant changes were made to the Board, executive management, the operational management teams and reporting structures. This, inter alia, includes the establishment of a Board Restructuring Committee, as referred to above, to oversee the turnaround process and support management.

BASIS OF PREPARATION (continued)

Going concern (continued)

The reduction in debt through the sale of assets and/or equity capital raising to meet the debt reduction timeline

As part of the debt restructuring initiative, the South African Group has entered into new senior term loan facilities, senior revolving credit facilities and overdraft facilities ("New SA Facilities") on new commercial terms and 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 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 and are as follows:

- The amendment of the Memorandum of Incorporation to remove the borrowing limitation which requires a 75% shareholder approval. As the refinancing will not be allowed without this amendment and historically most listed entities have successfully removed this limitation, the Board considers it unlikely that the shareholders will not support this motion. The circular to shareholders relating to the proposal of the new Memorandum of Incorporation has been circulated and the voting closing date set for 7 January 2020 with the results published a day later. The risk of completing the condition is low but will require time to comply with the shareholder meeting notice period;
- Constitutional documents, board resolutions, shareholder resolutions and closing certificates of the obligors and security providers;
- Finance documents, including all facility, counter indemnity and subordination agreements, debt guarantee, debt guarantor memorandum of incorporation and trust deed and other relevant security documents;
- Legal opinion satisfactory to the facility agent; and
- Other documents relating to Lender administrative matters, the key initiatives report, valuation reports, advisor mandate overviews and fees.

The Group has agreed with the South African Lenders that they will execute a plan to reduce the level of debt by a minimum of R8.1 billion through the sale of assets and/or an equity capital raise. A significant portion of the R8.1 billion needs to be achieved by 30 September 2020 as disclosed in the table below. Numerous initiatives are in progress to achieve these milestones, which in aggregate exceed the total R8.1 billion repayment obligation. The Board is assessing which options and combinations thereof provide the best outcome for the entities.

The New SA Facilities provide for four measurement test signature dates (i.e. to conclude a sales agreement) and four separate payment test dates (i.e. to receive the debt reduction proceeds) over the period to 31 March 2021. The following table sets out the key test dates on which cash proceeds are to be paid to the Lenders:

Payment test date	Debt Reduction amount (cumulative)	Plans to achieve the repayment milestones
30 June 2020, based on a signature date of 30 November 2019	R0.5bn	This milestone is likely to be achieved well ahead of time due to the disposal of the Groups 51% interest in Tongaat Hulett Namibia (THN) which was signed on 18 November 2019 and which is expected to result in gross proceeds of R112m. In addition, the liquidation of the Tongaat Hulett Pension Fund is well advanced and proceeds of R500m are expected before 30 June 2020.
30 September 2020, based on a signature date of 31 March 2020	R4.0bn	This is expected to be achieved via a combination of non-core and potentially core asset disposals and a rights issue, of which significant progress has been made in all areas in order to meet this timeframe.
31 December 2020 based on a signature date of 30 June 2020	R6.0bn	As these milestones are cumulative any surplus payments from previous milestone dates effectively reduce the targets for the next milestone measurement test date, the options available to meet these milestones are dependent upon what was implemented in the previous milestone and include further disposals or to the extent not implemented before an equity raise.
31 March 2021 based on a signature date of 30 September 2020	R8.1bn	

Early receipt of any proceeds will be applied as a voluntary prepayment and consequently reduce the interest payable on the New SA Facilities. Voluntary prepayments are not reversible in terms of the New SA Facilities.

The New SA Facilities contain both general and specified events of default, which may impact the Group's ability to continue as a going concern. The more salient events of default include:

- Failure to meet any of the debt reduction milestones as set out above and such failure is not waived within 14 days of any test date or if an equity capital raise is not announced within 14 days of the test date and the Group does not implement the equity capital raise within 60 days of the 14-day period.
- The Group undertakes any equity capital raise and within 40 days does not receive acceptances or underwriter's undertakings to participate in such an equity capital raise that would render proceeds of at least R1bn.
- Implementation of any debt reduction transaction (other than an equity raise) and the shareholders do not vote in favour of the transaction (subject to certain remedies) or if a circular containing that resolution has not been posted within 30 days.
- An audit qualification save for any going concern qualification or modification recorded in the restated financial statements.

BASIS OF PREPARATION (continued)

Going concern (continued)

In an event of default, the SA Lender group would follow due process which provides for options ranging from allowing the borrower to remedy, for SA Lenders to reserve their rights until agreement is reached, waive the default or at the extreme issue a notice of acceleration. Should the SA Lenders issue a notice of acceleration, this still allows for a process of renegotiation. Furthermore, the intention of including the stipulated default conditions in the New SA Facilities are to rather trigger early communication and/or allow for commercial considerations for the SA Lenders as to the margin rachet in order to reflect possible higher risk as a result of the event of default.

The Board has appointed capital market advisers and is considering various capital raising alternatives. In assessing the various options available to reduce debt, the Board is mindful of the impact that different potential disposals may have on the entities' cash flow generation thereafter and believes that an equity raise of R4bn will be required. Nothwithstanding that, certain assets or parts thereof, will need to be disposed of. As part of the turnaround plans presented to the Board, future profitability and cash generation forecasts support a sustainable business going forward. As the entities operate in different businesses and geographies, the future cash generation and resultant debt levels could vary vastly in cases where different asset disposal choices are made. For this reason, the Board is pursuing a rights offer in conjunction with the other initiatives to ensure the optimal outcome between meeting the debt reduction milestones and sustainability going forward.

The Group has identified numerous assets which could be disposed of, entirely or partially, and has embarked on various simultaneous initiatives to potentially dispose of these assets in an organised manner and at reasonable prices. The Group is aware that it may need to make significant disposals of its core assets and has received non-binding expressions of interest in relation to some operations and assets within the Group. If pursued, these disposals are expected to generate enough cash to reduce debt and enable the Group to meet the debt reduction milestones. Certain of these non-binding expressions of interest have progressed well and, in some cases, due diligence processes have commenced.

The Mozambique entities of the Group have negotiated a debt standstill agreement with their local lenders until 31 December 2020. This agreement has been signed by all lenders and will be signed by the Mozambique entities when the new board is constituted at the Annual General Meeting on 17 December 2019. A debt reduction plan to reduce debt to a sustainable level and restructure existing debt facilities is currently being progressed and is likely to be implemented in due course. If successful, this would positively impact the Group's cash flows. Despite the standstill agreement, it is uncertain whether existing debt facilities in Mozambique will be restructured and under what terms. A last ranking cross-border guarantee is envisaged to be provided by Tongaat Hulett Limited to certain Mozambique lenders to the extent that a USD 15 million syndicated liquidity facility is implemented. The likelihood of any cash outflow from a SA Group perspective is considered remote due to the security provided and Mozambique lenders are required to excuss before calling on the guarantee.

The Zimbabwean entities have standalone facilities in place, which are not supported by the SA Group. It is anticipated that these facilities will remain in place in the foreseeable future.

The availability of the usual seasonal working capital facility to cover any shortfall prior to the end of the sugar season.

The South African sugar business requires enough working capital facilities to cover the peak point in the season when inventories build up prior to sale, as the crushing season is typically nine months of a year. Over the past three years, lenders have extended a seasonal facility to cover any shortfall prior to the end of the season on the basis that from an industry perspective, the South African Sugar Association essentially acquires all sugar inventories at 31 March, which provides certainty around liquidity. Management has therefore assumed that seasonal facilities will be extended as required.

An expectation that cash proceeds from property disposals will be enough to fund development activities during the forecast period

There are several large land sale agreements that have been signed of which transfers have not yet taken place and hence cash proceeds have not yet been received. In addition, there is a healthy pipeline of deals that are under negotiation. The Group has significant obligations relating to the provision of bulk and basic infrastructure, which will be discharged on a phased manner over a period of time. Whilst management is in the process of negotiating with the municipality to reduce the Group's share of the bulk infrastructure obligation, it expects that the cash outflows relating to the bulk infrastructure will be self-funding from future land sales.

BASIS OF PREPARATION (continued)

Going concern (continued)

It is unlikely that any material claims will be payable within the next 12 to 18 months

No known material claims, or regulatory investigations have been instituted against the entities at the date of this report. The Group is co-operating with various regulators. Accordingly, it is unlikely that any material claims will be payable within the next 12 to 18 months and at this point management has not forecast cash outflows related to any material claims that could arise in the future.

Material uncertainty relating to going concern

The Board is of the view that given the significant headroom in the fair value of the assets over the fair value of the liabilities, the Group is solvent as at 31 March 2019 and at the date of this report.

The ability of the Group to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the ability to realise cash through a combination of disposals of core or non-core assets, or part thereof, and the successful raising of equity. The liquidity dependencies indicate that a material liquidity uncertainty exists, that may cast doubt on the Group's ability to continue as a going concern.

The Board have no intention to cease trading, curtail operations nor liquidate the businesses, other than the strategic disposals that may be necessary to reduce debt. The Board remains focused on and committed to the turnaround strategy and repayment of debt. There is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Board has concluded that the Group is able to discharge liabilities in the normal course of business and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

1. RESTATEMENTS

During the year, the Group identified and accounted for the following types of restatements:

1.1 Correction of prior period errors

1.2 Adoption of new accounting standards

1.1 PRIOR PERIOD ERRORS

In February 2019, the Group commenced a comprehensive review of its previously reported financial information which identified certain historic accounting practices that required further examination. At the instance of the Board, Bowman Gilfillan Inc. appointed PricewaterhouseCoopers Service Proprietary Limited to conduct a forensic investigation into these accounting practices. In addition, the internal review was expanded to cover those accounting policies applied by the Group that did not form part of the scope of the forensic investigation.

In parallel, the JSE Limited's (JSE) Proactive Monitoring process raised further issues on the financial statements for the year ended 31 March 2018. This engagement with the JSE complemented the Group's internal review process, assisted in identifying additional prior period errors and provide input into proposed changes to the accounting treatment. The Board is appreciative of the contribution made by the JSE and the benefit it derived from the Proactive Monitoring process.

The culmination of all the various processes identified a substantial number of prior period errors which have been corrected through the restatement of the annual financial statements. These errors mostly extend back over the past six years and the cumulative correction has been reflected in the 31 March 2017 statement of financial position. To quantify the financial impact of the prior period errors, the Group had to establish the appropriate accounting treatment. The Group followed a comprehensive process whereby each accounting issue was documented, the existing accounting practice analysed and a suitable, IFRS compliant accounting policy established. All material accounting issues were robustly debated by management, its advisors and its external auditors to ensure a technically correct and commercially sensible accounting policy. The Group's Audit and Compliance Committed provided the necessary governance and oversight of the process, approving the revised accounting treatment and the related management judgement involved in implementing the policy.

As a result of the extent and complexity of the restatements required to correct the prior period errors, management has aggregated and categorised the restated transactions according to type and impact on the consolidated financial statements. The following table summarises the financial impact of the restatements to correct the prior period errors.

		FINANCIAL IMPACT 31 March 2018				FINANCIAL IMPACT 31 March 2017	
				EQUITY			
	Note	ASSET increase / (decrease)	LIABILITY (increase) / decrease	PROFIT (decrease) / increase	OPENING BALANCE (decrease) / increase	ASSET increase / (decrease)	LIABILITY (increase) / decrease
Revenue recognition and other income	1.1.1	(516)	(2 201)	(119)	(2 598)	(30)	(2 568)
Cane assets	1.1.2	(2 953)	(107)	(744)	(2 316)	(2 316)	-
Cost capitalisation	1.1.3	(3 256)	(501)	(606)	(3 151)	(2 638)	(513)
Asset recoverability	1.1.4	(4 034)	-	379	(4 413)	(4 413)	-
Other items including reclassifications	1.1.5	69	(107)	(284)	246	389	(143)
Effect of taxation and non-controlling interest		322	1 398	32	1 688	276	1 412
Total impact relating to accounting irregularities		(10 368)	(1 518)	(1 342)	(10 544)	(8 732)	(1 812)

1.1.1 Revenue recognition and other income

A general finding of the review process was that revenue was recognised earlier than the guidance provided by IAS 18 Revenue. In certain instances, revenue transactions lacked commercial substance.

a. Sale of land

Tongaat Hulett Developments Proprietary Limited (THD), representing the Group's property segment, mainly sells serviced land to purchasers for their investment and/or future real estate development. For this purpose, it acquires agricultural land from Tongaat Hulett Limited (THL), which then goes through the various land conversion processes in order for it to be rezoned, subdivided and ready for sale as either serviced (i.e. as a township property) or unserviced land (i.e. as a large land sale).

Historically, the sale of properties was recognised on the date of signature of the agreement despite legal title to the property not yet transferring. Under IAS 18: Revenue, the revenue recognition criteria would generally only be satisfied on the date of transfer, as this is the date upon which the purchaser has the ability to unilaterally affect changes to the asset.

1. RESTATEMENTS (continued)

1.1 PRIOR PERIOD ERRORS (continued)

1.1.1 Revenue recognition and other income (continued)

a. Sale of land (continued)

The change in the timing of revenue recognition has been applied to internal property sales between THD and THL.

The following anomalies were also identified during the forensic review:

Vendor financing
Instances were identified where THD provided purchasers with financing to enable them to acquire property. On one occasion, THD provided cash collateral to assist a potential purchaser of land to finance the purchase of the property.

Take-back arrangements
In certain instances, to accelerate the transfer of land ahead of obtaining approval for the sub-division, the legal title to the larger parent property was transferred to the purchasers with an agreement to transfer it back to THD for no consideration when the planning approvals were obtained. The sale would then only be recognised once the sub-division has been approved.

Segmental fees
Various fees were charged between THD and THL relating to commissions or land administration fees that, despite eliminating on consolidation, were incorrectly adjusted in the computation of headline earnings.

b. Sale of sugar

Zimbabwe

At the financial half year and year-end, the Zimbabwe sugar operations entered into a sales arrangement with a single counterparty for the balance of the sugar held in stock. The arrangement was priced at local market selling prices even though a substantial portion of the sugar stock was not of sufficient quality for the local market and was ultimately sold at lower prices to local and export refiners for reprocessing. There was no physical movement of the sugar stocks and as part of the arrangement, the Zimbabwe sugar operations were appointed as agent to sell the sugar on behalf of the counterparty. In substance, the transaction was a financing arrangement secured by the sugar stock.

On occasion the Zimbabwe sugar operations entered into export sales at the financial year-end that were recognised as revenue that were also in substance a financing arrangement. Furthermore, the Zimbabwe sugar operations also discounted its sugar trade receivables with a financial institution and derecognised the trade receivable despite there being recourse back to the Group in the event that the debtor defaulted.

Mozambique

The Group holds a 50% interest in a joint operation, Distribuidora Nacional de Açúcar Limitada (DNA) that acquires, distributes, markets and sells sugar on behalf of all the sugar millers in the Mozambique sugar industry. In terms of the shareholders agreement, the DNA acquires all sugar produced by the sugar miller as it is receipted into the warehouse and the Group recognises revenue for both local and export market sugar. However, for the export market the Group retains an obligation to repurchase this sugar and the revenue should only have been recognised when the sugar was shipped to the end customer.

South Africa

At the end of the sugar season, the South African Sugar Association (SASA) purchases all the South African sugar operations stock (“carry-over stock”) designated for the local market at a notional local market price. There is no physical delivery of the sugar and in the new season, the South African sugar operations continue to sell the carry-over stock to its own customers at its own negotiated prices and refunds the notional local market price to SASA. Consequently, the arrangement is considered to be a financing arrangement in substance and the transaction with SASA is no longer recognised as revenue.

The sugar millers’ with the South African sugar industry are allocated a pro-rata share of the local sugar market. Where a milling company sells sugar in excess of its local market entitlement, it is required to pay SASA an amount related to this excess for redistribution to the other sugar miller who have underperformed with respect to their entitlement. Payments relating to these redistributions were recognised as cost of sales and receipts as revenue. Such redistributions should have been recognised as adjustments to revenue as they relate to an adjustment of the selling price. Furthermore, the deferral of the payment of the sugar industry levy to SASA in 31 March 2018 was accounted for as income and not as a liability.

1.1.2 Cane assets

Growing crops

A comparison of the agricultural and commercial assumptions used to determine the fair value of growing cane to the actual performance indicated that these valuations were consistently overly optimistic. The fair value of growing cane has been redetermined using agricultural assumptions that are supported by historical performance adjusted for any quantifiable improvement initiatives as well as the estimates of pricing published by the respective sugar industries at or around the financial year-end.

1. RESTATEMENTS (continued)

1.1 PRIOR PERIOD ERRORS (continued)

1.1.2 Cane assets (continued)

Cane roots and replant

Cane roots are accounted for as bearer plants in accordance with IAS 16 Property, plant and equipment, using the cost model. It was identified that:

• Certain costs capitalised to cane roots were not directly attributable to getting the asset ready for its intended use;
• "Standard costs" determined for planting new areas of cane were used to account for the cost of replanting existing areas with no subsequent adjustment to these "standard costs". As a result, the costs capitalised to cane roots exceeds the actual cost of replanting;

• Inconsistent cut-off points were applied across the Group in determining when the cane roots were ready for their intended use. In certain cases, this resulted in general farming costs being capitalised to the cost of cane roots. As a result of these inconsistencies, management has used judgement to determine an appropriate, consistent cut-off point to be applied (i.e. when the furrow is covered).

• Costs were allocated to fallow land despite hectares not being verified; and
• Seed cane (grown internally) was inconsistently accounted for by including, in certain cases, an opportunity cost of not being harvested to produce sugar.

Share cropper arrangements (SCAs)

To facilitate the expansion of the sugarcane supplied to its South African sugar mills, the Group leases land from third parties, incurs the cost of establishing and planting cane roots on the land and enters into a share cropper arrangement with third-party sugarcane farmers. In terms of the arrangement, the sugarcane farmers take control of the newly planted cane roots, apply good farming practice to cultivate the sugar cane at its own cost as well as replants the cane roots as and when required at its own cost. In return the sugarcane farmer and the lessor receive a percentage of the cane proceeds, usually 88% and 10% respectively. Despite the low economic participation (usually 2%), the Group historically accounted for the standing cane at the full fair value of the cane despite not having rights to the majority of the cane proceeds.

Furthermore, the Group recognised the cane roots replanted by the sugarcane farmer as its own asset with a corresponding gain recorded in profit. The cane roots on the land revert to the lessor at the end of the lease. These cane supply arrangements are now accounted for as intangible assets at the depreciated historical cost of establishing the cane roots.

c. Government grants

In South Africa, the Group received a grant from the Jobs Fund to use to expand its area under cane. As a condition of the arrangement, the granting funding was to be spent in terms of a detailed project plan. The government grant was recognised in profit on the date of receipt and it has subsequently been determined that the grant should have been recognised as deferred income and released to the income statement over the same time period that the related cane roots were expensed.

In addition, certain funds held by the Group for the benefit of small-scale growers were classified as part of the Group's cash balances although the use thereof was not permissible.

1.1.3 Cost capitalisation

a. Sugar operations and corporate office

Maintenance and major plant overhaul costs

IAS 16 generally requires repairs and maintenance that maintain the economic benefits of the asset, to be expensed. The following were identified:

• maintenance costs capitalised to property, plant and equipment, did not meet the asset recognition criteria and included a substantial allocation of manpower costs;

• costs related to the replacement of assets were capitalised without derecognising the carrying amount of the replaced asset; and
• insignificant items were treated as separate depreciable assets instead of identifying significant components that would be treated separately for depreciation purposes.

After the milling season closed and the above-mentioned maintenance costs were capitalised, the remaining milling (and to a varying degree, certain agricultural) operating costs were recognised as a current asset to be expensed in the following season resulting in a deferral of operating costs. Despite being incurred during the off-crop season, these costs are part of the mill's normal operating capacity and do not qualify for capitalisation as an asset.

Land management fees

The Group farms land to serve the dual purpose of protection from land invasion and for the supply of additional cane while the land awaits future development. Costs incurred for this purpose were termed 'land management fees' and some of these costs were capitalised to the relevant landholdings. The remaining land management fee costs recognised in profit or loss were added back in headline earnings on the basis that it was capital in nature. In addition, a once-off property enhancement fee was charged by THD to the SA sugar operations in 2018. Although this fee was eliminated on consolidation, it was added back in the calculation of headline earnings.

1. RESTATEMENTS (continued)

1.1 PRIOR PERIOD ERRORS (continued)

1.1.3 Other cost capitalisation (continued)

a. Sugar operation and Corporate Office (continued)

Project costs

Over the years, the Group commenced 15 projects of which 11 were ongoing and 4 were completed. Costs were capitalised on the basis that they would result infuture economic benefits to the Group, either as tangible assets IAS 16 Property, plant and equipment or intangible assets IAS 38 Intangible Assets. Costs capitalised included various finance, administrative, business development and strategic development costs (which included an allocation of manpower costs across the organisation) that were not necessarily directly attributable to the different projects.

The projects were reviewed by management to determine whether they met the asset recognition criteria. Where the asset recognition criteria was determined to be satisfied, management then considered whether the costs capitalised were directly attributable to the asset.

Completed projects

A review of the nature of the costs capitalised to completed projects revealed the following inconsistencies which were subsequently corrected:

- a substantial allocation of manpower costs that were not directly attributable to the project and hence, not eligible for capitalisation;
- costs related to administration and other general overheads had been capitalised; and
- for the SAP project, the useful life of the project was reassessed and corrected.

b. Land conversion and development operation

Planning costs

Various types of expenditure are incurred as part of the land conversion process to transform a piece of agricultural land to serviced land which will ultimately be sold to property developers. It was determined that certain internal and external planning costs incurred between the 'land portfolio strategy' stage and the 'baseline feasibility' stage were explorative in nature and hence, did not qualify for capitalisation.

Development infrastructure costs

As part of the land conversion process, THD incurs various infrastructure costs including external (bulk) infrastructure costs which arise from certain planning approvals issued by the local authority. Bulk infrastructure are higher order services that include the provision of water, sewerage, electricity, storm water drainage and road access in a region and to the boundary of the township being proclaimed.

An inconsistent basis was applied for the recognition and allocation of infrastructure costs, including the extent to which these costs were allocated to future sites. Refer to the note on Critical estimates and judgements relating to the allocation of infrastructure costs to the sites sold in the various phases.

1.1.4. Asset recoverability

At each reporting date, an entity is required to assess whether there is any indication that an asset or a cash generating unit (CGU), has been impaired i.e. to consider the ability of these assets to generate sufficient future economic benefits to recover their carrying amounts. In certain instances, impairments were not recognised.

a. Cash generating units

Historically, the Group's CGUs had not been defined for the purposes of impairment testing. A number of impairment triggers relating to such CGUs were identified in respect of the periods prior to 31 March 2017.

Impairment tests were therefore carried out as at 31 March 2017 using the forecasts prepared at that date. The impairment tests were also carried out with reference to the restated balance sheet position. The results of the impairment test indicated that the assets of certain cash generating units in South Africa, Mozambique and Zimbabwe were overstated, predominantly due to the agricultural operations. The impairments have been processed accordingly.

b. Occupied land

In 2005, the Zimbabwean government expropriated land owned by Tongaat Hulett Zimbabwe (THZ), with no compensation. Upon expropriation, the land automatically became state-owned land. At this point, the land was neither derecognised as property, plant and equipment nor impaired as the Group continued to farm the land. Based on the events that occurred prior to 31 March 2017 THZ has fully impaired the expropriated land. In 2016 unrelated third parties occupied certain areas of the expropriated land (the 'occupied land'). THZ appealed to the Supreme Court, who ruled in favour of the farmers in November 2017. Accordingly, the standing cane on the occupied land was derecognised during the year end 31 March 2018 as the benefits accrued to the farmers.

1. RESTATEMENTS (continued)

1.1 PRIOR PERIOD ERRORS (continued)

1.1.4 Asset recoverability (continued)

c. Investment in Mozambique

The Group provides funding to its Mozambique operations via inter-company loans and supplementary equity. It was identified that certain amounts recognised as supplemental equity were inter-company loans resulting in an adjustment to the Foreign Currency Translation Reserve.

1.1.5 Other items including reclassifications

a. Reclassification of debt as current

A recalculation of the following financial covenants, based on the restated results, revealed that the Group was in technical breach of these covenants:

- Debt to equity
- Debt to EBITDA
- Interest cover

Consequently, all borrowings are immediately repayable and have been appropriately classified as current liabilities.

b. Taxation

A detailed analysis has been performed on the taxation impact of the prior period errors, engaging the expertise of tax professionals where appropriate. While some complexities arise in respect of the tax treatment, to mitigate any uncertainty in estimated tax treatment, the Group has not recognised any deferred tax assets on any estimated tax losses that have arisen following the restatement of the financial statements. The taxation and non-controlling interest impact of all the prior period errors has been aggregated.

c. Share based payments

The Group's share incentive schemes had unvested grants where vesting was dependent on non-market conditions based on financial results. Due to the restatement of the financial information, and with effect from 31 March 2017, management has assessed that all unvested grants are no longer likely to vest. Accordingly, management has restated prior period financial statements to reflect the reversal of the IFRS 2: Share Based Payment expense in respect of these grants.

RESTATEMENTS (continued)

1.2 ADOPTION OF NEW ACCOUNTING STANDARDS

The Group adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments from 1 April 2018. A number of other standards are also effective from 1 April 2018 but they do not have a material effect on the Group's financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces all existing IFRS revenue requirements and establishes a single, principles-based model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the Group satisfies performance obligations and transfers control of goods or services to its customers, compared with the previous accounting standard that recognised revenue based on an assessment of the risks and rewards of ownership. The measurement of revenue is determined based on the amount to which the Group expects to be entitled to in the exchange for the goods or services and is allocated to each specific performance obligation in the contract. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as and when the performance obligations are met, and control of the goods or services is transferred to the customer.

After restating the prior period financial information, the transition to IFRS 15 did not have a quantitative impact on the consolidated financial statements. However, the disclosure has been enhanced to align with the IFRS 15 requirements.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out the new requirements for the classification and measurement of financial instruments, introduces an expected credit loss model for the measurement of impairment losses and establishes a closer alignment between hedge accounting and risk management practices. Comparative information has been restated in accordance with the transitional requirements of IFRS 9 and the required disclosure has been made concerning the reclassifications and measurements as set out below.

The adoption of the requirements of IFRS 9 was applied with full retrospective application and has had the following effect on the Group:

Classification and measurement

On the date of initial application, 1 April 2017, the Group assessed the business model applicable to each financial asset and accordingly classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Measurement Category		Carrying Amount		
R' million	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Financial assets					
Trade and other receivables	Loans and receivables	Measured at amortised cost	1 713	1 686	(27)
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	2 723	2 723	-
Other non-current financial assets	Loans and receivables	Measured at amortised cost	264	264	-
Listed equity investments	Fair value through profit or loss (FVPL)	Fair value through profit or loss (FVPL)	762	762	-
Derivative financial instruments	Fair value through profit or loss (FVPL)	Fair value through profit or loss (FVPL)	7	7	-
Financial liabilities					
Trade and other payables	Measured at amortised cost	Measured at amortised cost	3 614	3 614	-
Borrowings	Measured at amortised cost	Measured at amortised cost	11 303	11 303	-
Derivative financial instruments	Fair value through profit or loss (FVPL)	Fair value through profit or loss (FVPL)	8	8	-

The financial assets have been reclassified from loans and receivables to amortised cost. However, the measurement principles remain the same as they have been measured at amortised cost using the effective interest rate method. The Group's business model is to hold these for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest of the principal amount. The reclassification into the new measurement categories did not have a significant impact on the Group.

RESTATEMENTS (continued)

1.2 ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost.

The Group has adopted the simplified expected credit loss model for its trade receivables which uses a lifetime expected loss allowance, as required by IFRS 9. The general expected credit loss model is used for other receivables and loans to companies outside of the Group, held at amortised cost.

As the Group's trade debtors in the Sugar and Starch operations are short-term in nature (namely, terms of 14 days in the South African Sugar operations and 30 days in the Starch operation), the impact of IFRS 9 is insignificant. In the Developments operation, sales are recognised on registration of transfer of the property at which time the full purchase consideration is recovered. However, in certain instances where properties have been transferred and the purchase consideration remains outstanding, the financial assets are mainly secured by the value of the serviced land as reflected in the transaction price. For the purposes of the impairment calculation, the value of the serviced land is determined with reference to its 'forced sale value'.

Impairment of financial assets

Upon adoption of IFRS 9, on 1 April 2017, the Group recognised an additional impairment of R 27 million, predominantly relating to the ECL on trade and other receivables in the Zimbabwe sugar operation.

Hedge accounting requirements

Hedge accounting is applied in the Sugar operations to account for foreign exchange contracts and in the Starch operations to account for foreign exchange contracts and maize futures. The Group has elected to adopt the transitional provisions of IFRS 9 which allow an entity to continue with the hedge accounting requirements of IAS 39 rather than adopting the new IFRS 9 requirements.

The adoption of IFRS 9 has had no material impact on the Group's earnings.

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:

Business segments

2019	**Sugar Operations**									
R' million	**Zimbabwe**	**Mozambique**	**South Africa**	**Other SADC**[1]	**Total Sugar Operations**	**Starch Operations**	**Property**	**Corporate**	**Inter-segment / Unallocated**	**Total**
Segment revenue	**4 469**	**1 362**	**5 679**	**1 320**	**12 830**	**4 008**	**940**	**-**	**(709)**	**17 069**
External customers	*4 362*	*1 362*	*5 077*	*1 320*	*12 121*	*4 008*	*940*	*-*	*-*	*17 069*
Inter-segment	*107*	*-*	*602*	*-*	*709*	*-*	*-*	*-*	*(709)*	*-*
Profit from operations	**1 201**	**(471)**	**(482)**	**98**	**346**	**656**	**273**	**(68)**	**-**	**1 207**
Depreciation and amortisation	228	96	186	16	**526**	**121**	**6**	**-**	**-**	**653**
EBITDA[2]	**1 429**	**(375)**	**(296)**	**114**	**872**	**777**	**279**	**(68)**	**-**	**1 860**
Non-trading items - loss / (profit)	(247)	219	21	-	(7)	-	-	-	-	**(7)**
Fair value adjustments to biological assets	(536)	120	(46)	(8)	(470)	-	-	-	-	**(470)**
Adjusted EBITDA[3]	**646**	**(36)**	**(321)**	**106**	**395**	**777**	**279**	**(68)**	**-**	**1 383**
Segment assets [4]	**3 132**	**2 692**	**3 076**	**340**	**9 240**	**1 901**	**1 740**	**17**	**-**	**12 898**
Capital expenditure [5]	**201**	**632**	**237**	**12**	**1 082**	**44**	**-**	**-**	**-**	**1 126**
Expansion	*-*	*496*	*112*	*-*	*608*	*-*	*-*	*-*	*-*	*608*
Replacement and core	*201*	*127*	*97*	*12*	*437*	*44*	*-*	*-*	*-*	*481*
Intangibles	*-*	*9*	*28*	*-*	*37*	*-*	*-*	*-*	*-*	*37*

2. SEGMENTAL REPORTING ***(continued)***

2018	Sugar Operations									
R' million	Zimbabwe	Mozambique	South Africa	Other SADC[1]	Total Sugar Operations	Starch Operations	Property	Corporate	Inter-segment / Unallocated	Total
Segment revenue	**4 489**	**2 416**	**5 516**	**1 268**	**13 689**	**3 913**	**487**	**-**	**(584)**	**17 505**
External customers	*4 403*	*2 416*	*5 018*	*1 268*	*13 105*	*3 913*	*487*	*-*	*-*	*17 505*
Inter-segment	*86*	*-*	*498*	*-*	*584*	*-*	*-*	*-*	*(584)*	*-*
Profit from operations	**425**	**(306)**	**(610)**	**54**	**(437)**	**568**	**135**	**(124)**	**-**	**142**
Depreciation and amortisation	206	81	168	23	**478**	**106**	**1**	**-**	**-**	**585**
EBITDA[2]	**631**	**(225)**	**(442)**	**77**	**41**	**674**	**136**	**(124)**	**-**	**727**
Non-trading items - loss / (profit)	98	209	47	-	354	-	-	-	-	**354**
Fair value adjustments to biological assets	(207)	82	65	15	(45)	-	-	-	-	**(45)**
Adjusted EBITDA[3]	**522**	**66**	**(330)**	**92**	**350**	**674**	**136**	**(124)**	**-**	**1 036**
Segment assets [4]	**4 964**	**2 165**	**3 197**	**412**	**10 738**	**2 201**	**1 715**	**20**	**-**	**14 674**
Capital expenditure [5]	**353**	**462**	**409**	**18**	**1 242**	**154**	**4**	**-**	**-**	**1 400**
Expansion	*4*	*250*	*165*	*12*	*431*	*1*	*-*	*-*	*-*	*432*
Replacement and core	*345*	*201*	*181*	*6*	*733*	*86*	*4*	*-*	*-*	*823*
Intangibles	*4*	*11*	*63*	*-*	*78*	*67*	*-*	*-*	*-*	*145*

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.

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.

2. SEGMENTAL REPORTING *(continued)*

Reconciliation of assets

R' million	2019	2018 Restated
Segment assets	**12 898**	14 674
Less: Inter-segment eliminations and unallocated items	**2 134**	4 011
Deferred tax assets	123	322
Non-current financial assets	966	946
Current tax assets	72	14
Derivative instruments	12	7
Cash	961	2 722
	15 032	18 685

Geographical segments

2019 R' million	South Africa	Mozambique	Zimbabwe	Other SADC	Other	Total
Revenue	8 371	1 964	3 620	1 277	1 837	**17 069**

2018 R' million	South Africa	Mozambique	Zimbabwe	Other SADC	Other	Total
Revenue	7 833	1 667	3 989	2 428	1 588	**17 505**

The revenue information above is based on the locations of the customers.

Further information

The relevant segment information line items have been restated for the prior period errors. Further information relating to these errors are set out in note 1.

3. BIOLOGICAL ASSETS

R' million	Livestock and Orchards 2019	Livestock and Orchards 2018 Restated	Growing Crops 2019	Growing Crops 2018 Restated	Total 2019	Total 2018 Restated
Reconciliation of the carrying value of biological assets:						
Carrying value at beginning of the year	**53**	-	**1 551**	2 549	**1 604**	**2 549**
Correction of prior period errors	**-**	45	**-**	(792)	**-**	**(747)**
Restated carrying value at beginning of the year	**53**	**45**	**1 551**	**1 757**	**1 604**	**1 802**
Changes in fair value:						
Gain/(loss) arising from physical growth	13	14	(68)	386	**(55)**	**400**
Gain/(loss) arising from price changes	-	-	628	(353)	**628**	**(353)**
Gain/(loss) arising from changes in area actively farmed	-	-	(103)	(2)	**(103)**	**(2)**
Derecognition of growing cane on occupied land in Zimbabwe	-	-	-	(113)	**-**	**(113)**
Foreign currency translations	(33)	(6)	(489)	(124)	**(522)**	**(130)**
Carrying value at end of the year	**33**	**53**	**1 519**	**1 551**	**1 552**	**1 604**

Encumbrance

At reporting date, none of the Group's biological assets are encumbered.

Further information

Growing crops valuation and sensitivity analysis

Growing crops, comprising standing cane, is measured at fair value which is determined using unobservable inputs (namely, yield of the standing cane and prices) and is categorised as Level 3 under the fair value hierarchy. The fair value of standing cane is determined by estimating the growth of the cane, an estimate of the yield of the standing cane, sucrose content, selling prices, less costs to harvest and transport, over-the-weighbridge costs and costs into the market as at the end of the reporting period. Changes in the fair value are included in profit or loss, with a benefit of R470 million (2018: loss of R45 million) being recognised in profit or loss in the current year. The key unobservable inputs used in determining fair value and a reconciliation of the change in fair value for the year are shown below.

The assumptions for the key unobservable inputs used in determining fair value of growing crops, are as follows:

	South Africa 2019	South Africa 2018 Restated	Swaziland 2019	Swaziland 2018 Restated	Zimbabwe 2019	Zimbabwe 2018 Restated	Mozambique 2019	Mozambique 2018 Restated
Hectares for harvest	26 159	26 276	3 725	3 798	24 268	25 017	12 185	13 552
Standing cane value (Rand per hectare)	8 937	7 151	29 212	26 503	38 196	37 756	20 537	23 498
Yield (tons cane per hectare)	56	54	125	121	105	98	78	80
Average maturity of cane as at 31 March (%)	61	59	63	67	57	61	55	67
Sugar cane tons (equivalent)	897 893	828 253	41 700	44 106	183 132	188 812	112 783	124 376
Cane price per ton (Rand)	498	440	369	327	737	736	263	294
Sucrose price per ton (Rand)	4 200	3 778	3 456	3 056	5 823	5 854	3 398	3 804
Carrying value as at 31 March	**234**	188	**109**	101	**927**	945	**250**	318
Changes in fair value included in cost of sales	**46**	(65)	**8**	(15)	**536**	207	**(120)**	(82)

The sensitivity analyses below have been determined based on exposure to yield and cane prices for standing cane held at the end of the reporting period. The sensitivities are based on replacing the assumptions used in the model with the actual yield and commercial performance for the 2018/19 season. For example, the actual yield in Zimbabwe for the 2018/19 season was 3% lower than the assumed yield resulting in a R27 million variance.

2019	South Africa	Swaziland	Zimbabwe	Mozambique
Yield relative to assumption (%)	**1.00%**	**-2.00%**	**-3.00%**	**3.00%**
Yield relative to assumption (R million)	**2**	**(3)**	**(27)**	**10**
2019 price relative to forecast	**-15.00%**	**-5.00%**	**-44.00%**	**5.00%**
Price - yield static	**(67)**	**(7)**	**(388)**	**8**

4. TRADE AND OTHER RECEIVABLES

R' million	2019	2018 Restated
Trade receivables		
Trade receivables from contracts with customers relating to:	965	1 021
- sale of sugar, starch and other related products	923	1 020
- sale of land	42	1
Less: allowance for expected credit losses	(55)	(63)
Net trade receivables	**910**	**958**
Other receivables		
Prepayments	190	125
Other receivables	351	547
VAT receivable	185	194
	726	**866**
Less: allowance for expected credit losses	(108)	(111)
Net other receivables	**618**	**755**
Total	**1 528**	**1 713**

Further information

There is no material difference between the fair value of trade and other receivables and their carrying amount due to the short-term nature of these items.

Included in trade receivables is a balance of R24 million relating to the outstanding purchase consideration from the sale of land where legal ownership of the property has tranferred to the purchaser. As security for this balance, a mortgage bond has been registered over the property in favour of Tongaat Hulett Developments Proprietary Limited.

Impairment

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance (ECL) for all trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The measurement of the expected credit losses also reflects the recovery expected from any collateral relating to the asset. Collateral is held over trade receivables in respect of land conversion activities where the land is held as collateral until the purchase consideration is paid in full and in some cases collateral is held in respect of sugar debtors. Trade receivables that are more than 30 days passed due represent less than 1% of the trade debtors balance and accordingly the allowance relates to non-performing debtors where the amount is outstanding for more than 30 days.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no prospect of recovery, namely when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, debtor has failed to engage in a repayment plan with the Group and a failure to make contractual payments within a specified period.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, with the exception of land developments where an allowance for creditlosses has been provided in respect of specific trade debtors:

R' million	2019	2018 Restated
Less than 1 month	182	106
Between 1 to 2 months	31	53
Between 2 to 3 months	4	4
Greater than 3 months	24	51
Total past due	**241**	**214**
Not past due	724	807
	965	**1 021**
Less: allowance for expected credit losses	(55)	(63)
	910	**958**

4. TRADE AND OTHER RECEIVABLES (continued)

In determining the ECL the following has been taken into consideration:

- South Africa Sugar: history of customers who meet payment terms which are short-term, therefore resulting in a limited expected credit loss. In determining the ECL, any credit insurance guarantee is taken into consideration.
- Land Developments: the outstanding balance in respect of trade receivables is limited due to the recognition of revenue on the date of transfer of land, accordingly non-performing trade receivables were identified and an appropriate expected credit loss was provided.
- Starch: history of customers who meet payment terms which are short-term, therefore resulting in a limited expected credit loss.
- Mozambique Sugar: main customer is DNA with no history of payment default and payment terms which are short term, therefore resulting in a limited expected credit loss.
- Zimbabwe Sugar: in determing the expected credit loss Zimbabwe has applied the following expected credit loss rate based on past due status: current (0.5%); 30 days past due (5%); 60 days past due (10%) and 90 days past due (39%)

The following table shows the movement in lifetime ECLs that have been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

Analysis of movement in loss allowance on Trade receivables:

R' million	2019	2018 Restated
Balance at beginning of the year	**63**	**10**
Adjustment on initial adoption of IFRS 9	-	34
Restatement of prior period errors	-	6
Restated balance at beginning of the year	**63**	**50**
Transfer to credit impaired	32	23
Transfer from credit impaired	(8)	(3)
Amounts written off as uncollectible	(1)	(1)
Amounts recovered during the year	-	-
Exchange rate translation	(31)	(6)
Balance at end of the year	**55**	**63**

Analysis of movement in loss allowance on Other receivables:

R' million	2019	2018 Restated
Balance at beginning of the year	**111**	**30**
Adjustment on initial adoption of IFRS 9	-	62
Restatement of prior period errors	-	6
Restated balance at beginning of the year	**111**	**98**
Transfer to credit impaired	74	30
Transfer from credit impaired	(16)	(4)
Exchange rate translation	(61)	(13)
Balance at end of the year	**108**	**111**

The ECL relates mainly to specific receivables in both Zimbabwe and Mozambique that have been identified as non-performing for which an expected credit loss allowance has been recognised. Such receivables have been individually assessed. The receivables consist of a combination of trade receivables including: outgrower loans, staff debtors, municipalities and development trusts, that are each not significant amounts.

5. PROVISIONS

R' million	Provision for Development Expenditure		Other Provisions		Total	
	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
Balance at beginning of the year	**1 092**	**600**	**8**	**8**	**1 100**	**608**
Prior period restatement	-	621	-	-	-	621
Restated balance at beginning of the year	**1 092**	**1 221**	**8**	**8**	**1 100**	**1 229**
Additional provision recognised	375	133	-	-	375	133
Utilised during the year	(125)	(246)	-	-	(125)	(246)
Unwinding of discount	(7)	(16)	-	-	(7)	(16)
At end of the year	**1 335**	**1 092**	**8**	**8**	**1 343**	**1 100**
Analysed as follows:						
Non-current	1 033	962	8	8	1 041	970
Current	302	130	-	-	302	130

Provision for development expenditure

The Group sells land for which it is responsible for development costs. The liability for the development costs represents the estimated remaining construction costs relating to the land sold.

It is anticipated that 23% (R302 million) of the provision as at 31 March 2019 will be unwound during the next reporting period with the remaining 77% (R1 billion) being incurred in the 2021 financial year and beyond.

Sensitivity analysis

Reasonably possible changes at the reporting date to any of the relevant assumptions below, holding the other assumptions constant, would have affected the provision for development expenditure by the amounts shown below:

R' million	2019	2018 Restated
1% increase in discount rate	(25)	(28)
1% decrease in discount rate	26	29
10% increase in bulk infrastructure contribution	72	66

Other provisions

Other provisions include an obligation for site restoration and other environmental remediation relating to a lease arrangement.

6. BORROWINGS

R' million	Currency	Interest Rate %	2019	2018 Restated
Borrowings in functional currency				
Secured borrowings at amortised cost				
Other short-term	MT	12.80% - 17.00%	638	38
Other - Trade finance	RTGS		-	809
Other - Trade finance	ZAR	0.00% - 8.50%	628	842
Unsecured borrowings at amortised cost				
Term loans	ZAR	3 month JIBAR plus 2.00% - 3.05%	3 230	3 230
Bonds	ZAR	3 month JIBAR plus 2.60% - 2.85%	1 100	1 270
Development finance	ZAR	3 month JIBAR plus 0.50% - 2.70%	662	662
General short-term	ZAR	8.25% - 10.25%	3 861	3 826
Other short-term	MT	14.00% - 16.00%	518	-
Other short-term	RTGS	6.50% - 7.50%	92	-
Other - Trade finance	ZAR	0.00% - 10.25%	357	427
Other	ZAR	8.75% - 10.25%	48	69
			11 134	11 173
Borrowings not in functional currency				
Secured borrowings at amortised cost				
General short-term	ZAR	10.45%	58	108
Unsecured borrowings at amortised cost				
General short-term	USD	6.50% - 6.63%	245	20
			303	**128**
Finance lease liabilities	ZAR	10.27% - 11.50%	1	2
Total borrowings			**11 438**	11 303

Tongaat Hulett Developments (Proprietary) Limited is a guarantor on the term debt.

Encumbrances

Land, buildings, plant and machinery of Mozambique subsidiaries with a book value of R1,6 billion (2018: R438 million) are encumbered as security for the long-term borrowings and certain short-term borrowings totalling R635 million (2018: R148 million).

Breach of loan covenants

The company has unsecured bank loans that contain the following financial covenants:

	2019
Net Debt to Equity	<1.20
Net Debt to EBITDA	<3.10

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. Subsequent to year end, a covenant waiver agreement and debt refinancing arrangement have been concluded. Refer to note 12 - Events occurring after the reporting period

Further information

The directors do not have any borrowing powers to enter into new financing arrangements or to refinance existing financing arrangements, as detailed in note 12 - Events occurring after the reporting period.

7. 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	2019	2018 Restated
Revenue from contracts with customers from:		
Sugar operations		
South Africa	**5 680**	5 518
Sugar sales	**4 670**	4 568
Animal feeds	**1 010**	950
Zimbabwe	**4 360**	4 401
Sugar sales	**4 125**	4 110
Alcohol	**169**	211
Molasses	**45**	60
Livestock and other	**21**	20
Mozambique	**2 080**	3 186
Sugar sales	**2 023**	3 129
Animal feeds	**56**	56
Livestock and other	**1**	1
	12 120	13 105
Land conversion and development	**941**	487
Sale of land	**733**	384
Provision of services	**208**	103
Starch operations	**4 008**	3 913
Starch, glucose and other related products	**4 008**	3 913
	17 069	17 505
Timing of revenue recognition		
At a point in time	**16 861**	17 402
Over time	**208**	103
	17 069	17 505

Revenue from contracts with customers has been further disaggregated into geographical regions. Refer to note 2 *Segmental reporting*

8. TAXATION

The taxation expense represents the sum of current taxation and deferred taxation. Taxation rates that have been used have been enacted or substantively enacted by the reporting date are used to determine the taxation balances.

R' million	2019	2018 Restated
Current tax		
South African	1	21
Foreign	230	139
Prior year under provision	57	2
Sub-total	**288**	162
Deferred tax		
South African	193	(26)
Foreign	120	(38)
Prior year under provision	16	1
Sub-total	**329**	(63)
Foreign withholding tax	**23**	33
Taxation charge for the year	**640**	132
Unrecognised deferred tax assets	**(842)**	**(414)**

Deferred tax assets have not been recognised in respect of tax losses where management does not consider it probable that future taxable profit will be available against which the benefits therefrom will be utilised within the next three years.

Reconciliation of effective taxation rate:

Rather than presenting either a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective rate and the applicable tax rate, the Group has elected to present both.

R' million	2019 %	2019 R	2018 Restated %	2018 Restated R
Loss before tax		(154)		(952)
Tax using the normal rate of South African tax	(28.0%)	(43)	(28.0%)	(267)
Adjusted for:				
Disallowed expenditure funded by exempt income	9.1%	14	3.9%	37
Disallowed interest expenditure	50.0%	77	8.6%	82
Effect of different statutory taxation rates in foreign jurisdictions	(14.9%)	(23)	(1.1%)	(10)
Exempt government grant income	(3.9%)	(6)	(0.3%)	(3)
Impairment of assets and investments	38.3%	59	6.2%	59
Miscellaneous reconciling items	11.0%	17	(2.0%)	(19)
Portion of capital gain / loss not subject to tax	-	-	0.3%	3
Prior year adjustments	47.4%	73	0.3%	3
Unrealised profits on intra-group land sales	(11.0%)	(17)	(3.4%)	(32)
Unrecognised tax losses	302.6%	466	25.8%	246
Withholding taxes	14.9%	23	3.5%	33
Effective rate of taxation	**415.5%**	**640**	**13.8%**	**132**

9. LOSS PER SHARE AND HEADLINE LOSS PER SHARE

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

R' million	2019	2018 Restated
Reconciliation of loss:		
The calculation of basic and headline earnings per share is based on:		
Net loss attributable to owners of Tongaat Hulett	**(1 063)**	(1 159)
Adjusted for:		
Profit/(loss) on disposal of land, cane roots and buildings	1	(3)
Tax effect of profit/(loss) on disposal of land, cane roots and buildings	3	4
Profit/(loss) on disposal of property, plant and equipment	39	(27)
Tax effect of (loss)/profit on disposal of property, plant and equipment	(11)	7
Impairment loss on property, plant and equipment	240	258
Tax effect of impairment loss on property, plant and equipment	(3)	(14)
Reversal of impairment loss on property, plant and equipment	(305)	-
Tax effect of reversal of impairment loss on property, plant and equipment	78	-
Derecognition of growing crops and cane roots	58	-
Tax effect of derecognition of growing crops	(15)	-
Minority interest	55	(13)
Headline earnings	**(923)**	(947)
Number of shares:		
The weighted average number of shares in issue amounts to	**112 277 295**	**110 007 530**

Cents	2019	2018 Restated
Earnings per share		
Basic and Diluted Earnings	(948)	(1 054)
Headline earnings per share		
Basic and Diluted Earnings	(823)	(861)

10. 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 events that have taken place and the position in which the Group currently finds itself. It would therefore be inappropriate to disclose the capital risk management in place at the respective reporting periods, since inappropriate accounting practices were identified, resulting in restatements.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity. As a result of a breach of covenants long-term borrowings have been classified as current at 31 March 2019, 31 March 2018 and 31 March 2017. The financial covenant calculations were recomputed based on the restated results and it was therefore established that the Group contravened the requirements. Refer to Note 5 - Borrowings for further information on financial covenants.

Current management have implemented a turnaround plan, with a key focus being the restructuring of debt - refer to note 12 in respect of Events occurring after the reporting period.

11. 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 abridged consolidated financial results do not include all financial risk management information and disclosures required in the consolidated annual financial statement 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 recorded at 31 March 2019 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	2019	2018
Financial assets			
Measured at amortised cost:			
Other non-current financial assets		197	264
Trade and other receivables*		1 261	1 505
Cash and cash equivalents**		962	2 723
Fair value through profit or loss:			
Listed equity investments	1	8	12
Derivative financial instruments	2	12	7
Total		**2 440**	**4 511**
Financial liabilities			
Measured at amortised cost:			
Trade and other payables*		3 316	3 397
Borrowings***		11 438	11 303
Fair value through profit or loss:			
Derivative financial instruments	2	-	8
Total		**14 754**	**14 708**

* 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.

12. COMMITMENTS & CONTINGENCIES

Operating leases

The Group leases a number of sugar storage warehouses in South Africa under operating leases. The leases typically run for a period of up to one year. Certain operating commitments relating to vehicles and office equipment also exist with lease periods of up to five years.

R' million	2019	2018 Restated
Operating lease commitments, amounts due:		
Not later than one year	26	24
Later than one year and not later than five years	28	1
Later than five years	-	1
	54	26
In respect of:		
Property	54	26
	54	26

Capital Expenditure

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

R' million	2019	2018 Restated
Contracts for capital expenditure authorised	43	916
Approved but not contracted	46	133

These commitments relate to expenditure on property, plant, equipment and intangible assets. It is anticipated that this expenditure will be financed by existing borrowing facilities and internally generated funds.

Subsequent to the reporting date the majority of the capital expenditure was suspended due to the Group's liquidity constraints.

Guarantees and contingent liabilities

R' million	2019	2018 Restated
Infrastructure commitments in respect of Income received in advance	61	490

Tongaat Hulett Developments (Proprietary) Limited guarantee the term loans of Tongaat Hulett Limited, to the extent of it's assets.

13. 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	2019	2018
Goods and services		
Transacted with/between joint venture (DNA) within Tongaat Hulett	1 267	1 495
Loan balances		
Pension Fund loan payable	112	102

14. EVENTS OCCURING AFTER THE REPORTING PERIOD

There is a significant period of time between the reporting date and the date of authorising these consolidated financial statements. The subsequent events below were carefully assessed to ensure that all material events have been disclosed.

Turnaround plan

Significant progress continues to be made in the implementation of the turnaround plan which is aimed at reducing costs and re-baselining the Group's cost basis. The various turnaround initiatives are geared towards delivering cash flow improvements above the budget baseline over a two-year period. Meaningful progress has been made and the Group has already started benefiting from cost savings. As part of the turnaround plan a summary of the PwC Forensic Investigation has been made public and the Board and management team are developing 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.

Covenant waiver

In South Africa, a covenant waiver was concluded with various lenders on May 2019 in respect of the financial covenant breach relating to debt outstanding at 31 March 2019. In order to effect the financial covenant waiver Tongaat Hulett provided certain assets as security. Subsequently the debt has been restructured and the financial covenant waiver will remain in place until the refinancing becomes effective, as set out in the debt restructuring paragraph.

In Mozambique, waiver and standstill agreements in respect of debt owed to lenders of the Mozambique operations, to cover a period of at least 12 months, are in an agreed form and are likely to be concluded by end of December 2019.

Debt restructuring

As part of its debt restructuring initiative, the South African Group has 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 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 (refer to Going Concern Note).

The New SA Facilities are:

	Facility A	Facility B	Facility C	Facility D
Facility amount R'million	9 092	2 200	553	47
Type	Term Loan Facility	Revolving Loan Facility	Revolving Loan Facility	Seasonal Term Loan Facility
Purpose	To refinance the existing financial indebtedness owing	To refinance any residual existing financial indebtedness following application of the proceeds from the utilisation of facility A, and thereafter, Facility B may be used for the general corporate and working capital purposes.	Working capital and general corporate purposes of the Sugar Business	
Termination date	31 March 2021 or such later date as agreed	31 March 2021 or such later date as agreed	The earlier of (i) 31 March 2020 and (ii) the date on which SASA advances seasonal funding to the Borrower for 2020.	
Margin	Based on JIBAR depending on various factors relating to levels of debt.			
Margin step-up: failure to reach debt reduction milestones [PIK interest]	PIK Interest to accrue (over and above any default interest or any step-up occurring as a result of any default) on all outstanding amounts at the rates determined in accordance with a margin ratchet mechanism subject to certain conditions.			
Partial Prepayments Waterfall: Mandatory Prepayments	Debt reduction proceeds to be applied as follows: * **first**, towards the payments of all cost, expense, losses, taxes, and/or breakage costs then payable to the lenders; * **second**, towards the prepayment of accrued and unpaid interest (including roll-up interest but excluding PIK interest) and fees under the facilities. * **third**, towards the prepayment of the principal amount of the Facility A Loan and Facility B Loans and the pro tanto cancellation of Facility B Commitments, provided that each Senior Lender which then has an outstanding participation in the Facility A Loan and the Facility B loan shall first apply the applicable prepayment proceeds in prepayment of its participation in the Facility A Loan and thereafter in the prepayment of its participation in such Facility B Loans and pro tanto cancellation of its Facility B Commitment; * **fourth**, towards the prepayment of the principal amount of the Facility C and Facility D Loans and the pro tanto cancellation of Facility C and Facility D Commitments; * **fifth**, towards the repayment of all amounts owing and the prepayment of all other outstanding and utilisations (excluding any Excluded Ancillary Facilities Outstanding's); * **sixth**, towards paying accrued unpaid PIK interest; * **seventh**, towards prepayment of facilities provided to the Starch Business; and * **eighth**; towards the prepayment or repayment of any Excluded Ancillary Facility Outstanding. All proceeds received from SASA in connection with any funding made available by SASA shall first be applied in mandatory prepayment and cancellation of Facility C Loans and facility D Loans, and any balance remaining following such application can be applied for general corporate purposes.			

14. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

Financial Covenants	Discussion Circumstances Meeting * If the ratio of Total Debt to EBITDA for the period of 12 (twelve) months ending on 30 September 2020 ("measurement Date") is more than 3x * if the forecast ratio of Total Debt to EBITDA for the period of 12 (twelve) months commencing on the Measurement Date is more than 2,5x Event of Default * Parties fail to reach an agreement regarding the proposed financial covenant remediation within 14 days following the Discussions Circumstances Meeting or the borrower fails to comply with the agreed proposed financial remediation within 14 days of the same being agreed * Ratio of Total Debt to EBITDA for the period of 12 (twelve) months ending on the Measurement Date is greater than 3.5x

The Group has agreed with the South African Lenders that they will execute a plan to reduce the level of debt by R8.1 billion through the sale of assets and/or equity capital raising by 31 March 2021. Specific key test dates have been put in place as described in the Going Concern disclosure.

Disposal of core and non-core assets

In order to meet debt reduction milestones arising from the debt restructure management has identified various core and non-core assets, which could be disposed of and has embarked on various initiatives simultaneously to potentially dispose of these assets in an organised manner and at reasonable prices. The Group has received non-binding expressions of interest in relation to various operations and assets within the Group. In November 2019, the Group disposed of its 51% stake in Tongaat Hulett Namibia (THN). The disposal, whilst subject to certain conditions, is expected to result in gross proceeds of R112 million and has been disclosed as an asset classified as held for sale at 31 March 2019.

Pension fund employer surplus account

The Group is in the process of liquidating the Tongaat Hulett Pension Fund surplus and expects to receive the proceeds of R500 million before 30 June 2020 which will be used to meet debt reduction milestones.

Unwind of 2007 broad-based black economic empowerment equity transaction and resultant transfer of shares.

In April 2019, FirstRand Bank Limited, acting through its Rand Merchant Bank division ("RMB"), and Depfin Investments Proprietary Limited, a wholly owned subsidiary of Nedbank Limited ("Nedbank") ("the Preference Share Funders") exercised their security rights relating to the redeemable preference shares (“Preference Shares”) for which they subscribed for in two Broad-Based Black Economic Empowerment (“B-BBEE”) special purpose vehicles (“SPVs”) that had acquired 25.1 million shares in Tongaat Hulett in 2007. Accordingly RMB and Nedbank have transferred the Tongaat Hulett shares held by the SPVs into their own names, towards the redemption of the Preference Shares. The Preference Share Funders did not have any recourse to Tongaat Hulett for payment of the redemption amount. As a result of the breach in share cover ratio and subsequent decline of the Tongaat Hulett share price the Group had already deconsolidated the SPVs in February 2019 as these were now controlled by the Preference Share Funders.

Corporate activity after the reporting date

On 10 June 2019, the listing of the Company's securities on the Johannesburg Stock Exchange and the London Stock Exchange were suspended following a voluntary request by the Tongaat Hulett Board.

Due to low trade volumes and the cost of maintaining a secondary listing, Tongaat Hulett delisted its shares from the London Stock Exchange, effective 5 September 2019. Shareholders on the United Kingdom share register were transferred onto the South African share register.

Governance changes

Effective 31 May 2019

Mrs Jenitha John, an Independent Non-Executive Director and Chairman of the Audit and Compliance Committee stepped down. Ms Fatima Daniels assumed the responsibility of Audit and Compliance Committee Chairman.

Effective 30 September 2019

Mr. Bahle Sibisi stepped down as Chairman and Non-Executive Director of the Board and was replaced by Mr. Louis von Zeuner.

To further revitalise the board, various other changes were effected:
- Non-Executive Directors that stepped down: Ms Rachel Kupara, Ms Thandeka Mgoduso, Mr Brand Pretorius, Dr Tomaz Salomao
- Appointment of new Non-Executive Directors: Mr Andile Sangqu, Ms Linda de Beer, Mr Jean Nel, Mr Robin Goetzsche
- Appointment of a new Executive Director: Mr Dan Marokane

Financial Services Conduct Authority (FSCA) investigation

The investigation by the FSCA relating to the potential contravention of Section 81 of the Financial Markets Act, is pending the finalisation of the release of the March 2019 financial results, now that the PwC forensic investigation is complete.

Hyperinflation impacting Zimbabwean entities

In July 2019, it was reported that Zimbabwe's annualised inflation had increased to 175.66%. Qualitative indicators support the conclusion that Zimbabwe is now a hyper-inflationary economy for accounting purposes. For the year ended 31 March 2020 the Group will apply the requirements of IAS 29 Financial reporting in hyper-inflationary economies in respect of foreign operations with RTGS as their functional currency. The impact of this has not yet been determined.

No other material events occurred since the date of these consolidated financial statements and the date of approval thereof, the knowledge of which would affect the ability of the users of these statements to make proper evaluations and decisions.