THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The "*Definitions and Interpretations*" section commencing on page 9 of this Circular applies throughout this Circular, including to this cover page.

Action required by THL Shareholders:

- This Circular is important and should be read in its entirety. Moreover, THL Shareholders are referred to the section titled "*Action required by THL Shareholders*" commencing on page 2 of this Circular, which sets out the detailed actions required of them.
- If you are in any doubt as to the actions you should take in relation to this Circular, please consult your CSDP, Broker, banker, accountant, attorney or other professional adviser immediately.
- If you have disposed of all your THL Shares, this Circular should be handed to the purchaser of such THL Shares or to the CSDP, Broker or other agent through whom such disposal was effected.

THL does not accept responsibility, and will not be held liable, under any Applicable Law or otherwise, for any action of, or omission by, any CSDP or Broker of any beneficial owner of THL Shares including, without limitation, any failure on the part of the CSDP or Broker to notify such beneficial owner of this Circular, of the General Meeting or of any of the matters contained in this Circular.

Est. 1892

TongaatHulett®

Tongaat Hulett Limited

(Incorporated in South Africa)
(Registration number 1892/000610/06)
Share code: TON
ISIN ZAE000096541
("**THL**" or the "**Company**")

CIRCULAR TO SHAREHOLDERS

regarding:

- **the proposed disposal by THL of its Starch Business to KLL Group, a wholly-owned subsidiary of Barloworld; and**
- **approval by THL Shareholders of the Disposal in terms of section 9 of the JSE Listings Requirements, and sections 112 and 115 of the Companies Act;**

and incorporating:

- **the Independent Expert's Report;**
- **a notice convening the General Meeting (to be conducted entirely by electronic communication); and**
- **a Form of Proxy *(blue)* in respect of the General Meeting for use by Certificated Shareholders and Own-Name Dematerialised Shareholders only.**

Financial Adviser and Transaction Sponsor to THL

pwc

Legal Adviser to THL

BOWMANS

Auditors and Independent Reporting Accountants

Deloitte.

Independent Expert

JAVACAPITAL

Date of issue: **Friday, 8 May 2020**

This Circular is only available in English. This Circular will also be available electronically from Friday, 8 May 2020 on the Company's website (https://www.tongaat.com).

FORWARD-LOOKING STATEMENTS

This Circular contains certain "forward looking statements" that reflect the current views or expectation of THL with respect to future events and future financial and operational performance. All statements other than statements of historical fact are, or should be deemed to be, forward-looking statements, including, without limitation those concerning: the economic outlook for the industries in which the Group operates, expectations regarding production, cash costs and other operating results, growth prospects and outlook of the Group's operations, and THL's liquidity and capital resources and expenditure. These forward-looking statements are not based on historical facts, but rather reflect THL's current plans, estimates, projections and expectations concerning future results and events and generally are identified by the use of forward-looking words or phrases such as "believe", "expect", "forecast", "foresee", "plan", "intend", "seek", "aim", "anticipate", "estimate", "likely", "predict", "project", "potential", "assume", "target", "continue", "may", "will", "should", "could", "endeavour", "shall", "risk" or the negative of these terms or similar expressions that are predictions of or indicate future events and future trends. Similarly, statements that describe THL's objectives, plans or goals are, or should be deemed to be, forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that might cause the Group's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although THL believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will materialise or prove to have been correct. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements include, without limitation, matters not yet known to THL or not currently considered material by THL.

THL Shareholders should keep in mind that any forward-looking statement made in this Circular is correct as of the Last Practicable Date. New factors that arise after the Last Practicable Date that could cause the business of the Group or other matters to which such forward-looking statements relate, not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. THL has no duty to, and does not intend to, update publicly or release any revisions to these forward-looking statements, except as may be required by law. Any forward-looking statements have not been reviewed or reported on by the external auditors.

COVID-19

The COVID-19 global pandemic has resulted in significant global and local financial market volatility and uncertainty. Although uncertain and unquantified at this stage, continued or worsening levels of market disruption and volatility could have a significant impact on the Group's business operations as well as the Company's ability to access capital and conclude the various Key Initiatives planned to achieve the remaining milestones of the Debt Reduction Plan. This could result in a material change in the financial or trading position of the Group.

The Company has put in place various risk mitigation strategies. Management and the Directors cannot accurately predict what the likely future impact of COVID-19 will be on the Southern African economy, or on the Group and its operations.

CORPORATE INFORMATION AND ADVISERS

Directors

Executive

JG Hudson *(Chief Executive Officer)*
RD Aitken *(Chief Financial Officer)*
DL Marokane

Non-executive

L von Zeuner *(Chairman)**
L de Beer*
RM Goetzsche*
JJ Nel*
AH Sangqu*
** Independent*

Company Secretary and Registered Office

JJ van Rooyen
Tongaat Hulett Limited
Amanzimnyama Hill Road
Tongaat
KwaZulu-Natal
South Africa
(PO Box 3, Tongaat, 4400, South Africa)

johann.vanrooyen@tongaat.com

Date and place of incorporation

7 September 1892, South Africa

Financial Adviser and Transaction Sponsor to THL

PricewaterhouseCoopers Corporate Finance
Proprietary Limited
(registration number 1970/003711/07)
4 Lisbon Lane, Waterfall City
Jukskei View, 2090, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)

Legal Adviser to THL

Bowman Gilfillan Inc.
(registration number 1998/021409/21)
11 Alice Lane
Sandton, 2146
Johannesburg, South Africa
(PO Box 785812, Sandton, 2146, South Africa)

Auditors and Independent Reporting Accountants to THL

Deloitte & Touche
(practice number 902276)
Deloitte Place, 2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia, 4051
Durban, South Africa
(PO Box 243, Durban, 4000, South Africa)

Independent Expert

Java Capital Proprietary Limited
(registration number 2012/089864/07)
6A Sandown Valley Crescent
Sandown,
Sandton, 2196
Johannesburg, South Africa
(PO Box 522606, Saxonwold, 2132, South Africa)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
Johannesburg, South Africa
(Private Bag X9000, Saxonwold, 2132, South Africa)

ACTION REQUIRED BY THL SHAREHOLDERS

The "*Definitions and Interpretations*" section commencing on page 9 of this Circular applies to this section.

Shareholders are requested to take note of the following information regarding the actions required by them in connection with this Circular:

If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, accountant, attorney or other professional adviser immediately.

If you have disposed of all your THL Shares, then this Circular should be handed to the purchaser of such THL Shares or to the CSDP, Broker or other agent through whom such disposal was effected.

1. **General Meeting**

   THL Shareholders are reminded of the limitations on physical and postal delivery during the government-imposed national lockdown.

   THL Shareholders are aware of the evolving COVID-19 outbreak and the measures taken by the South African government to prevent its spread, including guidelines on stringent physical distancing, the need for people to avoid large public gatherings and the banning of all non-essential travel. These all impact the manner in which traditional shareholder meetings are held. In line with these measures the Board has, in accordance with the Company's MOI, resolved to hold the General Meeting electronically on **Friday, 05 June 2020**.

   The General Meeting will be conducted entirely by way of electronic communication and electronic facilities. Shareholders will not be able to physically attend the General Meeting.

   THL Shareholders are invited to participate electronically in the General Meeting, convened in terms of the Notice of General Meeting (attached to, and forming part of, this Circular) for purposes of considering and, if deemed fit, adopting, with or without modification, the resolutions as contained in the Notice of General Meeting.

   The General Meeting will be held electronically at **10:00 (South African Standard Time) on Friday, 05 June 2020**, or such other adjourned or postponed date and time as will be determined and announced in accordance with the provisions of the Companies Act as read with the JSE Listings Requirements.

2. **Electronic participation by THL Shareholders**

   The Company will offer THL Shareholders (or their representatives or proxies) reasonable access through electronic facilities and a virtual meeting platform to participate in the General Meeting.

   A THL Shareholder (or its representative or proxy) will, if (and only if) the THL Shareholder requests that access be granted to it (or its representative or proxy) to do so, be able to:

   - listen in to, and speak during, the General Meeting through electronic facilities; and
   - vote during the General Meeting through a virtual meeting platform.

   THL Shareholders are invited to request such access by sending an email ("**Participation Request**") to the Transfer Secretaries at proxy@computershare.co.za. Following receipt of a Participation Request, the Transfer Secretaries will email the relevant contact link and logon details to the THL Shareholder concerned to enable it (or its representative or proxy) to listen in to, speak in, and vote in, the General Meeting ("**Connection Details Notice**").

   The Participation Request must specify:

   - the name of the THL Shareholder (and, if applicable, of the representative or proxy); and
   - an email address at which the THL Shareholder (and, if applicable, the representative or proxy), can be contacted.

   Reasonably satisfactory identification, as contemplated in paragraph 4 below (and a letter of representation or a duly completed Form of Proxy (*blue*), if applicable) must be attached to the Participation Request.

It is requested, for administrative reasons, that, a Participation Request, complying with the above requirements, be emailed to the Transfer Secretaries, to be received by no later than **10:00 (South African Standard Time) on Wednesday, 03 June 2020.** If a THL Shareholder does not email the Participation Request complying with the above requirement to reach the Transfer Secretaries by that time, that THL Shareholder will nevertheless be entitled to email the Participation Request complying with the above requirements to the Transfer Secretaries, to be received prior to the commencement of the General Meeting. THL Shareholders should nevertheless be aware that if they send the Participation Request near to the time of commencement of the General Meeting, there is a risk, and they accept the risk, that (i) the Participation Request will not reach the Transfer Secretaries prior to the commencement of the General Meeting; (ii) the Transfer Secretaries will not have sufficient time to send the Connection Details Notice; or (iii) the Connection Details Notice will not reach the THL Shareholder prior to the commencement of the General Meeting.

In relation to a Participation Request received by the Transfer Secretaries:

- by **10:00 (South African Standard Time) on Wednesday, 03 June 2020,** the Transfer Secretaries will use reasonable endeavours, to email the Connection Details Notice by no later than **10:00 (South African Standard Time) on Thursday, 04 June 2020**; or
- after **10:00 (South African Standard Time) on Wednesday, 03 June 2020** but prior to the commencement of the General Meeting, the Transfer Secretaries will use reasonable endeavours to email the Connection Details Notice as soon as reasonably practicable after receipt of the Participation Request.

For information purposes only, a guide for electronic shareholders meetings will be available on the Company's website *(www.tongaat.com)* and can also be obtained from the Transfer Secretaries. Should you have any further questions, please send an email to proxy@computershare.co.za.

The Directors and executive management will be available during the General Meeting, through the electronic facilities, to address any matters which are raised relating to the resolutions to be tabled in the General Meeting.

THL will make the facilities available at no cost to the user. However, any third-party costs relating to the use of, or access to, the platform will be for the user's account.

THL does not accept responsibility, and will not be held liable, under any Applicable Law or otherwise, for:

- **any action of, or omission by, the Transfer Secretaries; or**
- **any Loss arising in any way from the use of the platform or electronic facilities including, without limitation, any malfunctioning or other failure of the platform or facilities, or any failure of any email to reach, or delay in any email reaching, its intended destination, in the case of all of the aforementioned whether or not as a result of any act or omission on the part of the Company or anyone else.**

3. **Participation and voting in the General Meeting**

3.1 **Beneficial owners of Dematerialised Shares without own-name registration**

If you have Dematerialised your THL Shares without own-name registration, then the following actions are relevant to you in connection with the General Meeting:

Voting in the General Meeting

- Your CSDP or Broker should contact you to ascertain how you wish to cast your vote (or to ascertain whether you wish to abstain from casting your vote) in the General Meeting and thereafter cast your vote (or abstain from casting your vote) in accordance with your instructions.
- If you have not been contacted by your CSDP or Broker, it would be advisable for you to contact your CSDP or Broker and furnish it with your voting instructions.
- If your CSDP or Broker does not obtain voting instructions from you, it will vote in accordance with the instructions contained in the mandate agreement concluded between you and your CSDP or Broker.
- You must **NOT** complete the attached Form of Proxy *(blue).*

Participation in the General Meeting

In accordance with the mandate agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to listen in to, speak during and/or vote in the General Meeting, or if you wish for another person to represent you in the General Meeting. Your CSDP or Broker should issue the necessary letter of representation for you or that other person to participate in the General Meeting. You should ensure that the Participation Request is sent and that a copy of the letter of representation is attached to the Participation Request.

THL does not accept responsibility, and will not be held liable, under any Applicable Law or otherwise, for any action of, or omission by, the CSDP or Broker of any beneficial owner of THL Shares including, without limitation, any failure on the part of the CSDP or Broker to notify such beneficial owner of this Circular, of the General Meeting or of any of the matters contained in this Circular.

3.2 **Own-Name Dematerialised Shareholders and Certificated Shareholders**

If you are an Own-Name Dematerialised Shareholder or you are a Certificated Shareholder, then the following is relevant to you in connection with the General Meeting (but please also be aware of the provisions of paragraph 2 above):

Participation, voting and representation in the General Meeting

- You may yourself listen in to and speak during the General Meeting, and you may yourself vote (or abstain from voting) in the General Meeting, in the manner contemplated in paragraph 2 above.
- Alternatively, you may appoint one or more proxies to represent you in the General Meeting by completing the attached Form of Proxy *(blue)* in accordance with the instructions therein, and attaching it to a Participation Request to be emailed to the Transfer Secretaries in the manner contemplated in paragraph 2 above. A proxy need not be a THL Shareholder. It is requested, for administrative reasons, that the duly completed Form of Proxy *(blue)* be emailed to the Transfer Secretaries at proxy@computershare.co.za, to be received by no later than **10:00 (South African Standard Time) on Wednesday, 03 June 2020**.
- If you do not email the completed Form of Proxy *(blue)*, in accordance with the above instruction, to reach the Transfer Secretaries by the relevant time, you will nevertheless be entitled to email the Form of Proxy *(blue)*, attached to a Participation Request emailed to the Transfer Secretaries in the manner contemplated in paragraph 2 above, to the Transfer Secretaries, to be received prior to the commencement of the General Meeting.

4. **Identification of Shareholders and proxies**

In terms of section 63(1) of the Companies Act, before any person may participate in the General Meeting, that person must present reasonably satisfactory identification, and the person presiding in the General Meeting must be reasonably satisfied that the right of the person to participate and vote in the General Meeting, either as a THL Shareholder, or as a proxy or a representative for a THL Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's licence or a valid passport.

TABLE OF CONTENTS

IMPORTANT DATES AND TIMES

The "*Definitions and Interpretations*" section commencing on page 9 of this Circular applies to this section.

	2020
Firm Intention Announcement regarding the Disposal released on SENS on	**Friday, 28 February**
Firm Intention Announcement regarding the Disposal published in the South African press on	**Monday, 02 March**
Record date to determine which THL Shareholders are eligible to receive this Circular and Notice of General Meeting	**Thursday, 30 April**
Circular, inclusive of Notice of General Meeting and Form of Proxy *(blue)*, distributed to THL Shareholders on	**Friday, 08 May**
Announcement regarding convening of General Meeting and distribution of Circular released on SENS on	**Friday, 08 May**
Announcement regarding convening of General Meeting and distribution of Circular published in the South African press on	**Friday, 08 May**
Last day to trade in THL Shares in order to be eligible to participate, speak and vote in the General Meeting (see note 3 below)	**Tuesday, 26 May**
Voting record date to determine which THL Shareholders are eligible to participate, speak and vote in the General Meeting (see note 4 below)	**Friday, 29 May**
For effective administration, Participation Requests (requesting access in order to participate electronically in the General Meeting) to be received by Transfer Secretaries by no later than **10:00** on (see note 5 below)	**Wednesday, 03 June**
For effective administration, completed Forms of Proxy *(blue)* to be received by Transfer Secretaries by no later than **10:00** on (see notes 6 and 7 below)	**Wednesday, 03 June**
Last day (at any time before Special Resolution Number 1 is voted on) for THL Shareholders to deliver a written notice to the Company in terms of section 164(3) of the Companies Act objecting to Special Resolution Number 1 (see note 8 below) on	**Friday, 05 June**
General Meeting of THL Shareholders to be held electronically at **10:00 on**	**Friday, 05 June**
Results of General Meeting released on SENS on	**Friday, 05 June**
If Special Resolution Number 1 is approved by THL Shareholders in the General Meeting but 15% or more of the voting rights exercised thereon have been voted against Special Resolution Number 1, then, within 5 business days after the vote, any THL Shareholder who voted against the resolution can require the Company to seek Court approval for the Disposal, as contemplated in terms of section 115(3)(a) of the Companies Act (see note 9 below). Such 5 business day period will end on	**Friday, 12 June**
If Special Resolution Number 1 is not unanimously approved by THL Shareholders in the General Meeting, then, within 10 business days after the vote, any THL Shareholder who voted against the resolution can apply to Court for the Disposal to go through a Court review process, as contemplated in terms of section 115(3)(b) of the Companies Act (see note 7 below). Such 10 business day period will end on	**Monday, 22 June**
Last day for THL to give notice of adoption of Special Resolution Number 1 to THL Shareholders which gave the Company a written notice of objection to Special Resolution Number 1, on	**Monday, 22 June**

	2020
If no THL Shareholder exercises its rights under section 115(3) of the Companies Act:	
Estimated date on which the Suspensive Conditions are to be fulfilled or waived, being the Fulfilment Date, will be on or about	**Wednesday, 30 September**
Estimated date of release on SENS of the Fulfilment Date announcement, will be on or about	**Wednesday, 30 September**

Notes:

(1) All of the above dates and times are South African Standard Time.

(2) The above dates and times are subject to change. Any required changes will be released on SENS.

(3) THL Shares can only be traded in Dematerialised form. No orders to Dematerialise or rematerialise THL Shares will be processed from the Business Day following **Tuesday, 26 May 2020** up to and including the voting record date, but such orders will again be processed from the first Business Day after the voting record date.

(4) Only THL Shareholders who are registered in the Securities Register on **Friday, 29 May 2020**, will be eligible to participate, speak and vote in the General Meeting.

(5) Should a Participation Request not be emailed so as to be received by the Transfer Secretaries by **10:00** on **Wednesday, 03 June 2020**, it may nevertheless be emailed so as to be received by the Transfer Secretaries at any time prior to the commencement of the General Meeting.

(6) Should Forms of Proxy (*blue)* not be returned to the Transfer Secretaries by **10:00** on **Wednesday, 03 June 2020**, they may nevertheless be emailed so as to be received by the Transfer Secretaries at any time prior to the commencement of the General Meeting.

(7) Should the General Meeting be adjourned or postponed for whatever reason, Forms of Proxy *(blue)* submitted for the General Meeting will remain valid in respect of any ensuing adjourned or postponed general meeting.

(8) Special Resolution Number 1, as set out in the Notice of General Meeting, is the resolution for the approval of the Starch Disposal in terms of section 112 and 115 of the Companies Act.

(9) Notwithstanding that Special Resolution Number 1 may be approved by the requisite majority of voting rights of THL Shareholders exercised thereon in the General Meeting, the provisions of section 115(3) of the Companies Act require Court approval under certain conditions. If such Court approval is sought or required, all subsequent important dates and times might require amendment.

DEFINITIONS AND INTERPRETATIONS

Throughout this Circular, unless otherwise stated or the context indicates otherwise:

- any reference to any one gender includes all other genders;
- stipulated dates and times are South African Standard Time;
- words and expressions in the singular include the plural and *vice versa*;
- words and expressions importing natural persons include juristic persons and unincorporated associations of persons and *vice versa*; and
- words and expressions in the first column below have the respective meanings assigned to them in the second column, and cognate words and expressions bear corresponding meanings:

"ABSA"	ABSA Bank Limited (registration number 1986/004794/06), a limited liability public company registered in accordance with the Laws of South Africa;
"Accounting Principles"	the accounting policies, practices and methods which will be applied by THL in preparing the Pre-Closing Accounts, and by the Purchaser in preparing the Closing Accounts;
"Accounts Payable"	all the claims and amounts of any nature owing by THL at the Closing Date in respect of goods sold and/or services supplied to the Business by trade and other creditors in the ordinary course of business (other than the Intra-Group Payables), as reflected in and/or ascertained from the Closing Accounts;
"Accounts Receivable"	all the claims and amounts of any nature owing to THL by the trade and other debtors of the Business, in the ordinary course of business, as at the Closing Date (other than the Intra-Group Receivables), as reflected in and/or ascertained from the Closing Accounts;
"Actual Debt"	Debt as at the Effective Measurement Time on the Closing Date, as reflected in and/or ascertained from the Closing Accounts and the Closing Statement;
"Actual Net Working Capital"	the Net Working Capital as at the Effective Measurement Time on the Closing Date, as reflected in and/or ascertained from the Closing Accounts and the Closing Statement;
"Affiliate"	with respect to any Party ("**Control Party**"), any other person directly or indirectly Controlling, Controlled by, or under common Control with, the Control Party, in each case from time to time;
"Agreement"	the sale and purchase agreement between the Parties dated Friday, 28 February 2020, as amended from time to time, including by an addendum dated Friday, 20 March 2020;
"Applicable Law" or **"Law"**	i. statutes, subordinated legislation and common law; ii. regulations; iii. ordinances and by-laws; and iv. directives, codes of practice, orders, circulars, guidance notices, judgments and decisions of any Regulatory Authority, which have the force of law or compliance with which is mandatory;
"Appraisal Rights"	the rights afforded to shareholders of a company in terms of section 164 of the Companies Act, as set out in Annexure 11 of this Circular;

"Assumed Contracts"	all agreements entered into by THL which both (i) exclusively pertain to the Business (but also including certain "shared contracts" which do not pertain exclusively to the Business), and (ii) either: i. have been entered into in the ordinary course of business on or prior to, and are in force and effect on, the Signature Date; or ii. are entered into in the ordinary course of business and come into force and effect during the Interim Period, and, in either case, continue to remain in force and effect on the Closing Date;
"Assumed Liabilities"	i. the Accounts Payable; ii. the Employee-related Liabilities; iii. all obligations of THL under the Assumed Contracts, which in terms of the Assumed Contracts fall due for payment or performance on or after the Closing Date; and iv. the Debt;
"Barloworld"	Barloworld Limited (registration number 1918/000095/06), a limited liability public company registered in accordance with the Laws of South Africa, the shares of which are listed on the JSE;
"Books and Records"	all: i. books and records of THL, including technical, production and manufacturing records, financial statements, journals, manuals, customer and client lists and registered representative lists, as well as all files, data and databases relating thereto (whether in hard copy or computer format); and ii. other documents of THL, embodying or containing or otherwise recording the Business (but only to the extent that they relate to the Business), but excluding the Excluded Books and Records;
"Bowmans" or **"Legal Adviser"**	Bowman Gilfillan Inc. (registration number 1998/021409/21), a company registered in accordance with the Laws of South Africa, appointed as the legal adviser to THL;
"Bowwood"	Bowwood and Main No 296 (RF) Proprietary Limited (registration number 2018/358484/07), a limited liability private company registered in accordance with the Laws of South Africa;
"Broker"	any person or entity registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
"Business" or **"Starch Business"**	the business carried on by THL as a going concern of manufacturing and producing: i. modified and unmodified starch; ii. powdered and liquid glucose; and iii. related animal feed products, from maize, and the sale and distribution of the aforementioned products;
"Business Day"	any day other than a Saturday, Sunday or statutory public holiday in South Africa;
"Calendar Month"	a Gregorian calendar month;

"Cash and Cash Equivalents"	cash (whether in hand, at bank or otherwise) and cash equivalents, including balances relating to: i. "external short-term facilities – SAFEX"; ii. "external short-term facilities – other", including bank accounts with Standard Chartered Bank; iii. cash settled mark-to-market positions on maize futures; iv. margins on deposit with the JSE in accordance with the SAFEX trading requirements; and v. mark-to-market movements for positions which are taken on behalf of farmers;
"Certificated Shareholders"	Shareholders holding Certificated Shares;
"Certificated Shares"	Shares which have not yet been Dematerialised and title to which is evidenced by a share certificate or other document of title;
"Circular"	this bound document dated Friday, 08 May 2020 including the Notice of General Meeting and Form of Proxy *(blue)*;
"Claims Retention Amount"	an amount of ZAR450 000 000 (four hundred and fifty million Rand);
"Closing Accounts"	the unaudited management accounts of the Sale Business as at the Effective Measurement Time;
"Closing Date"	the last Day of the Calendar Month in which the latest of the following 3 (three) dates occurs: i. the Fulfilment Date; ii. the expiry of the period of 30 (thirty) Days referred to in section 34(1) of the Insolvency Act; and iii. the date of the delivery to the Purchaser of the Pre-Closing Accounts; provided that if the latest of the above 3 (three) dates occurs on or after the 25th (twenty fifth) Day of a Calendar Month, the Closing Date shall mean the last Day of the immediately succeeding Calendar Month;
"Closing Statement"	an unaudited statement in the form of the *pro forma* statement included as an annexure to the Agreement setting out the calculation, and amount, of the Actual Debt and the Actual Net Working Capital, to be prepared by the Purchaser (applying the Accounting Principles);
"Companies Act"	the Companies Act No. 71 of 2008, as amended from time to time;
"Companies Regulations"	the Companies Regulations, 2011, as amended from time to time, published in terms of section 223 and item 14 of Schedule 5 of the Companies Act;
"Competition Act"	the Competition Act No. 89 of 1998, as amended from time to time;
"Competition Authorities"	the Competition Commission established in terms of Chapter 4, Part A of the Competition Act, the Competition Tribunal established in terms of Chapter 4, Part B of the Competition Act, the Competition Appeal Court established in terms of Chapter 4, Part C of the Competition Act, the Common Market for Eastern and Southern Africa and the Indonesian Competition Authority;
"Computershare Investor Services" or **"Transfer Secretaries"**	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a limited liability private company registered in accordance with the Laws of South Africa, and transfer secretaries to the Company;

"Control"	in relation to a Party, the: i. beneficial ownership of the majority in number of the shares (or other equity interest) in that Party's entire issued share capital and/or of the whole or major portion of that Party's assets; ii. right or ability to direct or otherwise control the votes attaching to the majority of that Party's issued shares (or other equity interest); iii. right or ability to appoint or remove directors or trustees holding a majority of voting rights at meetings of the board or other executive body of that Party; iv. ability to materially influence the policy of that Party in the manner contemplated in section 12(2)(g) of the Competition Act; and/or v. possession, directly or indirectly, of the power to direct or cause the direction of the management, business and policies of that Party, whether through ownership of voting securities, by contract or otherwise, and **"Controlling"** and **"Controlled"** shall have corresponding meanings;
"Court"	a South African court;
"CSDP"	a Central Securities Depository Participant defined as a "participant" in the Financial Markets Act;
"Day"	a calendar day, whether or not a Business Day;
"Debt"	as at the relevant determination date: i. the aggregate amount of THL's indebtedness under the Starch Facilities; ii. any borrowings incurred in the ordinary course of business not exceeding ZAR10 000 000 (ten million Rand); iii. executive bonus accruals; iv. water utilities accrual relating to the Germiston Mill; and v. the pricing adjustment net payables pursuant to the pricing contract concluded with certain customers of the Business;
"Debt Reduction Milestones"	bears the meaning ascribed to it in paragraph 17.3.2.4;
"Debt Reduction Plan"	the commitment made by THL to the THL Lenders to reduce its debt levels for its South African operations by ZAR8 100 000 000 (eight billion one hundred million Rand) by 31 March 2021;
"Deloitte & Touche" or **"Independent Reporting Accountants"** or **"Auditors and Independent Reporting Accountants"**	Deloitte & Touche, practice number 902276, registered auditors, acting as the Auditors and Independent Reporting Accountants to THL;
"Dematerialisation" or **"Dematerialise"**	the process by which Certificated Shares held by Shareholders are converted into electronic form and held as uncertificated shares recorded as such in the sub-registers of the Company as administered and maintained by the CSDPs;
"Dematerialised Shares"	THL Shares which have been Dematerialised in terms of the Companies Act and the Financial Markets Act and by Strate, ownership of which is recorded by means of electronic record in a sub-register of THL Shareholders administered by a CSDP, such sub-register forming a constituent part of the Securities Register;

"Directors" or **"Board"** or **"Board of Directors"**	the board of directors of THL as constituted, from time to time. The directors of THL as at the Last Practicable Date are listed on page 1 of this Circular;
"Disposal"	the sale and transfer by THL of the Sale Business pursuant to the Agreement on the salient terms and conditions set out in this Circular;
"EBITDA"	earnings before interest, tax, depreciation and amortisation calculated in the manner set out in the *pro forma* EBITDA statement included as an annexure to the Agreement;
"Effective Measurement Time"	11:59 pm (South African Standard Time) on the Closing Date;
"**Employees"**	at a point in time, all the persons who are at that time both: (i) employed by THL (or who are deemed in Law to be employees of THL); and (ii) used primarily or exclusively in or in connection with the Starch Business;
"Employee-related Liabilities"	i. the guaranteed annual remuneration of the Transferring Employees as at the Closing Date; ii. annual leave pay accrued to the Transferring Employees, but not paid, as at the Closing Date; iii. bonus payments accrued to the Transferring Employees, but not paid, as at the Closing Date; and iv. any other amounts accrued in respect of or to the Transferring Employees, but not paid, as at the Closing Date;
"Escrow Account"	a bank account held and maintained by THL with ABSA, to be utilised for purposes of the Escrow Agreement;
"Escrow Agent"	ABSA, acting as escrow agent;
"Escrow Agreement"	the escrow agreement between THL, the Purchaser and the Escrow Agent dated 15 April 2020;
"Estimated Debt"	Debt as at the Pre-Closing Accounts Date, as reflected in and/or ascertained from the Pre-Closing Accounts and the Pre-Closing Statement;
"Estimated Net Working Capital"	Net Working Capital of the Pre-Closing Sale Business as at the Pre-Closing Accounts Date;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, issued pursuant to the Currency and Exchanges Act No. 9 of 1933, as amended from time to time (including any applicable directive and rulings of Exchange Control and the National Treasury);

"Excluded Assets" all the assets of THL which do not form part of the Sale Assets, including but not limited to:

i. Cash and Cash Equivalents;

ii. (aa) the names and trademarks "TONGAAT", "HULETT", "THL", "TONGAAT HULETT", "THS" and "TONGAAT HULETT STARCH"; (bb) the device marks that form part of the subject matter of South African Trade Mark registration numbers 1993/09094-104, 2007/13129-61 and 2007/17769-77; and (cc) the stylised Tongaat Hulett "H";

iii. the assets of the Excluded Businesses;

iv. THL's rights, obligations, assets and liabilities in relation to the Sorbitol plant located in Isando;

v. any shares or loan claims held by THL in Nuvotek Holdings ("**Nuvotek**"), any shares and/or loan claims held by Nuvotek in F&I and any assets or liabilities of Nuvotek or of F&I;

vi. the Excluded Books and Records; and

vii. the Intra-Group Receivables;

"Excluded Books and Records" all data, documents and records of THL:

i. that do not relate exclusively to the Business;

ii. that relate to the Business but which THL is prohibited by Applicable Law from disclosing and/or transferring to the Purchaser;

iii. that relate to the Business but which THL is prohibited from disclosing and/or transferring to the Purchaser due to its data privacy policies only if and insofar as there are any such prohibitions in such data privacy policies;

iv. that relate to the Business but which THL is contractually prohibited from disclosing or transferring to the Purchaser and for which no consent to transfer has been received, following request by THL therefor; or

v. that relate to the Business, but which cannot, with commercially reasonable efforts, be segregated by THL from the books, records, or files of the Excluded Businesses;

"Excluded Businesses" all businesses carried on by THL on the Closing Date, other than the Sale Business;

"Excluded Liabilities" all Liabilities pertaining to the Business as at the Closing Date, other than the Assumed Liabilities;

"F&I" Food & Industrial Processors (Pvt) Ltd (registration number 264/94), a company registered in accordance with the Laws of Zimbabwe;

"Financial Adviser" or **"Transaction Sponsor"** PricewaterhouseCoopers Corporate Finance Proprietary Limited (registration number 1970/003711/07), a limited liability private company registered in accordance with the Laws of South Africa, appointed as financial adviser and transaction sponsor to THL;

"Financial Markets Act" the Financial Markets Act No. 19 of 2012, as amended from time to time;

"Financial Year" the financial year of THL, being a period from 1 April in one calendar year until 31 March in the next calendar year;

"FinSurv"	the Financial Surveillance Department of the South African Reserve Bank responsible for the administration of exchange control on behalf of the Minister of Finance or an officer of the National Treasury who, by virtue of the division of work in the National Treasury, deals with the matter on the authority of the Minister of Finance;
"Firm Intention Announcement"	the firm intention announcement published by THL on SENS dated Friday, 28 February 2020;
"Fixed Assets"	the Mills and all THL's other fixed assets (including fixed and movable plant, machinery and equipment, engineering spares, and office furniture and equipment) pertaining to the Business as at the Closing Date as stated in the Closing Accounts;
"Form of Proxy"	for purposes of the General Meeting, the form of proxy *(blue)* as contained in this Circular for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
"FSCA"	Financial Services Conduct Authority, established under the Financial Sector Regulation Act No. 9 of 2017, as amended from time to time;
"Fulfilment Date"	the date on which all the Suspensive Conditions are fulfilled or, where applicable, waived;
"General Meeting"	the general meeting of THL Shareholders to be held electronically at **10:00 on Friday, 05 June 2020** to consider and, if deemed fit, to adopt with or without modification, the resolutions to be considered thereat, including any postponed or adjourned general meeting;
"Group"	THL and all its Affiliates, but excluding THS (Pty) Ltd and THSA after the Closing Date;
"IFRS"	the International Financial Reporting Standards issued by the International Accounting Standards Board;
"Independent Board"	the independent board, comprising Ms L de Beer, Mr RM Goetzsche and Mr JJ Nel, established for the purposes of the Disposal;
"Independent Expert's Report"	the report of the Independent Expert on the Disposal, in accordance with section 114 of the Companies Act and regulations 90 and 110 of the Companies Regulations;
"Initial Amount"	bears the meaning ascribed to it in paragraph 5.3.1 of this Circular;
"Insolvency Act"	the Insolvency Act No. 24 of 1936, as amended from time to time;
"Interim Period"	the period commencing on (and including) the Signature Date and terminating on (and including) the Closing Date;
"Intra-Group Payables"	those amounts payable as at the Closing Date by THL to any other Group company pertaining to the Starch Business;
"Intra-Group Receivables"	THL's claims as at the Closing Date to those amounts payable to THL by any other Group company pertaining to the Starch Business;
"Inventory"	all of THL's stock (as at the Closing Date) of raw materials, work-in-progress, consumable stores, engineering spares and finished goods (including packaging, containers and promotional material) pertaining to the Sale Business, whether located on the Transferring Immovable Properties, whether in transit to THL, whether on consignment with any customer of the Sale Business or otherwise held by or on behalf of THL in relation to the Sale Business, as determined in accordance with a stock take and the Accounting Principles;

"IP"	any creation of the mind that is recognised and/or capable of being protected by Law from use by any other person, whether in terms of South African or foreign intellectual property Law, and including copyright works, know-how, designs and trademarks, whether registered, registrable or the subject matter of an application for registration or not, and all statutory intellectual property, including all patents, design registrations, trade mark registrations and copyright;
"IT Hardware"	the computer hardware and peripherals, telecommunications equipment and infrastructure and any information technology related plant and equipment, owned by the Seller as at the Closing Date which is used exclusively in the Business;
"IT Software"	any computer systems owned by THL as at the Closing Date which are used exclusively in, or exclusively for the benefit of, the Business;
"Java Capital" or **"Independent Expert"**	Java Capital Proprietary Limited (registration number 2012/089864/07), a limited liability private company registered in accordance with the Laws of South Africa, appointed as independent expert by the Independent Board to prepare and deliver the Independent Expert's Report;
"JSE"	JSE Limited (registration number 2005/022939/06), a limited liability public company duly registered in accordance with the Laws of South Africa and licensed as an exchange under the Financial Markets Act;
"JSE Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Key Initiatives"	various processes initiated by the Board, including: i. implementing greater operational efficiencies to improve the Group's cash flow; ii. considering potential non-core and core asset disposals; and iii. considering potential equity capital raising initiatives;
"KLL Group" or **"Purchaser"**	KLL Group Proprietary Limited (registration number 2014/148664/07), a limited liability private company, registered in accordance with the Laws of South Africa, and a wholly-owned subsidiary of Barloworld;
"Last Practicable Date"	Thursday, 30 April 2020, being the last practicable date in respect of which information was capable of being included in this Circular prior to its finalisation;
"Liability"	any Loss (including legal costs and experts' and consultants' fees) of any kind, character or description, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, determined or determinable, joint or several or joint and several, or due or to become due, whether directly or indirectly arising from a particular act, omission, event or circumstance but excluding, indirect, special or consequential Losses;

"Long-stop Date" the following dates, in relation to each of the following Suspensive Conditions:

i. shareholder approvals required in terms of the Companies Act and the JSE Listings Requirements – Friday, 31 July 2020;

ii. paragraphs 6.1.2.2.2 and 6.1.3.2 of this Circular – Friday, 31 July 2020;

iii. clearances (if any) required from the Competition Authorities and FinSurv – Friday, 31 July 2020;

iv. Starch Facilities lender approvals – Friday, 31 July 2020;

v. THL Lender approvals – Friday, 31 July 2020;

vi. Section 34 Notice – the 3rd (third) Friday after the date on which all the Suspensive Conditions (other than those relating to the publication of the Section 34 Notice and the receipt of the TRP compliance certificate) are fulfilled or waived;

vii. the delivery to the Transferring Attorneys of certain documents required for the transfer of the Transferring Immovable Properties – the 2nd (second) Friday after the date on which all the Suspensive Conditions (other than those relating to the publication of the Section 34 Notice, the delivery of those documents required for the transfer of the Transferring Immovable Properties and the receipt of the TRP compliance certificate) are fulfilled or waived; and

viii. the TRP compliance certificate – 10 (ten) Business Days after the date on which all the other Suspensive Conditions have been fulfilled or waived,

provided that the Long-stop Date for the fulfilment of the Suspensive Conditions in paragraphs iii. and/or viii. can be extended, on one or more occasions, to a date no later than Saturday, 31 October 2020, by way of written notice of that extension delivered by any Party to the others;

"Losses" losses, liabilities, obligations, damage, penalties, fines, costs and/or expenses;

"MAC Notice Outside Date" 3 (three) Business Days after the date on which all Suspensive Conditions, (other than those relating to Material Adverse Change, the publication of the Section 34 Notice, the delivery of certain documents required for the transfer of the Transferring Immovable Properties and the receipt of the TRP compliance certificate) are fulfilled or waived;

"Material Adverse Change" the occurrence during the period from the Signature Date until the MAC Notice Outside Date of any of the following events, each an "**Event**":

i. the publication in the Government Gazette (in terms of the Restitution of Land Rights Act No. 24 of 1994 as amended from time to time) by the regional land claims commissioner that has jurisdiction over any Transferring Immovable Property, of a claim for restitution of land comprising all or part of any of the Transferring Immovable Properties ("**Land Claim**");

ii. the issue of a written notice by the competent Regulatory Authority that has jurisdiction in accordance with Applicable Law of its decision to expropriate, or of the expropriation of, any land comprising all or part of any of the Transferring Immovable Properties ("**Expropriation**");

iii. the written declaration of a Transferring Immovable Property as a "remediation site" in terms of section 38(2) of NEMA by the competent Minister responsible for environmental affairs or the competent Member of the Executive Council who is responsible for waste management in the relevant province ("**Remediation Declaration**");

iv. any Relevant Customer giving written notice to THL that such customer is ceasing, or has ceased, to purchase products from the Business; and/or

v. the occurrence of any other event or series of events,

if and only if:

i. the Event is reasonably likely to cause the EBITDA of the Sale Business for the Financial Year ending 31 March 2021 (if the Closing Date is deemed to be 1 April 2020) to be 82.5% (eighty two point five percent) or less of the EBITDA of the Sale Business for the Financial Year ended 31 March 2020 (if the Closing Date is deemed to be 1 April 2019);

ii. the Event is reasonably likely to cause the NAV of the Sale Business as at 31 March 2021 (if the Closing Date is deemed to be 31 March 2021) to be 70% (seventy percent) or less of the NAV of the Sale Business as at 31 March 2020 (if the Closing Date is deemed to be 31 March 2020); or

iii. the Event is reasonably likely to cause the total volume (tonnage) of all the products (finished goods) produced by the Sale Business in the Financial Year ending 31 March 2021 (if the Closing Date is deemed to be 1 April 2020) to be 80% (eighty percent) or less of the volume of all the products (finished goods) produced by the Sale Business in the Financial Year ended 31 March 2020 (if the Closing Date is deemed to be 1 April 2019),

provided that in the case of the occurrence of any of the Events described in paragraphs i. to iv. above, then, for purposes of any calculation contemplated in the Agreement: (i) such Event shall be deemed to have occurred on Wednesday, 1 April 2020; and (ii) THL shall be deemed to have: (aa) forfeited its ownership of, and ceased to have any Liabilities in relation to, the Transferring Immovable Properties (or part thereof) that are the subject matter of the Land Claim, Expropriation or Remediation Declaration with effect from Wednesday, 1 April 2020; or (bb) lost all revenues from, and not incurred any Losses in relation to or as against, the Relevant Customer with effect from Wednesday, 1 April 2020;

"Mills" the manufacturing mills of the Business in Kliprivier, Germiston, Meyerton and Bellville and located on the Transferring Immovable Properties;

"MOI" the Company's memorandum of incorporation;

"Month" a period starting on one Day in a Calendar Month and ending on the Day preceding the numerically corresponding Day in the next Calendar Month, except that:

i. if the Day preceding the numerically corresponding Day is not a Business Day, that period shall end on the next Business Day;

ii. if there is no numerically corresponding Day in the Calendar Month in which that period is to end, that period shall end on the last Business Day in that Calendar Month,

and the above rules will only apply to the last Month of any period;

"NAV" net asset value of the Sale Business calculated in the manner set out in the *pro forma* net asset value statement included as an annexure to the Agreement;

"Nedbank" Nedbank Limited (registration number 1951/000009/06), a limited liability public company registered in accordance with the Laws of South Africa;

"NEMA"	the National Environmental Management Act No. 107 of 1998, as amended from time to time, and any regulations or rules promulgated thereunder;
"Net Working Capital"	current assets less current liabilities of the Sale Business or the Pre-Closing Sale Business, as the case may be, calculated in the manner set out in: (i) the Accounting Principles; and (ii) the *pro forma* Closing Statement in the relevant annexure to the Agreement or *pro forma* Pre-Closing Statement in the relevant annexure to the Agreement, as the case may be;
"Normalised Net Working Capital"	an amount of ZAR888 700 000 (eight hundred and eighty eight million seven hundred thousand Rand);
"Notice of General Meeting"	the notice of General Meeting to THL Shareholders attached to and forming a part of this Circular;
"Ordinary Resolution Number 1"	ordinary resolution number 1 as set out in the Notice of General Meeting for the approval of the Disposal as a "category 1 transaction" in terms of section 9 of the JSE Listings Requirements;
"Own-Name Dematerialised Shareholders"	THL Shareholders who have instructed their CSDP to register and to record their THL Shares in their own name on the sub-registers of the Company;
"**Participation Request**"	bears the meaning ascribed to it in the "*Action required by THL Shareholders*" section of this Circular;
"Parties"	THL, Barloworld and the Purchaser;
"Pre-Closing Accounts"	the unaudited management accounts of the Pre-Closing Sale Business as at, and for the 12 (twelve) Calendar Month period ending on, the Pre-Closing Accounts Date used as the basis for calculating the Initial Amount;
"Pre-Closing Accounts Date"	the last Day of the Calendar Month immediately preceding the Calendar Month in which the Closing Date falls;
"Pre-Closing Sale Business"	the Business that would have constituted the Sale Business if the Pre-Closing Accounts Date was the Closing Date;
"Pre-Closing Statement"	an audited statement in the form of the *pro forma* statement included as an annexure to the Agreement, setting out the calculation, and amount, of the Estimated Debt and the Estimated Net Working Capital, to be prepared by THL (applying the Accounting Principles);
"Prime Rate"	in relation to any period, the South African published closing prime overdraft rate as published by https://www.resbank.co.za/Research/Rates/Pages/CurrentMarketRates.aspx (Prime lending rate (predominant rate)) expressed as a percentage rate per annum;
"Purchase Consideration"	the purchase consideration payable by the Purchaser to THL for the Sale Business as calculated in accordance with the formula set out in paragraph 5.2.1 of this Circular;
"PwC"	PricewaterhouseCoopers Incorporated, (registration number 1998/12055/21) or any of its subsidiaries (as the context may indicate), each of which are separate legal entities and members of the international network of PricewaterhouseCoopers firms;
"Regulatory Approval"	as applicable, registrations, licenses, permits, authorisations, exemptions, waivers, permissions, directives, entitlements, consents and approvals from any Regulatory Authority;

"Regulatory Authority"	any supra-national, national, state, provincial, municipal or local government (including any subdivision, Court, administrative agency or commission or other authority thereof), or any governmental department, or any agency, regulator, Court, entity, commission, board, ministry, bureau, locality or authority of any of the foregoing, or any quasi-governmental or private body exercising any regulatory or other governmental or quasi-governmental authority or function;
"Relevant Customers"	in alphabetical order: i. Anheuser-Busch InBev NV/SA; ii. Distell Group Holdings Limited; iii. National Brands Limited; iv. Nestlé (South Africa) Proprietary Limited; and v. Tiger Brands Limited;
"Sale Assets"	the following assets only: i. the Books and Records; ii. THL's rights under the Assumed Contracts; iii. the Accounts Receivable; iv. the Fixed Assets; v. the IT Software and IT Hardware; vi. the Sale Intellectual Property; vii. the Inventory; viii. the Transferring Immovable Properties; ix. the Transferable Permits; x. the THS Sale Equity; and xi. the THSA Sale Equity, all as at the Closing Date;
"Sale Business"	that part of the Business comprising the Sale Assets and the Assumed Liabilities only, operating as a going concern;
"Sale Intellectual Property"	all IP owned by THL which pertains exclusively to the Business (including copyright in all copyright works, unregistered trademarks and rights in all know-how and trade secrets to the extent that all of these pertain exclusively to the Business), but, for the avoidance of doubt and without limitation, not: (i) the names and trademarks "TONGAAT", "HULETT", "TONGAAT HULETT", "THS" and "TONGAAT HULETT STARCH" and associated logos, websites and domain names; (ii) the device marks that form part of the subject matter of South African Trade Mark registration numbers 1993/09094-104, 2007/13129-61 and 2007/17769-77; and (iii) the stylized Tongaat Hulett "H";
"SBSA"	The Standard Bank of South Africa Limited (registration number 1962/000738/06), a limited liability public company registered in accordance with the Laws of South Africa;
"Section 34 Notice"	notice of the Disposal in terms of section 34 of the Insolvency Act;
"Securities Register"	the securities register of THL Shareholders maintained in terms of the Companies Act, including the register of Certificated Shareholders and the sub-registers of Dematerialised Shares maintained by the relevant CSDPs in accordance with the Companies Act;

"SENS"	the Stock Exchange News Service of the JSE;
"Shareholders" or "THL Shareholders"	registered holders of THL Shares from time to time;
"Shares" or **"THL Shares"**	ordinary shares in THL;
"Signature Date"	Friday, 28 February 2020;
"South Africa"	the Republic of South Africa;
"Special Resolution Number 1"	special resolution number 1 as set out in the Notice of General Meeting for the approval of the Disposal in terms of sections 112 and 115 of the Companies Act;
"Starch Facilities"	the: i. structured commodity finance facility for the Starch Business, dated Tuesday, 11 February 2020, between ABSA (as lender) and THL (as borrower), as amended or replaced from time to time ("**ABSA Finance Facility**"); and ii. receivables financing facility for the Starch Business dated 2 March 2020, between Nedbank (as lender) and THL (as borrower), as amended or replaced from time to time ("**Nedbank Finance Facility**");
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a limited liability private company registered in accordance with the Laws of South Africa, being a licensed central securities depository in terms of the Financial Markets Act, which is responsible for the electronic settlement system for transactions that take place on the JSE;
"Suspensive Conditions"	the suspensive conditions set out in paragraph 6 of this Circular;
"Takeover Regulations"	the provisions set out in chapter 5 of the Companies Regulations;
"THL" or **"Company"**	Tongaat Hulett Limited (registration number 1892/000610/06), a limited liability public company registered in accordance with the Laws of South Africa, the shares of which are listed on the JSE;

"THL Lenders"	in alphabetical order: i. ABSA; ii. Ashburton Fund Managers Proprietary Limited (acting on behalf of its third-party clients); iii. FirstRand Bank Limited (acting through its Rand Merchant Bank division); iv. Investec Bank Limited (acting through its Corporate and Institutional Banking division); v. Investec Bank Limited (acting through its Investment Banking division); vi. Land and Agricultural Development Bank of South Africa; vii. Momentum Metropolitan Life Limited; viii. Nedbank; ix. Sanlam Investment Management Proprietary Limited (acting on behalf of its third-party clients); x. Sanlam Life Insurance Limited (acting through its Sanlam Capital Markets division); xi. Sanlam Life Insurance Limited (acting through its Sanlam Investment Management division); and xii. SBSA (acting through its Corporate and Investment Banking division);
"THL Lender Collection Account"	the ring-fenced bank account held and maintained by THL with SBSA (in its capacity as facility agent to the THL Lenders) pursuant to the THL Lender Transaction Agreements;
"THL Lender Transaction Agreements"	the common terms agreement entered into by, amongst others, THL and the THL Lenders on or about 9 December 2019, and all the "Finance Documents" as referred to therein, as amended from time to time;
"THS (Pty) Ltd"	Tongaat Hulett Starch Proprietary Limited (registration number 1945/020077/07), a limited liability private company registered in accordance with the Laws of South Africa, and a wholly-owned subsidiary of THL;
"THS Sale Claims"	THL's claims on loan account against THS (Pty) Ltd as at the Closing Date, if any;
"THS Sale Equity"	collectively, the THS Sale Claims and the THS Sale Shares;
"THS Sale Shares"	all the shares held, as at the Signature Date, by THL in the issued share capital of THS (Pty) Ltd;
"THSA"	Tongaat Hulett Starch (Australia) Proprietary Limited (registration number 39 123 673 165), a limited liability private company registered in accordance with the Laws of the State of New South Wales, Commonwealth of Australia, and a wholly-owned subsidiary of THL;
"THSA Sale Claims"	THL's claims on loan account against THSA as at the Closing Date;
"THSA Sale Equity"	collectively, the THSA Sale Claims and the THSA Sale Shares;
"THSA Sale Shares"	all the shares held, as at the Signature Date, by THL in the issued share capital of THSA;
"Transaction Agreements"	the: i. Agreement; ii. Escrow Agreement; and iii. Transitional Services Agreement;

"**Transferable Permits**"	those Regulatory Approvals held by THL as at the Closing Date that are required for the conduct of the Sale Business and that are legally capable (with any required Regulatory Approval) of being transferred;
"**Transferring Attorneys**"	a conveyancer agreed to in writing by the Parties or selected by the Purchaser;
"Transferring Employees"	the Employees as at the Closing Date;
"Transferring Immovable Properties"	the immovable properties that will transfer to the Purchaser, as listed in the relevant annexure to the Agreement, including all structures and improvements located thereon;
"Transitional Services Agreement"	bears the meaning ascribed to it in paragraph 5.9.2 of this Circular;
"TRP"	the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
"USD"	United States dollars, being the currency of the United States of America;
"VAT"	value-added tax levied in terms of the VAT Act;
"VAT Act"	the Value-added Tax Act No. 89 of 1991, as amended from time to time;
"Warranty and Indemnity Insurance"	the warranty and indemnity insurance required to be obtained by the Purchaser in terms of the Agreement, high-level salient details of which are set out in paragraph 5.6 of this Circular;
"Warranty and Indemnity Insurance Policy"	the warranty and indemnity insurance policy issued to the Purchaser by various insurers, in relation to the Disposal, with the Warranty and Indemnity Policy Limit;
"Warranty and Indemnity Insurance Policy Limit"	the amount of USD90 000 000 (ninety million United States dollars), being the liability limit under the Warranty and Indemnity Insurance Policy; and
"ZAR", **"R"** or **"Rand"**	the official currency of South Africa, the Rand.

Tongaat Hulett Limited

(Incorporated in South Africa)
(Registration number 1892/000610/06)
Share code: TON
ISIN ZAE000096541
("**THL**" or the "**Company**")

Directors of THL

Executive

JG Hudson *(Chief Executive Officer)*
RD Aitken *(Chief Financial Officer)*
DL Marokane

Non–executive

L von Zeuner *(Chairman)**
L de Beer*
RM Goetzsche*
JJ Nel*
AH Sangqu*
** Independent*

CIRCULAR TO THL SHAREHOLDERS

1. **INTRODUCTION**

Shareholders are referred to the Firm Intention Announcement, wherein the Company advised Shareholders that it has entered into an agreement to dispose of THL's Starch Business as a going concern to KLL Group, a wholly-owned subsidiary of Barloworld.

The Disposal constitutes a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements. As a result, THL Shareholder approval of Ordinary Resolution Number 1 is required for THL to implement the Disposal.

In addition, the Disposal is regarded as a disposal of the greater part of the assets or undertaking of THL in terms of section 112 of the Companies Act. Accordingly, THL Shareholder approval of Special Resolution Number 1 is required for THL to implement the Disposal.

Subject to obtaining THL Shareholder approvals and all other Suspensive Conditions being fulfilled or waived, the Disposal is expected to be implemented by Wednesday, 30 September 2020.

2. **THE PURPOSE OF THIS CIRCULAR**

The purpose of this Circular is to:

2.1 enable THL Shareholders to make an informed decision on whether to support the Disposal by providing them, in compliance with the Companies Act, the JSE Listings Requirements and the Takeover Regulations, with, *inter alia*:

2.1.1 pertinent information regarding the Disposal;

2.1.2 the Independent Expert's Report; and

2.1.3 the Independent Board's opinion on the Disposal; and

2.2 convene the General Meeting in terms of the Notice of General Meeting, at which THL Shareholders will be asked to consider and, if deemed fit, to adopt, with or without modification, the resolutions required for THL to implement the Disposal.

3. RATIONALE FOR THE DISPOSAL

During the course of 2019, and continuing into 2020, THL has, as part of a comprehensive turnaround strategy, undertaken a number of wide-ranging steps concerning the strategy, financial stability and future focus of the Group. In this regard, THL has, *inter alia*:

3.1 introduced a new executive management team and Board of Directors to strengthen its corporate governance and financial reporting structures;

3.2 undertaken a strategic and financial review of the Group with a view to, *inter alia*, stabilising the Group, reducing the Group's debt to more appropriate levels, and improving cash generation;

3.3 entered into the THL Lender Transaction Agreements to restructure the Group's South African debt facilities;

3.4 initiated a forensic investigation into past accounting and other undesirable business practices. The key findings of the forensic report were published on 29 November 2019. THL continues to implement a range of corrective actions to effectively respond to the recommendations contained in the report; and

3.5 restated its audited annual financial statements for the period ended 31 March 2018, which together with the audited annual financial statements for the period ended 31 March 2019, were published on 10 December 2019.

In terms of the THL Lender Transaction Agreements, THL has committed to the Debt Reduction Plan, that is to reduce the debt levels for its South African operations by ZAR8 100 000 000 (eight billion one hundred million Rand) by 31 March 2021. The Disposal will constitute a significant step in the deleveraging of THL, and the Board believes that the Disposal will assist in positioning the Group for long-term sustainability.

4. CASH CONFIRMATION TO THE TRP

The TRP has been furnished with an irrevocable unconditional guarantee which meets the requirements of regulation 111 of the Companies Regulations, in an amount of ZAR5 347 000 000 (five billion three hundred and forty seven million Rand), issued by ABSA in favour of THL (and in a form which empowers the TRP to exercise the guarantee) for the sole purpose of satisfying payment of the Purchase Consideration.

5. SALIENT TERMS OF THE DISPOSAL

5.1 Sale Business

5.1.1 In terms of the Agreement, THL will dispose of the Sale Assets to the Purchaser, and the Purchaser will assume the Assumed Liabilities.

5.1.2 The Excluded Assets and the Excluded Liabilities do not form part of the Disposal.

5.1.3 Barloworld guarantees the due and proper performance by the Purchaser of the latter's obligations under and pursuant to the Agreement.

5.2 **Purchase Consideration**

5.2.1 The aggregate purchase consideration payable by the Purchaser to THL for the Sale Business is a cash amount calculated in accordance with the following formula:

A = (B – C) + D + E

where:

A = the Purchase Consideration;

B = ZAR5 350 000 000 (five billion three hundred and fifty million Rand), being the agreed enterprise value of the Starch Business;

C = an amount equal to the Actual Debt;

D = the difference between the Normalised Net Working Capital and the Actual Net Working Capital. If:

(i) the Actual Net Working Capital exceeds the Normalised Net Working Capital, "*D*" will be a positive amount; or

(ii) the Normalised Net Working Capital exceeds the Actual Net Working Capital, "*D*" will be a negative amount; and

E = ZAR96 000 000 (ninety six million Rand), as consideration for THL retaining the obligation to pay for the post-retirement benefits for retired employees as well as in-service employees.

5.2.2 Notwithstanding the provisions set out in paragraph 5.2.1 above or elsewhere in this Circular, the maximum amount of the Purchase Consideration is ZAR5 347 000 000 (five billion three hundred and forty seven million Rand).

5.3 **Settlement of the Purchase Consideration**

5.3.1 On the Closing Date, the Purchaser will be obliged to pay THL, as an estimate of the Purchase Consideration, a cash amount ("**Initial Amount**") calculated on the basis of the Pre-Closing Accounts and in accordance with the following formula:

F = (B – G) + H + E

where:

F = the Initial Amount;

B = ZAR5 350 000 000 (five billion three hundred and fifty million Rand), being the agreed enterprise value of the Starch Business;

G = an amount equal to the Estimated Debt;

H = the difference between the Normalised Net Working Capital and the Estimated Net Working Capital. If:

(i) the Estimated Net Working Capital exceeds the Normalised Net Working Capital, "*H*" will be a positive amount; or

(ii) the Normalised Net Working Capital exceeds the Estimated Net Working Capital, "*H*" will be a negative amount; and

E = ZAR96 000 000 (ninety six million Rand), as consideration for THL retaining the obligation to pay for the post-retirement benefits for retired employees as well as in-service employees.

5.3.2 Notwithstanding the provisions set out in paragraph 5.3.1 above or elsewhere in this Circular, the maximum Initial Amount is ZAR5 347 000 000 (five billion three hundred and forty seven million Rand).

5.3.3 On the Closing Date, the Purchaser will:

5.3.3.1 pay and deposit the Claims Retention Amount into the Escrow Account, to be administered by the Escrow Agent, and to be held for purposes of settling any successful claims (if any) the Purchaser might bring, *inter alia*, under indemnities and warranties given by THL in the Agreement;

5.3.3.2 pay and deposit into the THL Lender Collection Account the Rand amount by which the Initial Amount exceeds the Claims Retention Amount; and

5.3.3.3 assume the Assumed Liabilities.

5.3.4 The Rand amount of the Purchase Consideration will be determined once the Closing Accounts and Closing Statement have been finalised. If the:

5.3.4.1 Purchase Consideration exceeds the Initial Amount, the differential, plus interest thereon at the Prime Rate calculated from the Closing Date, will be payable by the Purchaser to THL; or

5.3.4.2 Initial Amount exceeds the Purchase Consideration, the differential, plus interest thereon at the Prime Rate calculated from the Closing Date, will be payable by THL to the Purchaser.

5.4 **Contemplated date of implementation**

The Disposal will be implemented on the Closing Date, which is expected to occur by 30 September 2020.

5.5 **Release of monies out of Escrow Account**

The Claims Retention Amount plus interest that accrues thereon will be held in the Escrow Account until the 1st (first) Business Day following the 1st (first) anniversary of the Closing Date ("**Claims Retention Amount Release Date**"), provided that:

5.5.1 in the event of a successful claim by the Purchaser under, *inter alia*, indemnities and warranties given by THL in the Agreement, THL and the Purchaser are obliged to require the release from the Escrow Account of an amount equal to the amount of the successful claim; and

5.5.2 if upon the Claims Retention Amount Release Date, there are outstanding claims which have been made in good faith, such portion of the amount in the Escrow Account which is equal to the amount of those claims will remain in the Escrow Account until the claims are resolved or withdrawn or cease to be made in good faith.

5.6 **Purchaser Warranty and Indemnity Insurance Policy**

5.6.1 In accordance with the Agreement, the Purchaser has procured Warranty and Indemnity Insurance to provide appropriate cover to the Purchaser, up to the Warranty and Indemnity Insurance Policy Limit.

5.6.2 The terms of the Agreement prevent the Purchaser from bringing a claim against THL under or pursuant to the Agreement if, and to the extent that, the subject matter of that claim is covered by the Warranty and Indemnity Insurance Policy.

5.6.3 In the Warranty and Indemnity Insurance Policy, each of the insurers has undertaken to indemnify the Purchaser and Barloworld ("**the Insured**") for, or pay on their behalf, Loss (as defined below) covered under the Warranty and Indemnity Insurance Policy that is reported in writing during the term of the Warranty and Indemnity Insurance Policy.

5.6.4 "Loss" is defined, *inter alia*, to include an amount which an Insured is entitled to recover from THL as a result of a warranty or indemnity claim under the Agreement.

5.6.5 However, the Warranty and Indemnity Insurance Policy does not cover all such Losses, and specifically excludes the following, amongst others:

5.6.5.1 indirect, consequential or special damages;

5.6.5.2 Losses suffered or incurred under certain of the warranties given by THL to the Purchaser in the Agreement;

5.6.5.3 instances of fraud;

5.6.5.4 matters of which the Insured had actual knowledge prior to commencement of the Warranty and Indemnity Insurance Policy; and

5.6.5.5 breach where the facts, events or conditions that caused the breach to exist first occurred at any time during the period beginning at the Signature Date and ending immediately prior to the Closing Date.

5.7 **Use of proceeds**

THL will use the proceeds of the Disposal to reduce the Group's South African debt facilities in accordance with the Debt Reduction Plan.

5.8 **Other significant terms**

The Agreement contains warranties and indemnities standard for a transaction of this nature.

5.9 **Transitional Services Agreement**

5.9.1 THL and the Purchaser have entered into a transitional arrangement for an initial period of 12 (twelve) months from the Closing Date, which may be extended for one further period of 6 (six) months, to assist the Purchaser to effectively operate the Starch Business as a standalone business from THL for a transitional period after the Closing Date.

5.9.2 The terms and conditions of the arrangement are fully set out in a transitional services agreement ("**Transitional Services Agreement**") under and in terms of which THL will provide certain specified information technology ("**IT**") services for which the Purchaser will pay pre-determined fees, which would otherwise have been incurred prior to the Disposal in relation to the Starch Business ("**Transitional Services**"). The Transitional Services include, *inter alia*, the following:

5.9.2.1 use of THL's relevant IT infrastructure, certain IT hardware and systems e.g. email systems and archives, firewalls, servers, IT security solutions, telephony systems, back-up solutions and wide area network infrastructure that have been used by the Sale Business in the 6 (six) months preceding the Closing Date, if and to the extent required by the Sale Business to receive the SAP services described below and the services provided by Business Connexion Proprietary Limited; and

5.9.2.2 the same number and type of licenses and services that THL receives from Systems Applications Products (Africa) (Pty) Ltd ("**SAP**") and that have been billed to and used by the Starch Business in the 6 (six) months preceding the Closing Date.

5.9.3 The pre-determined fees for the Transitional Services may increase if any of the pass-through third-party expenses or costs increase.

5.9.4 The Transitional Services Agreement does not provide for a further extension beyond the initial 6 (six) month extension and it is not anticipated by the Parties that one will be required. However, the Parties can agree, in writing, to amend the Transitional Services Agreement to cater for an additional extension should it be required.

5.9.5 The Transitional Services can be increased or decreased, or additional services can be added, by means of a mechanism included in the Transitional Services Agreement.

5.9.6 The Transitional Services Agreement, through its envisaged cut over plan, will also address the transition of the Transitional Services to the Purchaser or a third-party provider. This will include (without limitation) the carve out of the IT environment relating to the Starch Business and the:

5.9.6.1 establishment of a new IT environment substantially similar to the IT environment used by the Starch Business; or

5.9.6.2 migration to the Purchaser's or its group's IT environment.

The costs for this carve out and establishment or migration (as applicable) will be borne by THL, provided that the costs are not substantially more for the option described in paragraph 5.9.2.2 above and are estimated to be ZAR20 000 000 (twenty million Rand). An adjustment has been included in the *pro forma* financial information of THL (refer to Annexure 2 of this Circular).

5.9.7 In light of the transfer of certain key IT personnel to the Purchaser, the Purchaser will provide certain transitional services to THL ("**Recipient Services**") as and when required, subject to certain limitations, for the initial 12 (twelve) month period of the Transitional Services Agreement. The Recipient Services will be provided on a time and materials basis as set out in the Transitional Services Agreement.

5.9.8 Each party's liability under the Transitional Services Agreement (excluding in respect of the Recipient Services) is limited to the fees payable by the Purchaser to THL over the term of the Transitional Services Agreement. In respect of the Recipient Services each party's liability is limited to the sum of the fees payable by THL to the Purchaser in respect of such Recipient Services over the 12 (twelve) month period.

5.9.9 Neither party has the right to cancel the Transitional Services Agreement as a result of a breach thereof, and their only remedies will be to claim specific performance, together with damages, if any.

6. SUSPENSIVE CONDITIONS

6.1 The Disposal is subject to the fulfilment or waiver (to the extent permissible) of the following Suspensive Conditions:

6.1.1 by the relevant Long-stop Date, each of the resolutions as contained in the Notice of General Meeting (other than Ordinary Resolution Number 2), being approved in the General Meeting by the requisite majority of the votes exercised thereon by THL Shareholders;

6.1.2 either:

6.1.2.1 less than 15% (fifteen percent) of the voting rights exercised by THL Shareholders on Special Resolution Number 1 are exercised against such resolution; or

6.1.2.2 if 15% (fifteen percent) or more of the voting rights exercised by THL Shareholders on Special Resolution Number 1 are exercised against such resolution:

6.1.2.2.1 within the period of 5 (five) business days referred to in section 115(3)(a) of the Companies Act, no person who voted against Special Resolution Number 1 requires THL to seek the approval of the Court in terms of section 115(3)(a) of the Companies Act; or

6.1.2.2.2 if one or more person(s) who voted against Special Resolution Number 1 require(s) THL to seek the approval of the Court in terms of section 115(3)(a) of the Companies Act, Court approval is obtained unconditionally, or subject to conditions acceptable to the Party(ies) on whom such conditions are imposed, acting reasonably;

6.1.3 either:

6.1.3.1 within the period of 10 (ten) business days referred to in section 115(3)(b) of the Companies Act, no person who voted against Special Resolution Number 1 seeks leave of the Court in terms of section 115(3)(b) of the Companies Act for a review of the Disposal; or

6.1.3.2 if one or more person(s) who voted against Special Resolution Number 1 seeks leave of the Court in terms of section 115(3)(b) of the Companies Act for a review of the Disposal, then:

6.1.3.2.1 the Court determines that it will not grant such leave; or

6.1.3.2.2 if the Court does grant such leave, the Court subsequently determines that Special Resolution Number 1 will not be set aside;

6.1.4 by the relevant Long-stop Date, the Parties obtain the clearances (if any) they require for the Disposal from:

6.1.4.1 the Competition Authorities;

6.1.4.2 FinSurv pursuant to the Exchange Control Regulations, either: (i) with conditions attached thereto which are acceptable to both THL and the Purchaser, each acting reasonably; or (ii) without any conditions being attached thereto;

6.1.5 THL Shareholders holding no more than 5% (five percent) of the issued THL Shares exercise their Appraisal Rights by delivering valid demands, as contemplated in sections 164(5) to 164(8) of the Companies Act, within the maximum time period specified in the Companies Act;

6.1.6 by the relevant Long-stop Date, to the extent that their approval is required in terms of the Starch Facilities, ABSA and Nedbank give their written approval (on terms acceptable to both THL and the Purchaser, each acting reasonably) for:

6.1.6.1 the disposal by THL of the Sale Business to the Purchaser; and

6.1.6.2 the cession, delegation and assignment of THL's rights and obligations under the Starch Facilities to the Purchaser;

6.1.7 by the relevant Long-stop Date:

6.1.7.1 to the extent that approval is required in terms of the THL Lender Transaction Agreements, and on terms acceptable to both THL and the Purchaser, each acting reasonably, (i) SBSA (in its capacity as facility agent to the THL Lenders); (ii) Bowwood; and (iii) the THL Lenders (or the requisite majority of the THL Lenders in terms of their inter-creditor agreement, if any):

6.1.7.1.1 consent to release the Transferring Immovable Properties from mortgage bonds held by Bowwood;

6.1.7.1.2 grant the THL Lenders' conveyancers a written power of attorney to, and authorise and instruct the THL Lenders' conveyancers to, (i) take all such steps as are required in order to, give effect to such release; and (ii) deliver the original title deeds of the Transferring Immovable Properties to the Transferring Attorneys;

6.1.7.1.3 agree that THS (Pty) Ltd will cease (without any further action being required) to be a party to the THL Lender Transaction Agreements;

6.1.7.1.4 agree that all security and guarantees provided by THS (Pty) Ltd to Bowwood under the THL Lender Transaction Agreements shall (without any further action being required) terminate; and

6.1.7.1.5 agree that all security provided by THL to Bowwood over the shares in THS (Pty) Ltd shall (without any further action being required) terminate,

all of the above subject to written confirmation being received by the THL Lenders from SBSA (in its capacity as facility agent to the THL Lenders) that an amount equal to the difference between the Initial Amount and the Claims Retention Amount has been paid by the Purchaser into the THL Lender Collection Account;

6.1.7.2 to the extent that approval is required and on terms acceptable to both THL and the Purchaser, each acting reasonably, (i) SBSA (in its capacity as facility agent to the THL Lenders); and (ii) Bowwood; give their written approval for the Disposal;

6.1.7.3 each THL Lender irrevocably and unconditionally agrees in writing (on terms acceptable to both THL and the Purchaser, each acting reasonably) that it will not exercise (conditionally or unconditionally) the right which section 34 of the Insolvency Act grants it, by reason of the publication of the Section 34 Notice, to demand immediate or accelerated payment of THL's liquidated liabilities to it under the THL Lender Transaction Agreements;

6.1.8 by the relevant Long-stop Date, THL publishes the Section 34 Notice;

6.1.9 a Material Adverse Change is deemed not to have occurred;

6.1.10 THL delivers certain documents to the Transferring Attorneys to facilitate the transfer of the Transferring Immovable Properties; and

6.1.11 the TRP issues a compliance certificate in relation to the Disposal in terms of section 115(1)(b) (read with section 119(4)(b)) of the Companies Act.

6.2 The date for the fulfilment (or, if applicable, waiver) of a Suspensive Condition:

6.2.1 in paragraph 6.1.4 or 6.1.11 can be extended by either THL or the Purchaser (on one or more occasions) to a date no later than 30 October 2020; and

6.2.2 in any of the above paragraphs (including paragraph 6.1.4 or 6.1.11) can be extended (on one or more occasions) by written agreement between the Parties to that effect.

6.3 The Suspensive Condition in:

6.3.1 paragraph 6.1.1, 6.1.2, 6.1.3, 6.1.4 or 6.1.11 is not capable of waiver unless: (i) waiver is permissible in Law; and (ii) it is waived by agreement in writing between the Parties;

6.3.2 paragraph 6.1.5 can only be waived by THL, waiver to be effected by THL by written notice delivered to the Purchaser;

6.3.3 paragraph 6.1.6, 6.1.7 or 6.1.8 can only be waived by agreement in writing between the Parties; or

6.3.4 paragraph 6.1.9 or 6.1.10 can only be waived by the Purchaser, waiver to be effected by the Purchaser by written notice delivered to THL.

7. SHAREHOLDER APPRAISAL RIGHTS

Section 164 of the Companies Act regulates Appraisal Rights. Special Resolution Number 1 is the resolution contemplated in section 164(2)(b) (i.e. a resolution to enter into a transaction contemplated in section 112 of the Companies Act). Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, by reason of the Company giving notice of the General Meeting to consider adopting Special Resolution Number 1, are required to give written notice to the Company prior to Special Resolution Number 1 being voted on, objecting to Special Resolution Number 1. In this regard, THL Shareholders are referred to Annexure 11 of this Circular.

8. OVERVIEW OF THE BUSINESS

8.1 The Business was established in 1919 as African Products Manufacturing Company Limited and is the largest wet miller in Sub-Saharan Africa, operating four wet milling plants located at Germiston, Kliprivier and Meyerton in Johannesburg, and Bellville in Cape Town. The Mills have a combined installed grind capacity of more than 850 000 (eight hundred and fifty thousand) tons of maize per annum.

8.2 The Business uses non-genetically modified maize, predominantly yellow maize, to manufacture high-quality unmodified and modified starch, as well as liquid and powdered glucose and agri-products, for some of the largest companies in the food, industrial and animal feed sectors in the domestic and international markets.

8.3 The Business is the largest producer of unmodified and modified starch, and glucose, in Sub-Saharan Africa, and enjoys a strong market position as the sole manufacturer of starch and glucose in South Africa. Amyral® corn starch, Alidex®, Hydex® and Vaal Gold® Gluten 60 produced by the Business are some of the leading starch, glucose and feed ingredient brands in South Africa. Its starch and glucose products are manufactured to ISO 22 000 standards and the Business has an established international and regional market footprint with approximately 50% (fifty percent) of its exports sold into regional markets.

8.4 The Business supplies a significant proportion of the local market across a diverse range of industries, including alcoholic beverages, paper manufacturing, confectionery, prepared foods and other food manufacturing and consumer end markets.

8.5 THSA is the marketing office of the Starch Business based in Sydney, Australia and supplies starch and glucose products to customers based in Australasia.

8.6 Overview of Mills

8.6.1 **Germiston Mill**: Commissioned in 1921. This Mill has an installed grind capacity of 324 000 (three hundred and twenty four thousand) tons per annum, and manufactures various key products, including: (i) enzyme glucose (liquid and powdered form); (ii) liquid acid glucose; and (iii) unmodified starch.

8.6.2 **Kliprivier Mill**: Commissioned in 1997. This Mill has an installed grind capacity of 388 800 (three hundred and eighty eight thousand eight hundred) tons per annum. The Kliprivier Mill is the largest of the four mills. Key products manufactured by this Mill include: (i) liquid enzyme glucose; (ii) unmodified starch; and (iii) agri-products.

8.6.3 **Meyerton Mill**: Commissioned in 1968. This Mill has an installed grind capacity of 97 200 (ninety seven thousand two hundred) tons per annum, and manufactures various key products including: (i) unmodified yellow maize starch; (ii) unmodified waxy maize starch; (iii) liquid acid glucose; and (iv) modified starch (waxy maize and acid modified). The Mill is operated as a specialty mill and runs short production campaigns producing acid converted glucose and a wide-range of modified starches, including acetylated, acid-thinned, crosslinked and pre-gelatinised starches.

8.6.4 **Bellville Mill**: Commissioned in 1949. This Mill has an installed grind capacity of 81 000 (eighty one thousand) tons per annum, and manufactures various key products, including: (i) liquid enzyme glucose; and (ii) unmodified starch.

8.7 **Product categories and key brands**

8.7.1 ***Unmodified starch***

Key brand: Amyral® corn starch.

End market uses: General food, confectionery, canning, corrugating adhesives, paper making, pharmaceuticals and textile sizing.

8.7.2 ***Modified starch***

Key brands: Stywax®, Styclor®, Stydex®, Stygel® and Stycross®.

End market uses: Confectionery, dairy, general foods, chemicals, paper making, textile sizing and corrugating adhesives.

8.7.3 ***Converted glucose (acid and enzyme)***

Key brands: Hydex®, Alidex 30®, Hyclear®, Brewmaltose® and Confectioner's Maltose®.

End market uses: Spray drying (instant coffee and creamers), baking, brewing, confectionery, dairy, ice-cream, condiments, pickles and preserves.

8.7.4 ***Powdered glucose***

Key brands: Unidri®, Dridex® and Monodex®.

End market uses: Baking, beverage powders, coffee, soup and gravy powders, frozen desserts, ice cream, sports/energy drinks, canning and confectionery.

8.7.5 ***Agri-products and animal feed ingredients***

Key brands: Vaal Gold Gluten 20®, Vaal Gold Gluten 60®, Vaal Gold® and NuCleus®.

End market uses: Animal feed, concentrates for dairy and beef cattle, poultry feed, pig feed, edible oil extractors and animal nutrients.

9. PROSPECTS

THL's current priority is to stabilise and improve its overall business performance in the medium- to long-term, with its primary objective being to operate strategically, sustainably, efficiently and profitably. In the short term, THL aims to continue implementing the Key Initiatives and focus on further deleveraging the Group.

After successfully implementing the Disposal, THL will be a Southern African-based sugar producer capable of harnessing growth opportunities in regional markets which have a low per capita consumption of sugar. This will be made possible as a result of the progress made by the Group in becoming a low-cost producer in 3 (three) of its countries of operation, namely South Africa, Mozambique and Zimbabwe. Initiatives implemented in this regard include (i) expanding sugar cane farming and increasing exports in Zimbabwe; and (ii) the full-scale operation of a new refinery to match consumption in a growing local and regional market in Mozambique. Furthermore, for purposes of FTSE classification as per the industry classification benchmark codes, THL remains classified as a sugar producer post the Disposal.

The Group's large, high-quality property portfolio presents unique opportunities. Management is executing a clearly defined strategy of extracting value from its property portfolio, with advanced discussions on concluding a partnership model in the current Financial Year, which will enable the Group to earn sustainable annuity income going forward.

The Disposal will contribute substantially towards THL's committed Debt Reduction Plan and move the business towards a more appropriate level of debt.

10. FINANCIAL INFORMATION PERTINENT TO THE DISPOSAL

10.1 *Pro forma* financial information of THL

The *pro forma* financial effects of the Disposal on: (i) the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share of THL; and (ii) the statement of financial position, net asset value per share and net tangible asset value per share of THL are set out in Annexure 2 of this Circular. The Independent Reporting Accountants' report on the *pro forma* financial information of THL is contained in Annexure 3 of this Circular.

The *pro forma* financial information has been prepared in accordance with the provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

The *pro forma* financial information has been prepared by the management of THL and is the responsibility of the Board.

The *pro forma* financial information has been presented for illustrative purposes only and, because of its nature, may not give a fair reflection of THL's financial position, changes in equity or results of operations or cash flows post implementation of the Disposal.

There is currently significant uncertainty regarding the implications of the COVID-19 global pandemic and the government-imposed lockdown. For the purpose of these *pro forma* financial effects, and noting this uncertainty, it is assumed that no Material Adverse Change event has occurred.

For the purposes of determining the *pro forma* financial effects, it has been assumed that the Disposal was effective on 1 April 2019 for the statement of profit or loss and other comprehensive income, and on 30 September 2019 for the statement of financial position.

The accounting policies used in the preparation of the *pro forma* financial information are compliant with IFRS and are consistent with those applied in the condensed consolidated interim financial statements of THL for the six months ended 30 September 2019.

The table below summarises the *pro forma* financial effects of the Disposal for the six month period ended and as at 30 September 2019.

	Before	***Pro forma* after the Disposal**	**Change (%)**
	Note 1	**Note 2**	
Basic (loss)/earnings per share (cents) [3]	(235)	2 466	1 149%
Diluted (loss)/earnings per share (cents) [3]	(235)	2 465	1 149%
Basic and diluted headline loss per share (cents) [3]	(233)	(293)	-26%
Net asset value per share (Rands) [4]	(33)	(6)	+82%
Net tangible asset value per share (Rands) [4]	(38)	(10)	+74%
Weighted average number of shares in issue (million)	135	135	–
Number of shares in issue (million)	135	135	–

Notes:

1) The "Before" column has been extracted, without adjustment, from the THL condensed consolidated interim financial results for the six months ended 30 September 2019, attached as Annexure 8 to this Circular and available on the THL website (https://www.tongaat.com).

2) The "*Pro forma* after the Disposal" column reflects the impact of the *pro forma* adjustments on THL as a consequence of the Disposal. The effects of the Disposal are calculated on the assumption that the Purchase Consideration will be utilised to reduce interest-bearing borrowings.
3) *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Disposal was effective on 1 April 2019.
4) *Pro forma* net asset and net tangible asset value per share are based on the principal assumption that the Disposal was effective on 30 September 2019.
5) Whilst there is currently significant uncertainty regarding the implications of COVID-19 and the government-imposed lockdown, this has been treated as a non-adjusting post-balance sheet event. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

10.2 **Historical Financial Information**

10.2.1 The historical combined financial information of the Starch Business consists of the division of THL that manufactures, produces, sells and distributes modified and unmodified starch; powdered and liquid glucose; and related co-products from maize such as animal feed ("**Starch Division**") together with THS (Pty) Ltd and THSA.

10.2.2 The Starch Business did not historically constitute a separate legal entity. The historical combined financial information has been prepared by extracting the historical financial information related to the Starch Division (excluding assets and liabilities of the Sorbitol plant) included in the audited consolidated financial statements of THL and aggregating this with the historical financial information of THS (Pty) Ltd and THSA as at and for the Financial Years ended 31 March 2019 and 2018, and as at 31 March 2017. The Sorbitol plant is not operational, its assets have been fully impaired, it has a decommissioning obligation, and consequently it will not be disposed of. THL's interests in F&I were historically presented as part of the overall starch operations in the audited consolidated financial statements of THL but have been excluded from the historical combined financial information as they will not be disposed of.

10.2.3 The operations comprising the Starch Business have historically for the reporting periods presented been under common control of THL and under common management, and the economic activities of these entities will be legally bound together through the proposed transaction. Therefore, the results of the Starch Division of THL and abovementioned entities have been aggregated.

10.2.4 In order to reflect the historical cost and ability of the Starch Business to operate on a stand-alone basis, the cash and cash equivalents and certain IT hardware related to the Starch Business which are not disposed of have been included in the historical combined financial information, since these were directly attributable to the operations. Such assets and any related costs have been excluded from the *pro forma* financial information.

10.2.5 As the historical combined financial information of the Starch Business has been prepared on a carve-out basis, it may not be indicative of the future performance of the Starch Business and does not necessarily reflect what its results of operations, financial position and cash flows would have been had the Starch Business operated as an independent entity during the periods presented.

10.2.6 The historical combined financial information of the Starch Business for the Financial Years ended 31 March 2019 and 31 March 2018 as well as the statement of financial position as at 31 March 2017 is presented in Annexure 4 of this Circular.

10.2.7 The historical combined financial information of the Starch Business for the six months ended 30 September 2019, is also presented in Annexure 5 of this Circular.

10.2.8 The Independent Reporting Accountants' report on the historical combined financial information are contained in Annexure 6 of this Circular. The signed reports are also available for inspection in the manner set out in paragraph 24 of this Circular.

10.2.9 To comply with the dispensation granted by the TRP (referred to in paragraph 10.3.5 below) extracts of the financial information of THL for the Financial Years ended 31 March 2019 and 31 March 2018 as well as the statement of financial position as at 31 March 2017 are included in Annexure 7 of this Circular. The condensed consolidated interim financial statement for the six months ended 30 September 2019 are included in Annexure 8 of this Circular. Copies of the historical financial information for those periods, will be available for inspection on the virtual portal referred to in paragraph 24.

10.2.10 In accordance with paragraph 8.7 of the JSE Listings Requirements, comparative results for the six months ended 30 September 2018 have not been shown as, with the exception of IFRS 16 *Leases ("IFRS 16")*, the interim financial information has been prepared using accounting policies that are identical to those contained in the historical financial information. The modified retrospective approach has been applied in respect of the adoption of IFRS 16 and therefore comparative financial information has not been restated.

10.2.11 The historical financial information is the responsibility of the Board.

10.3 Rationale for guidance granted in respect of historical financial information

10.3.1 In terms of the JSE Listings Requirements, the historical financial information of the Starch Business must be presented for at least 3 (three) Financial Years up to and including the Financial Year immediately preceding the issue of a circular. For the Starch Business this would comprise the historical financial information for the Financial Years ended 31 March 2019, 31 March 2018 and 31 March 2017.

10.3.2 As has been widely publicised, THL had to restate its consolidated annual financial statements for prior period errors that totalled ZAR11 886 000 000 (eleven billion eight hundred and eighty six million Rand) and which extended back over the past six years. THL restated its consolidated annual financial statements for the Financial Year ended 31 March 2018. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Error* ("*IAS 8*"), THL corrected the prior period errors through a cumulative adjustment to the statement of financial position as at 31 March 2017. IAS 8 did not require THL to restate the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the supporting notes for the Financial Year ended 31 March 2017. At 31 March 2017, the cumulative financial impact of correcting the prior period errors related to the Starch Business was an increase in retained earnings of ZAR8.2 million (eight million two hundred thousand Rand). The prior period errors affecting the Starch Business were limited to the consequential impact of correcting prior period errors in THL's other business, for example the reversal of the IFRS 2 *Share-based Payment* expense to reflect that all unvested share awards were not likely to vest.

10.3.3 To obtain the necessary information to comply with the JSE Listings Requirements, THL would have to undertake a separate exercise to split the restatements into the respective Financial Years. THL engaged with the JSE and requested guidance with respect to the requirement to present complete historical financial information for the Financial Year ended 31 March 2017.

10.3.4 The JSE provided guidance in terms of which THL is permitted to disclose (i) the historical financial information for the Starch Business for the Financial Years ended 31 March 2019 and 31 March 2018; and (ii) the statement of financial position as at 31 March 2017.

10.3.5 Regulation 106(6)(c)(i) of the Companies Regulations requires the inclusion in the Circular of the annual financial statements of THL for the last 3 (three) Financial Years. In terms of guidance provided by the TRP, THL is permitted to limit disclosure in this Circular to the extracts of the last 2 (two) Financial Years. To comply with the guidance provided by the TRP, THL has included the abridged summarised annual financial statement for the Financial Year ended 31 March 2019 which contains the restated comparative financial statements for the Financial Year ended 31 March 2018 as well as the statement of financial position as at 31 March 2017 as Annexure 7. The condensed consolidated interim financial statements for the six months period ended 30 September 2019 are included in Annexure 8.

10.3.6 The Company has considered whether this will impact the ability of THL Shareholders to make an informed decision in respect of the Disposal and has concluded that the key matters influencing the decision of its Shareholders would be weighted more towards recently published information for the following reasons:

10.3.6.1 the Board's view is that THL's borrowing levels must be reduced to an appropriate level. The debt facilities were recently refinanced with a commitment from THL to its lenders to reduce borrowings by ZAR8 100 000 000 (eight billion one hundred million Rand) before 31 March 2021. The objective of this debt reduction plan is to reduce borrowings to a level that is supported by the operating cash flows of the South African businesses. While the implementation of the turnaround initiative is progressing well and delivering positive results, the combination of improved operational cash flow and proceeds from the disposal of non-core assets is not sufficient to achieve the debt reduction targets. Consequently, THL has had to explore the disposal of core assets and/or the raising of equity capital from its shareholders. As a result of the decline in the THL share price after the lifting of the suspension of its shares by the JSE, which has been amplified by the distress within capital markets resulting from the uncertainty surrounding COVID-19, a significant equity capital raise to reduce debt is currently not feasible and therefore the disposal of a core asset is a necessary outcome to ensure the THL Group can continue as a going concern. While the Starch Business is a quality asset, it is largely a standalone business that can be sold without impacting on the rest of THL's business. Accordingly, the Board's decision to approve the Disposal was less influenced by the historical performance of the business itself but was rather seen as a necessary step towards reducing THL's debt to more appropriate levels, particularly as the purchase price, which represents approximately 66% (sixty six percent) of the debt reduction target, is considered fair and the deal is with a credible counterparty;

10.3.6.2 the disposal process undertaken by the Group was subject to a competitive bidding process during which bidders conducted thorough due diligence of the Starch Business on the basis of the same financial information that has been disclosed in this Circular. In line with the requirements of the Companies Act, including the Companies Regulations, THL has constituted an Independent Board, which has in turn appointed the Independent Expert to provide a report on whether the Disposal is fair and reasonable to THL Shareholders. This will provide THL Shareholders with additional comfort; and

10.3.6.3 considerable time and costs have been incurred by the Group to produce previously restated financial information for the Financial Year ended 31 March 2018. The requirement to restate the historical financial information over and above the statement of financial position for the Financial Year ended 31 March 2017 would consume further resources.

11. WORKING CAPITAL STATEMENT

11.1 The Board has considered the effects of the Disposal and is of the opinion that the working capital available to the Company and the Group will be sufficient for its present requirements, that is, for at least the next 12 (twelve) Calendar Months from the issue date of this Circular.

11.2 The assessment of the adequacy of THL's working capital facilities is underpinned by the decision of THL Lenders to support THL by extending the availability period of Senior Revolving Credit Facility C of ZAR553 000 000 (five hundred and fifty three million Rand) and the Senior Term Loan Facility D of ZAR47 000 000 (forty seven million Rand) by 12 (twelve) Calendar Months to 31 March 2021. Such seasonal facilities have been made available in prior seasons and are required to cover any shortfall during the period when the sugar mills are crushing and building up stock.

11.3 The impact of increased market volatility and uncertainty caused by the COVID-19 global pandemic and the government-imposed lockdown on THL has been considered by the Board. In each of the countries in which THL operates, the government has classified THL as an essential industry as it is involved in the production, distribution and supply of food ingredients, including ethanol and animal feed. Consequently, THL's operations have not been materially impacted and the Board's view is that the headroom in THL's facilities, together with various mitigations planned, will be sufficient to support THL's working capital requirements over the next 12 (twelve) Calendar Months.

11.4 The Board has also considered the following when determining the adequacy of available working capital:

11.4.1 independent valuations of the majority of the THL businesses and assets (excluding the Starch Business) indicate that their fair values significantly exceed their carrying values as well as the external debt. THL's asset base comprises mainly tangible assets with significant value that is not reflected in the book value of the underlying businesses.

11.4.2 the operational turnaround plan is expected to continue to deliver positive results;

11.4.3 post the disposal of the Starch Business, and with all borrowings classified as current (i.e. due within 12 (twelve) months), THL *pro forma* financial information reflects current liabilities (ZAR12 500 000 000) (twelve billion five hundred million Rand) that exceed current assets (ZAR7 800 000 000) (seven billion eight hundred million Rand). Current liabilities will be reduced through the continuation of the Debt Reduction Plan;

11.4.4 the balance of the Debt Reduction Plan is expected to be achieved through the disposal of other non-core assets, a non-controlling share of the South African sugar operation, and a non-controlling share of its property portfolio;

11.4.5 in the event that the combination of the operational turnaround plan and the Debt Reduction Plan is not sufficient to reduce debt to an appropriate level then further asset disposals, and/or an equity capital raise will be required;

11.4.6 an expectation that cash proceeds from the disposal of landholdings will be sufficient to fund previously committed development expenditure; and

11.4.7 it is unlikely that any material claim may arise that would be payable within 12 (twelve) Calendar Months.

12. DIRECTORATE AND INTERESTS

The Directors as at the Last Practicable Date are listed on page 1 of this Circular.

12.1 Directors' Shareholdings

As far as the Board is aware, PH Staude, a former director of THL, directly holds 402 359 (0.30%) THL Shares. He resigned from the Company on 31 October 2018.

No other Director (and their associates), including any former directors who have resigned or retired during the past 18 (eighteen) Calendar Months, held any interest both directly or indirectly in THL's issued share capital as at the Last Practicable Date.

12.2 Directors' interests in transactions

Save pursuant to the Turnaround Incentive Plan referred to in paragraphs 12.3.2 to 12.3.7 below, none of the Directors, and, as far as the Board is aware, none of the former directors who have resigned or retired during the past 18 (eighteen) Calendar Months, has any economic interest in the Disposal.

Furthermore, no Directors, nor, as far as the Board is aware, any former directors who have resigned or retired during the past 18 (eighteen) Calendar Months, have any interest in any other transactions by the Company which were effected during the current or immediately preceding Financial Year, which remain in any material respect outstanding or unperformed.

12.3 Directors' remuneration and benefits and other technical and service fees

12.3.1 Save pursuant to the Turnaround Incentive Plan referred to in paragraphs 12.3.2 to 12.3.7 below, the remuneration, fees earned, or any other benefits receivable by:

12.3.1.1 Directors, whether as executives or non-executives; or

12.3.1.2 management or any other agencies or entities which provide secretarial and/or other technical services to the Company or Group,

will not change as a direct consequence of the Disposal.

12.3.2 THL has implemented a once-off turnaround incentive plan (comprising of short, medium, and long-term incentives) for the period of 24 (twenty four) Calendar Months aligned to the estimated turnaround period (i.e. 1 April 2019 to 31 March 2021) ("**Turnaround Incentive Plan**") as part of the Company's remuneration policy.

12.3.3 At the Company's annual general meeting held on Friday, 24 January 2020, THL Shareholders did not endorse the non-binding advisory vote of the Company's remuneration policy, which incorporates the Turnaround Incentive Plan and its implementation. Shareholders representing 72.3% (seventy two point three percent) and 58.3% (fifty eight point three percent) of the ordinary shares represented at the meeting voted in favour of the remuneration policy and its implementation, respectively, compared to the 75% (seventy five percent) threshold. THL continues to engage with Shareholders on its remuneration policy and the implementation thereof.

12.3.4 The Turnaround Incentive Plan was approved by the Board and the remuneration committee.

12.3.5 The purpose of the Turnaround Incentive Plan is to appropriately incentivise and retain (i) critical employees who have been tasked to execute THL's turnaround strategy; and (ii) eligible employees, who are considered vital to the Company as they will ensure the Group's viability in the medium to long term. The Turnaround Incentive Plan also takes into account the terms and conditions of the Debt Reduction Plan and has been designed to align and retain key role players in THL's turnaround strategy.

12.3.6 A portion of the incentive is payable upon the achievement of specific milestones linked to the Debt Reduction Plan. In terms of the Turnaround Incentive Plan, if the Closing Date of the Disposal is achieved before 30 September 2020, which coincides with the timing of the second payment Debt Reduction Milestone, JG Hudson, RD Aitken and DL Morakane, will each receive a cash-settled incentive pay out of 25% (twenty five percent) of their total guaranteed package.

12.3.7 An overview of the Turnaround Incentive Plan is set out on pages 20 and 24 of THL's 2019 annual report available on the Company's website (https://www.tongaat.com) via the link as stipulated in paragraph 25. Detailed information on the Turnaround Incentive Plan is contained on pages 26 to 29 of the same annual report.

13. MAJOR SHAREHOLDERS

As far as the Board is aware, as at the Last Practicable Date and based on the most recent month-end information available to the Directors, the following persons held, whether directly or indirectly, a beneficial interest in 5% or more of the issued THL Shares:

Name of Shareholder	Number of Shares	% of issued Shares
Public Investment Corporation	18 061 945	13.37
PSG Asset Management Proprietary Limited	17 386 504	12.87
Ninety One SA Proprietary Limited	15 422 003	11.41
Depfin Investments Proprietary Limited	12 252 587	9.07
Rand Merchant Bank, a division of FirstRand Bank Limited	10 367 186	7.67
Kagiso Asset Management Proprietary Limited	10 693 134	7.91
Evanstan Investments Proprietary Limited	10 000 000	7.40
Total	**94 183 359**	**69.70**

14. LEGAL MATTERS

Save for any potential fines that may result from the pending investigation by the FSCA into potential contraventions of section 81 of the Financial Markets Act, the Directors are not aware of any legal or arbitration proceedings arising in relation to the Starch Business or the Group, including any proceedings that are pending or threatened, which may have or have had in the recent past, being at least the previous 12 (twelve) Calendar Months, a material effect on the Group's financial position. The Directors have not been notified of any potential fines or penalties by other regulatory bodies. The Directors continue to co-operate with enquiries from other regulators such as the JSE.

15. OPINIONS AND RECOMMENDATION

15.1 Independent Expert Report

15.1.1 The Independent Expert's Report, prepared in accordance with the provisions of the Companies Act and the Companies Regulations, is reproduced in Annexure 1 to this Circular.

15.1.2 Having considered the terms and conditions of the Disposal and based on the information referred to in the Independent Expert's Report, the Independent Expert has concluded that the terms and conditions of the Disposal are both fair and reasonable to THL Shareholders.

15.2 **Independent Board opinion and recommendation**

15.2.1 The Independent Board accepts responsibility for the information contained in this Circular, confirms that, to the best of its knowledge and belief, the information contained in this Circular is true, and confirms that this Circular does not omit anything which could affect the importance of such information.

15.2.2 The Independent Board has considered the terms and conditions of the Disposal and material information relevant to the Disposal, and, after due consideration of the Independent Expert's Report, is of the unanimous opinion that the Disposal is fair and reasonable to THL Shareholders. Accordingly, the Independent Board unanimously recommends that THL Shareholders vote in favour of the resolutions set out in the Notice of General Meeting.

15.3 **Board's opinion and recommendation**

The Disposal will generate substantial cash proceeds, which will be used by the Group to reduce the debt levels of its South African operations and enable THL to take a significant step in meeting the Debt Reduction Plan and leaving the remaining business in a stronger financial position. Accordingly, the Board is of the view that the Disposal represents a compelling value proposition to THL and its Shareholders when compared to the inherent value that the Starch Business would generate in the foreseeable future.

The Board unanimously recommends that THL Shareholders vote in favour of the resolutions set out in the Notice of General Meeting.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, as listed on page 1 of this Circular:

16.1 have considered all statements of fact and opinion contained in this Circular;

16.2 collectively and individually accept full responsibility for the accuracy of all information included in this Circular for the purposes of providing relevant information regarding the Disposal;

16.3 certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement contained in this Circular false or misleading and that they have made all reasonable enquiries to ascertain such facts; and

16.4 certify that, to the best of their knowledge and belief, this Circular contains all information required by Applicable Law and the JSE Listings Requirements.

17. OTHER GENERAL INFORMATION

17.1 **Material changes**

There has been no material change in the financial or trading position of the Starch Business, the Company or the Group since the publication of the Company's condensed consolidated interim financial statements for the 6 (six) months ended 30 September 2019.

The COVID-19 global pandemic has resulted in significant global and local financial market volatility and uncertainty. Although uncertain and unquantified at this stage, continued or worsening levels of market disruption and volatility could have a significant impact on the Group's business operations as well as the Company's ability to access capital and conclude the various Key Initiatives planned to achieve the remaining Debt Reduction Milestones. This could result in a material change in the financial or trading position of the Group.

As the Starch Business is involved in the production, distribution and supply of food ingredients, including that of animal feed, it is regarded as an essential service in terms of the government's published COVID-19 regulations and will continue to operate during the government-imposed lockdown period. The Starch Business will be affected by the alcoholic beverage producers, representing a major customer segment, not being able to supply the consumer market during the government-imposed lockdown. Generally, the Starch Business' sales will also be impacted by lower disposable income. At this stage, some reduction in short-term demand is expected which is likely to be followed by some increase as customers rebuild alcohol stock levels.

To date, noting the uncertainty of the impact of COVID-19 and the government-imposed lockdown, a Material Adverse Change event has not occurred.

17.2 **Material contracts in relation to the Starch Business**

Save for the Starch Facilities set out in paragraph 17.3.4 below and the provision of security by the Starch Business for the refinance of THL's existing loan facilities set out in paragraph 17.3.2 below, there have been no material contracts, entered into either verbally or in writing by the Starch Business, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by the Starch Business, within the 2 (two) years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to the Starch Business at the date of this Circular.

17.3 **Material loans and contracts relating to THL**

The following are the only: (i) material loans; and (ii) material contracts that the Group has entered into (whether verbally or in writing) within the 2 (two) years preceding the Last Practicable Date that were otherwise than in the ordinary course of business.

17.3.1 ***Transitional Services Agreement***

THL and the Purchaser entered into the Transitional Services Agreement under and in terms of which THL will provide the Transitional Services, as described in paragraph 5.9.2 of this Circular, to the Purchaser, for an initial period of 12 (twelve) Calendar Months from the Closing Date.

17.3.2 ***New South African Loan Facilities ("New SA Facilities")***

17.3.2.1 Pursuant to the THL Lender Transaction Agreements, THL has entered into new senior term loan facilities, senior revolving credit facilities and overdraft facilities on new commercial terms. The purpose of the New SA Facilities is to refinance amounts owing to the THL Lenders, under existing facility agreements, as well as to fund general corporate and working capital requirements.

17.3.2.2 The New SA Facilities are governed by a Common Terms Agreement ("**CTA**") concluded between THL and the THL Lenders which sets out the commercial terms that apply in common across the THL Lender Agreements. The CTA makes provision for four new facilities and the underlying exposures of individual lenders to these facilities is managed by an appointed facility agent. The THL Lenders are bound by an inter-creditor agreement that governs their relationship.

17.3.2.3 THS (Pty) Ltd, along with THL's other South African subsidiaries, is a guarantor under the New SA Facilities. THL has provided security over the Starch Business in the form of: a pledge and cession of bank accounts, insurance rights, claims, intellectual property rights, and trade receivables (excluding those specific to the Starch Facilities referred to in paragraph 17.3.4 below). THS (Pty) Ltd has further provided a general notarial bond over its movable property. Subject to the fulfilment or waiver of the suspensive conditions in the Agreement, the security provided by THL over the Starch Business will be released on the Closing Date, and THS (Pty) Ltd will be released on the Closing Date from all its obligations as guarantor and security provider under the New SA Facilities.

17.3.2.4 The New SA Facilities set debt reduction milestones which must be achieved in order for the Company to, *inter alia,* achieve an agreed appropriate debt level ("**Debt Reduction Milestones**"). Failure to achieve such milestones is likely to constitute a default under the New SA Facilities.

17.3.2.5 Firstly, the New SA Facilities provide for four "signature" test dates (i.e. outside dates by which the THL Lenders have required, and will require, THL to conclude the liquidation of a legacy pension fund to release the cash held within the pension fund in an employer surplus account, enter into asset disposal agreements, and/or obtain shareholder and underwriting commitments under an equity capital raise). The required amounts and the test dates are (i) ZAR500 000 000 (five hundred million Rand) by 30 November 2019; (ii) a further ZAR3 500 000 000 (three billion five hundred million Rand) by 31 March 2020; (iii) a further ZAR 2 000 000 000 (two billion Rand) by 30 June 2020; and (iv) a further ZAR 2 100 000 000 (two billion one hundred million Rand) by 30 September 2020. The cumulative value of the transactions required to be concluded by these dates are set out in the table below.

No.	Signature Test Date	Cumulative Transaction Value
1.	30 November 2019	ZAR500 million
2.	31 March 2020	ZAR4 000 million
3.	30 June 2020	ZAR6 000 million
4.	30 September 2020	ZAR8 100 million

17.3.2.6 Secondly, the New SA Facilities provide for four "payment" test dates (i.e. outside dates by which the THL Lenders require the pension fund liquidation proceeds, the purchase price under the asset disposal agreements, or equity funding from capital raises, to be paid to them). The required amounts and payment dates are (i) ZAR500 000 000 (five hundred million Rand) by 30 June 2020; (ii) a further ZAR3 500 000 000 (three billion five hundred million Rand) by 30 September 2020; (iii) a further ZAR2 000 000 000 (two billion Rand) by 31 December 2020; and (iv) a further ZAR2 100 000 000 (two billion one hundred million Rand) by 31 March 2021. The cumulative value of the amounts to be paid to the THL Lenders by the test dates are set out in the table below.

No.	Payment Test Date	Cumulative Debt Reduction Proceeds
1	30 June 2020	ZAR500 million
2	30 September 2020	ZAR4 000 million
3	31 December 2020	ZAR6 000 million
4	31 March 2021	ZAR8 100 million

17.3.2.7 Prior to the Disposal, THL had entered into agreements totalling ZAR709 000 000 (seven hundred and nine million Rand) of which proceeds from the liquidation of the pension fund totalling ZAR512 000 000 (five hundred and twelve million Rand) had been received. As a result, the Debt Reduction Milestones for the first "signature" test date and the first "payment" test date have been achieved as detailed below:

17.3.2.7.1 On 1 November 2019, THL obtained the necessary approvals from the FCSA to advertise the liquidation of a legacy pension fund in the Government Gazette which would release cash accumulated in an employer surplus account totalling ZAR512 000 000 (five hundred and twelve million Rand). The liquidation was finalised at the end of January 2020 and the cash proceeds were received and used to reduce debt.

17.3.2.7.2 On 18 November 2019, a sale of business agreement was concluded whereby THL will dispose of 51% (fifty one percent) of its beneficial interest in Tongaat Hulett Namibia Proprietary Limited, its Namibian sugar packing and distribution business for ZAR112 000 000 (one hundred and twelve million Rand). The cash proceeds have not yet been received as various regulatory approvals remain outstanding.

17.3.2.7.3 During February 2020, THL concluded sales agreements to dispose of three properties in the ordinary course of its land development business. A portion of the proceeds totalling ZAR85 000 000 (eighty five million Rand), being the total sales price less any amounts related to obligations to provide infrastructure, is classified as a debt reduction transaction. The cash proceeds have not yet been received and will be received on the date of registration of transfer of the properties, which is dependent on the fulfilment of the outstanding suspensive conditions.

17.3.2.8 By entering into the Agreement, THL has met the second "signature" test date and on the successful implementation of the Disposal, THL will meet the second "payment" test date. The Disposal also provides substantial progress towards both the third signature and the third payment test dates.

17.3.2.9 The CTA contains financial covenants for THL's South African businesses that require the historical leverage ratio (i.e. the 12 (twelve) Calendar Months ending on 30 September 2020) and the forecast leverage ratio (i.e. the 12 (twelve) Calendar Months commencing on 30 September 2020) to be equal to or less than 3x (three times) and 2.5x (two point five times), respectively. The leverage ratio is the ratio of total debt to earnings before interest, tax, depreciation, amortisation, fair value movements on biological assets and other once-off items. If these financial covenants are not achieved, THL is required to meet with the THL Lenders to agree remedial action to reduce its debt. If remedial action cannot be agreed, or if the leverage ratio exceeds 3.5x (three point five times), it would constitute a default under the New SA Facilities.

17.3.2.10 The New SA Facilities contain provisions which limit THL's ability to raise additional or alternative debt finance without prior consent.

17.3.2.11 All the New SA Facilities are repayable by 31 March 2021 and are therefore classified as current liabilities. The repayment of these facilities will be from proceeds realised on various debt reduction transactions. The objective of the debt reduction transactions and the financial covenants is to reduce debt to an appropriate level. Such reduced debt will be refinanced for a longer-term period on or before 31 March 2021.

17.3.2.12 The table below sets out further detail on certain of the New SA Facilities. Additional information regarding these facilities are set out in Annexure 9 of this Circular.

Type		Purpose	Termination Date	Total
				(ZAR millions)
Facility A	Term Loan Facility	To partially discharge the existing financial indebtedness owing	31 March 2021 or such later date as agreed	8 592
Facility B	Revolving Loan Facility	To discharge any residual existing financial indebtedness following application of the proceeds from the utilisation of facility A, and thereafter, utilisation for general corporate and working capital purposes.	31 March 2021 or such later date as agreed	2 200
Facility C	Revolving Loan Facility	Working capital and general corporate purposes of the sugar business	THL Lenders agreed to extend the availability of these seasonal facilities from 31 March 2020 to 31 March 2021.	553
Facility D	Seasonal Term Loan Facility	Working capital and general corporate purposes of the sugar business		47
Overdraft	Overdraft Facilities	Working capital facility		300
Total				**11 692**

17.3.2.13 All of the agreements and finance documents referred to in this paragraph 17.3.2 are available for inspection in the manner indicated in paragraph 24 of this Circular.

17.3.3 ***Mozambican Standstill Agreement***

17.3.3.1 THL's subsidiaries domiciled in Mozambique have entered into a standstill agreement whereby the lenders to its Mozambican operations have agreed to not exercise their rights in respect of breaches of certain covenants until 15 December 2020.

17.3.3.2 The debt arrangements with lenders in Mozambique contain provisions which limit the ability of the Group's Mozambican entities to raise additional or alternative debt finance without the prior consent of these lenders.

17.3.3.3 All of the agreements and finance documents referred to in this paragraph 17.3.3 are available for inspection in the manner indicated in paragraph 24 of this Circular below.

17.3.4 ***Starch Facilities***

Type		Purpose	Termination Date	Total
				(ZAR millions)
ABSA Finance Facility	Working Capital Facility (revolving)	To be used as a commodity (maize) procurement	Ongoing, facility reviewed annually	1 000
Nedbank Finance Facility	Working Capital Facility (revolving)	To be used for working capital purposes	Ongoing, facility reviewed annually	400
Total				**1 400**

17.3.4.1 Additional information regarding the Starch Facilities are set out in Annexure 9 of this Circular.

17.3.4.2 All of the agreements/documents referred to in this paragraph 17.3.4 are available for inspection in the manner indicated in paragraph 24 of this Circular.

18. CONSENTS AND REPORTS

18.1 General consents

Each of:

18.1.1 PwC;

18.1.2 Bowmans;

18.1.3 Deloitte & Touche;

18.1.4 Java Capital; and

18.1.5 Computershare Investor Services,

has consented in writing to act in the capacity stated and to its name being included in this Circular and none of them has withdrawn such consent prior to the date of issue of this Circular.

18.2 Report consents

In addition to the general consents referred to in paragraph 18.1 above, the following consents for specific reports have been received, and have not been withdrawn, prior to the issue of this Circular, namely:

18.2.1 from Deloitte & Touche, the Independent Reporting Accountants, their consent as regards their limited assurance report on the *pro forma* financial effects of the Disposal, contained in Annexure 3 of this Circular;

18.2.2 from Deloitte & Touche, the Independent Reporting Accountants, their consent as to the report on the historical financial information of the Business as included within their report as contained in Annexure 6 of this Circular; and

18.2.3 from Java Capital, the Independent Expert, its consent as regards the Independent Expert's Report, as included within its report contained in Annexure 1 of this Circular.

All of the above consents are available for inspection in the manner set out in paragraph 24 of this Circular.

19. VOTING UNDERTAKINGS

THL has received letters of support and irrevocable undertakings from institutional investors holding, beneficially owning or controlling in total 61.47% of the issued THL Shares, to vote in favour of the resolutions required to implement the Disposal, as follows:

Shareholder	Number of THL Shares held on the date of provision of the letter of support or irrevocable undertaking	% of THL Shares held on the date of provision of the letter of support or irrevocable undertaking
PSG Asset Management Proprietary Limited (Irrevocable undertaking)	17 386 504	12.87
Ninety One SA Proprietary Limited (Irrevocable undertaking)	15 422 003	11.41
Depfin Investments Proprietary Limited (Irrevocable undertaking)	12 252 587	9.07
Kagiso Asset Management Proprietary Limited (Letter of support)	10 693 134	7.91
Rand Merchant Bank, a division of FirstRand Bank Limited (Irrevocable undertaking)	10 367 186	7.67
Evanstan Investments Proprietary Limited (Irrevocable undertaking)	10 000 000	7.40
Mianzo Asset Management (Letter of support)	3 536 851	2.62
Sanlam Investment Management (Letter of support)	3 405 063	2.52
Total	**83 063 328**	**61.47**

20. EXPENSES

The estimated costs payable by the Company in concluding and implementing the Disposal are approximately ZAR40.0 million (excluding VAT) and include the following:

Nature of fee/category of recipient		Amount ZAR
Financial Adviser	PwC	28 645 214
Transaction Sponsor	PwC	1 000 000
Legal Adviser	Bowmans	6 500 000
Competition Law Adviser	Webber Wentzel	970 270
Auditors and Independent Reporting Accountants	Deloitte & Touche	1 456 143
Printing and publishing	Ince	240 000
Takeover Regulation Panel	TRP	206 000
Independent Expert	Java Capital	700 000
JSE	JSE	86 783
Transfer Secretaries	Computershare	77 610
Contingencies		150 000
Total		**40 032 020**

Save as provided above, there have not been any preliminary expenses incurred by the Company in the 3 (three) years immediately preceding the Last Practicable Date.

21. GENERAL MEETING AND REQUIRED ACTION

21.1 The General Meeting will be held electronically at **10:00** on **Friday, 05 June 2020** in which the requisite resolutions to approve the Disposal and related matters will be considered and, if deemed fit, adopted.

21.2 The Notice of General Meeting is attached to and forms an integral part of this Circular. A Form of Proxy *(blue)* is also included with this Circular for use by those Certificated Shareholders and Own-Name Dematerialised Shareholders who, while being unable to participate in the General Meeting may nevertheless wish to be represented thereat. Such persons are requested to complete and to return the Form of Proxy *(blue)* in accordance with its instructions.

21.3 THL Shareholders are advised to carefully read both the "*Action Required by THL Shareholders*" section commencing on page 2 of this Circular and the Notice of General Meeting.

22. INFORMATION REGARDING THE TRANSACTION SPONSOR

22.1 PricewaterhouseCoopers Incorporated and its subsidiaries are members of the international network of PricewaterhouseCoopers firms, each a separate legal entity. Regarding the various lines of services and advice provided to the Company pursuant to the Disposal, and matters necessary and relating thereto, Shareholders are advised that:

22.1.1 PricewaterhouseCoopers Advisory Services Proprietary Limited, was appointed to conduct a forensic investigation into the accounting practices of the Group and to provide accounting advice on the restated results, both of which aspects have since been completed. Its fee was at an agreed set rate and is not dependent of the outcome of the Disposal;

22.1.2 PricewaterhouseCoopers Advisory Services Proprietary Limited, was appointed to undertake a comprehensive Group and Company debt restructuring assessment ancillary to the Disposal which is now completed and is in the process of being implemented. Parts of the fee have already been paid and others are still based on delivering future deliverables on an agreed rate. None of the fees are linked to the outcome of the Disposal.

22.1.3 PricewaterhouseCoopers Corporate Finance Proprietary Limited was appointed by the Company for the Disposal in two capacities, namely:

22.1.3.1 as Financial Adviser regarding the Disposal, in which capacity its fee is partially dependent on the successful conclusion and implementation of the Disposal. Ad hoc accounting advice relating to the preparation of the historical combined financial information of the Starch Business and the *pro forma* financial information of THL was also undertaken by the PricewaterhouseCoopers Assurance Services Proprietary Limited and PwC auditing divisions; and

22.1.3.2 as Transaction Sponsor, where the agreed fee is fixed and is wholly independent of the outcome of the Disposal.

22.2 The Financial Adviser and Transaction Sponsor have also been advising THL on various other corporate actions including a potential equity capital raise, based on an agreed rate per hour. These fees are also not linked to the outcome of the Disposal.

22.3 In its capacity as Transaction Sponsor, PricewaterhouseCoopers Corporate Finance Proprietary Limited has advised the Company that its JSE Sponsor team operates as a separate and distinct team and has various internal procedures in place to ensure that its ability to act independently, as Transaction Sponsor, is not compromised.

22.4 As an integral part of PwC, the Transaction Sponsor team adheres to firm-wide statements of permitted services policies and a stringent independence policy that identifies and manages potential conflicts and risks. These policies ensure that strict ethical walls are maintained to ensure that, as Transaction Sponsor, it can act independently from other divisions within the firm. It also enforces and implements access restrictions to information, which is limited to teams for whom access to information is required, for the purpose of fulfilling the client mandate.

22.5 The Transaction Sponsor team has not been involved in any other aspect of the Disposal save for the drafting of the circular.

22.6 Taking cognisance of the above, the Transaction Sponsor does not believe that there is any matter that would impact on its ability to exercise reasonable care and judgement to achieve and maintain independence as per the Code of Conduct as set out in the JSE Listings Requirements.

23. TRP DISPENSATIONS

23.1 In terms of the Companies Regulation 102(2)(a), a circular must be distributed within 20 Business Days after the date of publication of the Firm Intention Announcement. The TRP has granted THL an extension of time in which to distribute the Circular.

23.2 Companies Regulation 106(6)(c)(i) requires inclusion of the annual financial statements for the last 3 (three) financial years and, if completed, the most recent interim financial statements. The TRP has granted THL an exemption as more fully described under paragraph 10.3.5 of this Circular.

24. DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below, or copies thereof, will be available for inspection from Friday, 08 May 2020, being the issue date of this Circular, up to and including, the date of the General Meeting, on a virtual platform to which THL Shareholders will be granted access upon a request being sent by a THL Shareholder to the Company Secretary (johann.vanrooyen@tongaat.com) to view the documents on a "read only" basis. However, should the government-imposed national lockdown be lifted in its entirety within the above period, THL Shareholders may, up to and including the date of the General Meeting, inspect the following documents or copies thereof at the Company's registered office and at the address of the Transaction Sponsor indicated in the "*Corporate Information and Advisers*" section of this Circular:

24.1 the MOI, and the memoranda of incorporation of major Group subsidiary companies;

24.2 copies of any special or notarial contract bearing on the trust deed or MOI entered into within the last 3 (three) years;

24.3 the latest sworn appraisals or valuations relative to movable and immovable property and items of a similar nature;

24.4 copies of service agreements with Directors (or a summary of such agreements), managers or secretary/ies, underwriters, vendors and promoters entered into during the last 3 (three) years;

24.5 the audited consolidated annual financial statements of THL for the Financial Years ended 31 March 2019 including as a comparative the restated financial statements for the Financial Year ended 31 March 2018 and the restated statement of financial position as at 31 March 2017;

24.6 the unaudited condensed consolidated interim financial statements of THL for the 6 (six) Calendar Month period ended 30 September 2019;

24.7 the Agreement;

24.8 the Escrow Agreement;

24.9 the Transitional Services Agreement;

24.10 the irrevocable undertakings described in paragraph 19;

24.11 the general consent letters referred to in paragraph 18.1 of this Circular;

24.12 the consents referred to in paragraph 18.2 of this Circular;

24.13 the signed audit and review reports of Deloitte & Touche, on the consolidated historical financial information of the Starch Business, referred to in paragraph 10.2 of this Circular above and contained in Annexure 6;

24.14 the signed report of Deloitte & Touche, on the assurance engagement on the compilation of *pro forma*, referred to in paragraph 10.1 of this Circular above and contained in Annexure 3;

24.15 the documents referred to in paragraphs 17.3.2 to 17.3.4 of this Circular; and

24.16 a signed copy of this Circular.

25. **INCORPORATION OF INFORMATION BY REFERENCE**

25.1 Section 11.61 of the JSE Listings Requirements allows for certain required JSE Listings Requirements information, ordinarily prescribed for inclusion into a circular to shareholders, to rather be incorporated by way of website referencing.

25.2 In this regard, the Company's website has been set up to allow THL Shareholders, should they so wish, to look up and read/download, *inter alia*, any of the information referenced in the table below. In accessing and utilising the Company's website, it is important to note that the Company makes available such information purely for the use by and convenience of the THL Shareholders and for no other purposes and, accordingly, accepts no responsibility for the use of any such information by any other person save for the purposes as hereinto explained.

Subject matter **("Definitions and Interpretations" section of this Circular is not applicable to this column)**	**Circular paragraph number:**	**Company website reference thread**
Turnaround Incentive Plan (included in THL's 2019 annual report)	Paragraph 12.3.2	https://www.tongaat.com/Investors/Integrated Reports/2019.aspx

By order of the Board

....
Chairman of the Board

(Being duly authorised hereto to sign this Circular for and on behalf of each and every Director of the Company in accordance with a round robin resolution of the Board signed by each and every Director)

8 May 2020

INDEPENDENT EXPERT'S REPORT

The Independent Board and the Board
Tongaat Hulett Limited
Amanzimnyama Hill Road
Tongaat
KwaZulu-Natal
South Africa

23 April 2020

Dear Members of the Board

INDEPENDENT EXPERT'S REPORT TO THE INDEPENDENT BOARD ("INDEPENDENT BOARD") AND BOARD OF DIRECTORS ("BOARD") OF TONGAAT HULETT LIMITED ("THL" OR THE "COMPANY") REGARDING THE DISPOSAL BY THL OF ITS STARCH BUSINESS ("BUSINESS" OR "STARCH BUSINESS")

1. INTRODUCTION AND SCOPE

1.1 As announced by THL on the Stock Exchange News Service ("**SENS**") of the JSE Limited ("**JSE**") on 28 February 2020 ("**Firm Intention Announcement**"), THL has entered into an agreement on 28 February 2020, as amended by an addendum dated 20 March 2020, to dispose of the Starch Business as a going concern to KLL Group Proprietary Limited, a wholly-owned subsidiary of Barloworld Limited (the "**Disposal**"). The Disposal is subject to the fulfilment or waiver of the suspensive conditions detailed in the circular to shareholders of the Company ("**THL Shareholders**") to be issued on or about 8 May 2020 (the "**Circular**").

1.2 The Disposal constitutes the disposal of a greater part of the assets or undertaking of the Company in terms of section 112 of the Companies Act, No. 71 of 2008, as amended from time to time ("**Companies Act**") and is included within the definition of an "affected transaction" in terms of section 117(1)(c)(i) of the Companies Act. Accordingly, in terms of Regulation 90 of the Companies Regulations, 2011, as amended from time to time, ("**Companies Regulations**") and section 114 of the Companies Act (read with Companies Regulation 90(2)), the Independent Board must retain an independent expert to compile a report on whether the terms and conditions of the Disposal are fair and reasonable as far as THL Shareholders are concerned.

1.3 Java Capital (Proprietary) Limited ("**Java Capital**") has been appointed by the Independent Board as the independent expert to advise on whether the terms and conditions of the Disposal are fair and reasonable as far as THL Shareholders are concerned ("**our Opinion**").

2. DEFINITION OF THE TERMS "FAIR" AND "REASONABLE"

2.1 For the purposes of our Opinion, fairness is primarily based on a quantitative assessment. Therefore the Disposal may be considered to be fair if the consideration received pursuant to the Disposal (the "**Purchase Consideration**") is equal to or greater than an arm's length market related price for the assets subject to the Disposal, as determined in accordance with an accepted valuation approach, or unfair if the opposite would hold true. Those factors that are difficult to quantify, or are unquantifiable, must be disclosed and taken into account in forming our Opinion in respect of fairness.

2.2 In accordance with Regulation 110(9) of the Companies Regulations, an offer with an offer consideration per offeree regulated company security above the offeree regulated company's traded security price at the time the offer consideration(s) per security was announced, or at some other more appropriate identifiable time, is generally considered to be reasonable.

2.3 The Disposal comprises the assets and liabilities of the Starch Business, and not listed securities. The Purchase Consideration can therefore not be compared to a traded security price. Our assessment of reasonableness is therefore based on qualitative issues surrounding the Disposal only.

3. RESPONSIBILITY

3.1 Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board and the Board. Our responsibility is to provide our Opinion.

3.2 We confirm that our Opinion has been provided to the Board and the Independent Board for the sole purposes of assisting the Board in complying with its obligations under section 114 of the Companies Act (read with Companies Regulation 90(2)) and assisting the Independent Board in forming and expressing an opinion for the benefit of THL Shareholders.

3.3 We accept no responsibility to any party other than to the Board and the Independent Board.

4. SOURCES OF INFORMATION

4.1 In performing our analysis, we relied upon financial and other information, including forecast financial information, obtained from the Starch Business' executive management ("**Management**") and/or its advisors together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects and accordingly we cannot express any opinion on the financial and other information used in arriving at our Opinion, the principal sources of information comprising:

4.1.1 the Firm Intention Announcement;

4.1.2 a draft of the Circular setting out, amongst other things, the salient terms and conditions of the Disposal;

4.1.3 the sale and purchase agreement between THL, Barloworld Limited and KLL Group Proprietary Limited dated 28 February 2020, as amended by an addendum dated 20 March 2020 ("**Agreement**"), setting out the terms and conditions of the Disposal;

4.1.4 the Starch Business divisional management accounts for the financial years ended 31 March 2017, 31 March 2018 and 31 March 2019;

4.1.5 the year-to-date management accounts for the Starch Business for the periods ended 31 December 2019 and 29 February 2020;

4.1.6 the Starch Business Management Presentation dated November 2019;

4.1.7 the Starch Business Information Memorandum dated August 2019;

4.1.8 the financial forecasts for the Starch Business prepared by Management for the financial years ended 31 March 2020 to 31 March 2023;

4.1.9 the net working capital calculations of the Starch Business that inform Normalised Net Working Capital as defined in the Agreement;

4.1.10 comparative financial and market information on comparable companies in the industry; and

4.1.11 for our macroeconomic and industry research, the following sources:

4.1.11.1 Thomson Reuters macroeconomic research;

4.1.11.2 maize futures pricing as published by the JSE;

4.1.11.3 the yield on the 10-year BEASSA yield curve as published by the JSE;

4.1.11.4 S&P Capital IQ for financial data on comparable companies;

4.1.11.5 the PwC Valuation Methodology Survey, 2016/2017 Edition; and

4.1.11.6 discussions with Management and/or their advisors.

4.2 Where practical, we have corroborated the reasonability of the information provided to us for the purpose of forming our Opinion, including publicly available information, whether in writing or obtained through discussions with Management and/or their advisors.

5. VALUATION APPROACH

5.1 In considering whether the Purchase Consideration represents fair value to THL Shareholders, Java Capital performed an independent valuation of the Starch Business, including its assets and liabilities.

5.2 For the purposes of our valuation we used the Income Approach (discounted cash flow) valuation as our primary approach. In addition, we considered the Market Approach (based on financial data of comparable publicly traded companies) as an alternative valuation approach to support the results of our Income Approach valuation.

5.3 Key internal value drivers include forecast volume and revenue growth rates, gross profit margins, net working capital assumptions and forecast capital expenditure.

5.4 Key external value drivers include the discount rate applied and forecast consumer price inflation.

5.5 The resultant financial forecasts, denominated in South African Rand, were discounted at a discount rate range of 12.6% to 13.3%.

5.6 A sensitivity analysis was performed utilising forecast key internal and external value drivers.

6. PROCEDURES PERFORMED

6.1 We have undertaken the following procedures in arriving at our Opinion:

6.1.1 considered the terms and conditions of the Disposal, including calculating the estimated Purchase Consideration;

6.1.2 analysed and reviewed the historical financial information of the Starch Business;

6.1.3 analysed and reviewed the financial and operating forecasts including volumes, revenue, gross profit and operating margins, investment in net working capital and capital expenditures based on the historical operating results of the Starch Business, industry results and expectations and management representations. This analysis formed the basis for our Income Approach;

6.1.4 held discussions with Management and/or their advisors regarding the rationale for the Disposal, the historical and forecast financial information of the Starch Business, and on prevailing market, operational, economic, legal and other considerations which may affect the underlying performance and value of the Starch Business;

6.1.5 in performing the Market Approach valuation, analysed and reviewed financial data of publicly traded companies engaged in the same or similar lines of business to the Starch Business, to derive appropriate valuation multiples and operating comparisons to apply to the Starch Business;

6.1.6 considered appropriate valuation discounts or premiums (e.g., marketability, controlling or minority interest) to apply to the results of our valuation analysis;

6.1.7 considered the prevailing economic and market conditions, including the impact of the COVID-19 pandemic on the Starch Business, including both immediate and longer-term macroeconomic impact;

6.1.8 considered the conditions in, and the economic outlook for, the industry in which the Starch Business operates; and

6.1.9 considered other facts and information relevant to concluding our Opinion.

6.2 We have satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions underlying the forecasts and used to formulate our Opinion by:

6.2.1 considering the historical trends of such information and assumptions; and

6.2.2 comparing and corroborating such information and assumptions with external sources of information to the extent available.

7. **ASSUMPTIONS**

7.1 Our Opinion is based on the following key assumptions:

7.1.1 global financial markets are currently faced with significant uncertainty as a result of the COVID-19 pandemic, the full impact of which remains to be seen. We have assumed economic, regulatory and market conditions remain stable over the forecast period after factoring in the impact of COVID-19, including under a range of scenarios. There is, however, significant uncertainty, which could persist for some time, as to the full impact of COVID-19 on the Starch Business, and as a result, our work may not have identified or reliably quantified the impact of all such uncertainties;

7.1.2 reliance can be placed on the financial information including management accounts and forecast financial information provided to us, including representations made by Management; and

7.1.3 there are no undisclosed contingent liabilities or any other liabilities that could affect the value of the Starch Business.

8. **VALUATION RESULTS AND FAIRNESS**

8.1 Our valuation determined the value of the Starch Business to be within a range of R4,950 million to R5,350 million with a mid-point value of R5,150 million.

8.2 The table in paragraph 8.3 sets out:

8.2.1 the estimated Purchase Consideration of R5,128 million, as calculated in accordance with the formula set out in paragraph 5.2.1 of the Circular; and

8.2.2 the calculation of our mid-point value of R5,150 million.

8.3 The Purchase Consideration and our mid-point value of the Starch Business are calculated as follows:

Item	**Description**	**Purchase Consideration R'million**	**Mid-point value R'million**
B	Enterprise value	5,350	5,544
C	Actual Debt assumed	236	236
D	Amount by which the assumed Actual Net Working Capital falls short of the Normalised Net Working Capital	(82)	(158)
E	Amount as consideration for THL retaining the obligation to pay for the post-retirement benefits for retired employees as well as in-service employees	96	-*
A	**(B – C) + D + E**	**5,128**	**5,150**

* *The calculation of enterprise value takes into account THL's obligation to pay for the post-retirement benefits for retired employees as well as in-service employees.*

8.4 The valuation range above is provided solely in respect of our Opinion and should not be used for any other purposes.

8.5 Based on consideration of *inter alia* the valuation range detailed above relative to the Purchase Consideration, we are of the opinion that the terms and conditions of the Disposal are fair to THL Shareholders.

9. **REASONABILITY**

9.1 Our assessment of reasonableness is based on qualitative considerations surrounding the Disposal only. In arriving at our Opinion with respect to the reasonability of the Disposal, we considered primarily the rationale for the Disposal as set out in paragraph 3 of the Circular, including *inter alia* that the proceeds from the Disposal will substantially reduce the Company's debt levels in line with the stated intention of the Board.

9.2 Accordingly, we believe the terms and conditions of the Disposal are reasonable to THL Shareholders.

10. **OPINION**

10.1 We have considered the terms and conditions of the Disposal as set out above and based on the aforementioned, we are of the opinion, subject to the limiting conditions as set out below, that the terms and conditions of the Disposal are fair and reasonable to THL Shareholders.

10.2 We do not believe that the Disposal will have any material adverse effect on THL or on the business and prospects of THL, nor will it impair the rights and interests of THL Shareholders.

10.3 Our Opinion is necessarily based upon the information available to us up to the date of our Opinion. Accordingly, subsequent developments may affect our Opinion, which we are under no obligation to update, revise or re-affirm.

11. **LIMITING CONDITIONS**

11.1 Our Opinion is provided to the Board and the Independent Board only for the purposes of assisting the Board in complying with its obligations under section 114 of the Companies Act (read with Companies Regulation 90(2)), and the Independent Board in forming and expressing an opinion for the benefit of THL Shareholders and should not be regarded as suitable for use by any other party or give rise to third party rights. Furthermore, the ultimate assessment as to whether or not the Independent Board decides to recommend the Disposal is the responsibility of the Independent Board.

11.2 Our Opinion does not purport to cater for each individual THL Shareholder's perspective or circumstances, but rather that of the general body of THL Shareholders. Should a THL Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

11.3 We have relied upon and assumed the information used by us in deriving our Opinion is accurate. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our Opinion, whether in writing or obtained through discussion with Management and/or their advisors, by reference to publicly available or independently obtained information. While our work has involved an analysis of information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

11.4 We express no opinion on any legal, accounting and taxation consequences of the Disposal.

11.5 We have assumed that all agreements concluded or to be concluded in terms of the Disposal will be legally enforceable, and that all suspensive conditions, including any material regulatory and other approvals required, have been or will be properly fulfilled.

12. **CONCLUSION**

12.1 We confirm that we are independent to and have no material direct or indirect interest in THL, the Starch Business or the Disposal.

12.2 The fee payable to us for preparing our Opinion is R700 000 (excluding VAT), payable in cash, and is not contingent upon the outcome of the Disposal.

12.3 We confirm that we have the necessary competence to provide our Opinion.

12.4 Based on our Opinion set out above, the Disposal has no anticipated material adverse effects on the rights and interests of THL Shareholders and the business and prospects of the Company.

12.5 The material interests of the directors of the Company together with the effect of the Disposal thereon and on the directors are set out in paragraph 12 of the Circular.

12.6 Sections 115 and 164 of the Companies Act are set out in Annexures 10 and 11 of the Circular respectively and are incorporated herein by reference.

12.7 We hereby consent to the inclusion of our Opinion, in whole or in part, and any references thereto, in the form and context in which they appear in any required regulatory announcement or document relating to the Disposal, including in the Circular.

Yours faithfully

Java Capital Proprietary Limited
Andrew Bird
Director

PRO FORMA FINANCIAL INFORMATION OF THL

The "*Definitions and Interpretations"* section commencing on page 9 of this Circular have, unless the context otherwise requires, been used throughout this Annexure 2. The contents of this Annexure 2 are provided in support of the "Financial implications and *pro forma* financial effects of the Disposal" contained in paragraph 10.1 of the Circular.

Basis of preparation

The *pro forma* financial information of the THL Group is the responsibility of the Directors. The *pro forma* financial information has been presented for illustrative purposes only and, because of its nature, may not give a fair reflection of THL's financial position, changes in equity or results of operations or cash flows post implementation of the Disposal.

The *pro forma* financial information has been prepared in accordance with the provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

The accounting policies used in the preparation of the *pro forma* financial information are compliant with IFRS and are consistent with those applied in the condensed consolidated interim financial statements of THL for the six months ended 30 September 2019.

For the purposes of determining the *pro forma* financial effects, it has been assumed that the Disposal was effective on 1 April 2019 for the statement of profit or loss and other comprehensive income, and on 30 September 2019 for the statement of financial position. All other assumptions used in the preparation of the pro forma financial information have been detailed in the notes thereto.

There is currently significant uncertainty regarding the implications of the COVID-19 global pandemic and the government-imposed lockdown. For the purposes of these *pro forma* financial effects, and noting this uncertainty, it is assumed that no Material Adverse Change event has occurred.

TONGAAT HULETT LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The *pro forma* condensed consolidated statement of profit or loss and other comprehensive income for the 6 (six) months ended 30 September 2019 has been prepared to show the impact of the Disposal (as defined in the Circular) as if it was effective 1 April 2019. For the purposes of the *pro forma* financial information the term "**Starch Business**" will have the same meaning as "**Sale Business**" as defined in the Circular.

R'million	THL unaudited results for the six months ended 30 September 2019	Reversal of carved out results of the Starch Business	Income and expenses from Excluded Assets and other directly attributable assets	Profit on disposal of the Starch Business and application of Purchase Consideration	Consolidation adjustments	Once-off costs resulting from the Disposal	THL *pro forma* results for the six months ended 30 September 2019
Notes	1	2	3	4	5	6	
Revenue	**8 085**	**(2 102)**	**(3)**				**5 980**
Cost of sales	(5 353)	1 659	1				(3 693)
Gross profit	**2 732**	**(443)**	**(2)**	**–**	**–**	**–**	**2 287**
Marketing and selling expenses	(367)	5	–				(362)
Administrative and other expenses	(1 151)	139	1				(1 011)
Net impairment reversal	1	–					1
Other non-trading items	(6)	–			(17)	(68)	(91)
Other operating income	69	(6)	–	3 808			3 871
Profit from operations	**1 278**	**(305)**	**(1)**	**3 808**	**(17)**	**(68)**	**4 695**
Net finance costs	(894)	17	1	217	–	–	(659)
Finance costs	(948)	18		208			(722)
Finance income	54	(1)	1	9			63
Net monetary loss	(329)	–					(329)
Share of net profit of associates	2	–					2
Profit before taxation	**57**	**(288)**	**–**	**4 025**	**(17)**	**(68)**	**3 709**
Income tax	(256)	76	–	(32)	(46)	2	(256)
(Loss)/profit for the period	**(199)**	**(212)**	**–**	**3 994**	**(63)**	**(66)**	**3 453**
Other comprehensive income/ (loss)							
Items that may be reclassified subsequently to profit or loss							
Foreign exchange differences on translation of foreign operations	(779)	–					(779)
Items that will not be reclassified subsequently to profit or loss							
Remeasurement of post-retirement benefit obligations	45	–					45
Tax effect of remeasurement of post-retirement benefit obligations	(13)	–					(13)
Other comprehensive loss for the period, net of tax	**(747)**	**–**	**–**	**–**	**–**	**–**	**(747)**
Total comprehensive (loss)/ income for the period	**(946)**	**(212)**	**–**	**3 994**	**(63)**	**(66)**	**2 706**
(Loss)/profit the period is attributable to:							
Owners of Tongaat Hulett Limited	(318)	(212)	–	3 994	(63)	(66)	3 334
Non-controlling interests	119	–					119
	(199)	**(212)**	**–**	**3 994**	**(63)**	**(66)**	**3 453**
Total comprehensive (loss)/ income for the period is attributable to:							
Owners of Tongaat Hulett Limited	(956)	(212)	–	3 994	(63)	(66)	2 696
Non-controlling interests	10	–					10
	(946)	**(212)**	**–**	**3 994**	**(63)**	**(66)**	**2 706**

TONGAAT HULETT LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019 (continued)

R'million	THL unaudited results for the six months ended 30 September 2019	Reversal of carved out results of the Starch Business	Income and expenses from Excluded Assets and other directly attributable assets	Profit on disposal of the Starch Business and application of Purchase Consideration	Consolidation adjustments	Once-off costs resulting from the Disposal	THL *pro forma* results for the six months ended 30 September 2019
Notes	1	2	3	4	5	6	
BASIC AND HEADLINE EARNINGS PER SHARE							
Reconciliation of loss:							
The calculation of basic and headline earnings per share is based on:							
(Loss)/profit for the period attributable to owners of Tongaat Hulett Limited	(318)	(212)	–	3 994	(63)	(66)	3 334
Adjusted for:							
Profit on disposal of business	–			(3 808)	17	60	(3 731)
Tax effect of profit on disposal of business	–			–	–	–	–
Profit on disposal of land, cane roots and buildings	–						–
Tax effect of profit on disposal of land, cane roots and buildings	1						1
Profit on disposal of property, plant and equipment	(2)	(2)					(4)
Tax effect of profit on disposal of property, plant and equipment	–	–					–
Reversal of impairment loss on property, plant and equipment	(1)						(1)
Tax effect of reversal of impairment loss on property, plant and equipment	–						–
Derecognition of growing crops and cane roots	6						6
Tax effect of derecognition of growing crops	(1)						(1)
Non-controlling interests	–						–
Headline loss	**(315)**	**(214)**	**–**	**186**	**(46)**	**(6)**	**(396)**
Weighted average number of shares (000's)	135 113						135 191
Diluted: Weighted average number of shares (000's) – *pro forma* earnings per share only							135 250
(Loss)/earnings per share (cents)							
Basic	(235)						2 466
Diluted	(235)						2 465
Headline loss per share (cents)							
Basic and diluted	(233)						(293)

NOTES AND ASSUMPTIONS

1. The "THL unaudited results for the six months ended 30 September 2019" information has been extracted, without adjustment, from the Tongaat Hulett Limited ("THL") unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019, attached as Annexure 8 to this Circular and available on the THL website (https://www.tongaat.com).
2. The financial information forming the basis of the "Reversal of carved out results of the Starch Business" adjustment is extracted, without adjustment, from the reviewed special purpose condensed carve-out historical combined financial information of the Starch Business for the 6 (six) months ended 30 September 2019, attached as Annexure 5 to this Circular (with the Independent Reporting Accountants' Report on such information contained in Annexure 6 to this Circular). Further information on the basis of preparing the historical financial information is contained in Annexure 5 of this Circular.

NOTES AND ASSUMPTIONS (continued)

3. As detailed in note 3 to the *pro forma* statement of financial position, certain Excluded Assets and other directly attributable assets which have not been disposed of, have been included in the historical financial information. The income and expenses associated with these assets is adjusted as follows:

   – The finance income earned on Cash and Cash Equivalents will continue to be earned by THL post the disposal of the Starch Business.

   – Depreciation on certain IT Hardware which is shared with other businesses of THL, and is not for the exclusive use of the Starch Business, will continue to be expensed.

   While the shares and loans held by THL and in Nuvotek Holdings ("**Nuvotek**") and the shares and loans held by Nuvotek and THL in Food & Industrial Processors (Pvt) Ltd ("**F&I**") are Excluded Assets, do not form part of the Starch Business for the purpose of the Disposal and were not included in the historical financial information, the operating activities of F&I will be restructured (potentially in the form of an agency or distributor arrangement directly between the Purchaser and the parties that constituted F&I). As a result, THL will no longer benefit from revenues and nor incur the expenses related to F&I.

4. The once-off profit on disposal of the Starch Business and the impact of the application of the Purchase Consideration to reduce interest-bearing term-loans is set out below. The profit on disposal has been determined using the Purchase Consideration and the net asset value of the Starch Business as if the disposal took place on 30 September 2019 (refer to note 4 of the *pro forma* statement of financial position).

	R 'million
Purchase Consideration	4 844
less: Net asset value of the Starch Business	(1 044)
add: Excluded Assets and other directly attributable assets	8
	3 808
less: Taxation	–
	3 808
Interest savings on term-loans settled	208
Interest income on cash deposited in Escrow Account	9
Tax thereon	(32)
	3 994

   At 1 April 2019, THL (the separate statutory entity) had an estimated tax loss of R3.784 billion (three billion seven hundred and eighty four million Rand) which results in there being no tax consequences (i.e. recoupment or capital gains tax) arising from the Disposal.

   On 1 April 2019, net proceeds of R4.394 billion (four billion three hundred and ninety four million Rand), representing the Purchase Consideration of R4.844 billion (four billion eight hundred and forty four million Rand) less the Claims Reduction Amount of R450 million (four hundred and fifty million Rand), (refer to note 4 of the *pro forma* statement of financial position), are assumed to be applied to reduce THL's term loans. The resultant interest saving has been calculated using an interest rate of 9.47% (nine point four seven percent) being the weighted average interest rate of the term-loans for the six month period. In previous years, THL had invested approximately R2.492 billion (two billion four hundred and ninety two million Rand) (50%) (fifty percent) of its term-loans as equity in its Mozambique operations with the related interest not deductible for tax purposes. Consequently, it has been assumed that 50% (fifty percent) of the interest savings would not be taxable.

   The interest income earned on the Claims Retention Amount of R450 million (four hundred and fifty million Rand) held in the Escrow Account is assumed to earn interest for the six month period at a variable rate (linked to the prime interest rate) of 4.05% (four point zero five percent) being the rate offered to THL by the Escrow Agent.

5. Consolidation adjustments comprise the following:

   – THL has recognised an obligation for the post-retirement benefits owing to qualifying employees, including those of the Starch Business, which is determined actuarially. For pensioners the obligation is measured at the present value of the total benefits payable, whereas for in-service employees the obligation is built up over the expected years of service as required by IAS 19 Employee Benefits (i.e. the projected unit credit method). While THL will retain the obligation to pay for post-retirement benefits for retired and in-service employees, in lieu of which it will receive R96 million (ninety six million Rand), no further service will be received from the in-service employees of the Starch Business.

NOTES AND ASSUMPTIONS (continued)

- Consequently, the projected unit credit method of accruing the obligation is no longer applicable and the obligation has been increased to reflect the present value of the total benefit payable resulting in a once-off cost of R17 million (seventeen million Rand). The amount has been determined with reference to a sensitivity from the actuarial valuation. The cost is capital in nature and therefore not tax deductible. In addition, the cost is excluded from headline earnings.
- To the extent that THL did not have taxable temporary differences, it did not recognise a deferred tax asset on its estimated tax loss at 31 March 2019. As a result, the tax consequences of the *pro forma* adjustments are reversed and set off against the unrecognised deferred tax asset.

6. The once-off costs to be incurred as a consequence of the Disposal are as follows:

- Transaction costs of R40 million (forty million Rand) are expected to be incurred as a direct result of the Disposal. The transaction costs are assumed to be settled in cash shortly after the closing date. The transaction costs are capital in nature and therefore not tax deductible. These costs are excluded from headline earnings.
- The Disposal of the Starch Business will result in THL achieving the second milestone of the debt reduction plan which forms part of a turnaround incentive (refer to paragraph 12.3 of the Circular). In terms of the turnaround incentive, an executive incentive bonus is payable to qualifying employees of THL as a direct result of the Disposal. The bonus is assumed to be settled in cash shortly after the closing date. The bonus will be tax deductible and is included in headline earnings.
- In terms of the Transitional Services Agreement, THL is required to carve-out the Starch Business from its existing SAP system to create a stand-alone instance of SAP. The estimated cost of R20 million (twenty million Rand) is capital in nature and therefore not tax deductible. These costs are excluded from headline earnings and will be incurred and settled in cash shortly after the closing date.

	R'million
Transaction costs	(40)
Executive incentive bonus	(8)
Costs to carve out the Starch Business from its SAP system	(20)
	(68)
Taxation	2
	(66)

7. The weighted average number of shares in issue for purposes of the calculation of the *pro forma* earnings per share have been adjusted for shares issued to employees of the Starch Business whose awards under various employee share incentive schemes vest on a *pro rata* basis at the time of disposal.

8. THL has potential ordinary shares within its employee share option plan and management share option plan that have not vested, as well as contingently issuable shares held by employees in terms of employee incentive schemes. As THL recorded a loss for the 6 (six) months ended 30 September 2019 these potential ordinary shares were anti-dilutive and consequently the diluted loss per share and the diluted headline loss per share were calculated based on the weighted average number of shares in issue. As a result of the Disposal, THL's *pro forma* results indicate a profit for the period and a headline loss. In respect of the *pro forma* diluted headline loss per share, the potential ordinary shares remain anti-dilutive. For the *pro forma* earnings per share which includes the profit on disposal, the potential ordinary shares are dilutive and the weighted average number of shares in issue is adjusted accordingly.

9. All adjustments are recurring in nature except where otherwise stated.

TONGAAT HULETT LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

The *pro forma* condensed consolidated statement of financial position as at 30 September 2019 has been prepared to show the impact of the Disposal (as defined in the Circular) as if it was effective 30 September 2019. For the purposes of the *pro forma* financial information the term "**Starch Business**" will have the same meaning as "**Sale Business**" as defined in the Circular.

R 'million	THL unaudited results as at 30 September 2019	Disposal of assets and liabilities of the Starch Business	Excluded Assets and other directly attributable assets	Purchase consideration	Consolidation adjustments	Once-off costs resulting from the Disposal	THL *pro forma* results as at 30 September 2019
Notes	1	2	3	4	5	6	
ASSETS							
Non-current assets							
Property, plant and equipment	5 619	(899)	1				4 721
Right-of-use assets	361	(27)					334
Goodwill	47	–					47
Other intangible assets	358	(39)					319
Investments in associates and joint venture	4	–					4
Deferred tax assets	214	–	–				214
Other non-current financial assets	856	–		450			1 306
Total non-current assets	**7 459**	**(965)**	**1**	**450**	**–**	**–**	**6 945**
Current assets							
Inventories	5 488	(764)					4 724
Biological assets	1 307	–					1 307
Trade and other receivables	1 623	(528)					1 095
Current tax assets	59	–					59
Cash and cash equivalents	650	(11)	11			(68)	582
	9 127	**(1 303)**	**11**	**–**	**–**	**(68)**	**7 767**
Assets classified as held for sale	92	–					92
Total current assets	**9 219**	**(1 303)**	**11**	**–**	**–**	**(68)**	**7 859**
TOTAL ASSETS	**16 678**	**(2 268)**	**12**	**450**	**–**	**(68)**	**14 804**
EQUITY AND LIABILTIES							
Capital and reserves							
Share capital	135	–					135
Share premium	1 544	–					1 544
Accumulated losses	(3 832)	–	8	4 844	(1 062)	(68)	(110)
Other reserves	(2 364)	1					(2 363)
Investment by parent company	–	(1 045)			1 045		–
Total equity attributable to owners of Tongaat Hulett Limited	**(4 517)**	**(1 044)**	**8**	**4 844**	**(17)**	**(68)**	**(794)**
Non-controlling interests	592	–					592
Total equity	**(3 925)**	**(1 044)**	**8**	**4 844**	**(17)**	**(68)**	**(202)**
Non-current liabilities							
Deferred tax liabilities	809	(172)					637
Lease liabilities	260	(23)					237
Post-retirement benefit obligations	457	–			17		474
Contract liabilities	94	–					94
Provisions	923	–					923
Government grants	78	–					78
Total non-current liabilities	**2 621**	**(195)**	**–**	**–**	**17**	**–**	**2 443**

TONGAAT HULETT LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019 (continued)

R 'million	THL unaudited results as at 30 September 2019	Disposal of assets and liabilities of the Starch Business	Excluded Assets and other directly attributable assets	Purchase consideration	Consolidation adjustments	Once-off costs resulting from the Disposal	THL *pro forma* results as at 30 September 2019
Notes	1	2	3	4	5	6	
Current liabilities							
Borrowings	12 993	(527)		(4 394)			8 072
Lease liabilities	84	(6)					78
Trade and other payables	4 191	(478)					3 713
Contract liabilities	102	–					102
Provisions	478	–					478
Government grants	20	–					20
Post-retirement benefit obligations	45	–					45
Derivative financial instruments	4	(4)	4				4
Current tax liabilities	39	(14)		–			25
	17 956	**(1 029)**	**4**	**(4 394)**	**–**	**–**	**12 537**
Liabilities directly associated with assets classified as held for sale	26	–					26
Total current liabilities	**17 982**	**(1 029)**	**4**	**(4 394)**	**–**	**–**	**12 563**
TOTAL LIABILITIES	**20 603**	**(1 224)**	**4**	**(4 394)**	**17**	**–**	**15 006**
TOTAL EQUITY AND LIABILITIES	**16 678**	**(2 268)**	**12**	**450**	**–**	**(68)**	**14 804**
Shares in issue (in millions)	135 113						135 191
Net asset value per share	(3 343)						(587)
Tangible net asset value per share	(3 801)						(1 016)

NOTES AND ASSUMPTIONS

1. The "THL unaudited results as at 30 September 2019" information has been extracted, without adjustment, from the Tongaat Hulett Limited unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019, attached as Annexure 8 to this Circular and available on the THL website (https://www.tongaat.com).
2. The financial information forming the basis of the "Disposal of assets and liabilities of the Starch Business" adjustment is extracted, without adjustment, from the reviewed special purpose condensed carve-out historical combined financial information of the Starch Business for the six months ended 30 September 2019, attached as Annexure 5 to this Circular (with the Independent Reporting Accountants' Report on such information contained in Annexure 6 to this Circular). The following Excluded Assets do not form part of the historical financial information and the Disposal: Inter-group Receivables; shares and loans held by THL in Nuvotek; shares and loans held by THL and Nuvotek in F&I; any assets and liabilities of Nuvotek and F&I; and THL's rights, obligations, assets and liabilities in relation to the Sorbitol plant. Further information on the basis of preparing the historical financial information is contained in Annexure 5 of this Circular.
3. In order to reflect the historical cost and ability of the Starch Business to operate on a stand-alone basis, certain Excluded Assets, and other directly attributable assets which have not been disposed of, have been included in the reviewed special purpose condensed carve-out historical combined financial information of the Starch Business. These include the following:
   - Cash and Cash Equivalents (held at bank or otherwise) as defined in this Circular and which specifically includes amounts reflected as derivative financial instruments (e.g. cash-settled mark-to-market positions on maize futures).
   - Certain IT Hardware (with a carrying value of R1 million (one milion Rand)) which is shared with other businesses of THL and is not for the exclusive use of the Starch Business.

NOTES AND ASSUMPTIONS (continued)

4. The Purchase Consideration adjustments will be finalised based on the actual position on the closing date of the Disposal. For the purpose of the *pro forma* financial statements, these adjustments have been calculated using the financial position as at 30 September 2019. The maximum amount of the Purchase Consideration is R5.347 billion (five billion three hundred and forty seven million Rand). The Purchase Consideration is set out below.

	R'million
Cash consideration	5 350
less: Actual Debt (Refer to note 4.1.)	(589)
less: Net Working capital adjustment (Refer to note 4.2.)	(13)
add: Retention of the post-retirement benefit obligations (Refer to note 4.3.)	96
Capped at: R5.347 billion	**4 844**

A Claims Retention Amount of R450 million (four hundred and fifty million Rand) will be held in an Escrow Account for the purposes of settling any successful claims in terms of the warranties and indemnities given by THL, and which are not covered by the Warranty and Indemnity Insurance Policy. The amount held in an Escrow Account is reflected as a non-current financial asset as THL will only receive the unrestricted use of this cash twelve months after the Closing Date. No provision has been raised for any such claims as all relevant matters have been disclosed to the purchaser. Subject to there being no warranty claims, the balance will be used to further reduce THL's interest-bearing debt in South Africa as committed to THL's Lenders in terms of the Debt Reduction Plan.

4.1. Actual Debt (as defined in the Circular) at 30 September 2019 consists of R527 million (five hundred and twenty seven million Rand) owing in term of the Starch Facilities (reflected as borrowings in the statement of financial position) and certain accruals for executive bonuses for employees of the Starch Business, long unbilled water utilities at the Germiston mill and maize pricing adjustment owing in terms of a pricing contract with a major customer totalling R62 million (sixty two million Rand) (reflected as part of trade and other payables in the statement of financial position).

	R'million
Borrowings (i.e. Starch Facilities)	(527)
include: Executive bonus accrual for employees of Starch Business	(17)
include: Long-unbilled water utilities accrual for Germiston mill	(20)
include: Maize pricing adjustments owing to a major customer	(25)
	(589)

4.2. The difference between the Normalised Net Working Capital and the Actual Net Working Capital (as defined in the Circular) is adjusted in determining the Purchase Consideration. If Normalised Net Working Capital exceeds the Actual Net Working Capital, then this adjustment reduces the Purchase Consideration (and *vice versa*). The Normalised Net Working Capital has been agreed to be R889 million (eight hundred and eighty nine million Rand). The Actual Net Working Capital excludes any amounts taken into account when determining Actual Debt. The calculation of the net working capital adjustment is set out below.

	R'million
Actual Net Working Capital	
Inventories	764
add: Trade and other receivables	528
less: Trade and other payables (excluding items reallocated to Actual Debt)	(416)
Trade and other payables (per statement of financial position)	(478)
exclude: Executive bonus accrual for employees of Starch Business	17
exclude: Long-unbilled water utilities accrual for Germiston mill	20
exclude: Maize pricing adjustments owing to a major customer	25
	876
less: Normalised Net Working Capital	(889)
	(13)

NOTES AND ASSUMPTIONS (continued)

4.3. An amount of R96 million (ninety six million Rand) is included in the Purchase Consideration as consideration for THL retaining the obligation to pay for post-retirement benefits is retired employees and in-service employees of the Starch Business. The obligation for these post-retirement benefits is recognised by the THL head office division and is included in THL's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019.

5. Consolidation adjustments comprise the following:

- The investment by the parent company of R1.045 billion (one billion forty five million Rand) represents the carrying value of net assets contributed to the Starch Business by the parent company. The investment includes the aggregated retained earnings of the entities included in the special purpose condensed carve-out historical combined financial information as well as the surplus funds held by the Starch Business provided to THL's head office division as an inter-divisional loan. On conclusion of the disposal of the Starch Business, the investment is released to THL's accumulated reserves.
- THL has recognised an obligation for the post-retirement benefits owing to qualifying employees, including those of the Starch Business, which is determined actuarially. For pensioners the obligation is measured at the present value of the total benefits payable, whereas for in-service employees the obligation is built up over the expected years of service as required by IAS 19 *Employee Benefits* (i.e. the projected unit credit method). While THL will retain the obligation to pay for post-retirement benefits for retired and in-service employees, in lieu of which it will receive R96 million (ninety six million Rand), no further service will be received from the in-service employees of the Starch Business. Consequently, the projected unit credit method of accruing the obligation is no longer applicable and the obligation has been increased to reflect the present value of the total benefit payable resulting in a once-off cost of R17 million (seventeen million Rand). The amount has been determined with reference to a sensitivity from the actuarial valuation. The cost is capital in nature and therefore not tax deductible. In addition, the cost is excluded from headline earnings.

6. The once-off costs to be incurred as a consequence of the Disposal are as follows:

- Transaction costs of R40 million (forty million Rand) are expected to be incurred as a direct result of the Disposal. The transaction costs are assumed to be settled in cash shortly after the closing date. The transaction costs are capital in nature and therefore not tax deductible. These costs are excluded from headline earnings.
- The Disposal of the Starch Business will result in THL achieving the second milestone of the debt reduction plan. In terms of the turnaround incentive, an executive incentive bonus is payable to qualifying employees of THL. The bonus is assumed to be settled in cash shortly after the closing date. The bonus will be tax deductible and is included in headline earnings.
- In terms of the Transitional Services Agreement, THL is required to carve-out the Starch Business from its existing SAP system to create a stand-alone instance of SAP. The estimated cost of R20 million (twenty million Rand) is capital in nature and therefore not tax deductible. These costs are excluded from headline earnings and will be incurred and settled in cash shortly after the closing date.

	R'million
Transaction costs	(40)
Executive incentive bonus	(8)
Costs to carve out the Starch Business from its SAP system	(20)
	(68)
Taxation thereon	–
	(68)

To the extent that THL did not have taxable temporary differences, it did not recognise a deferred tax asset on its estimated tax loss at 31 March 2019. As a result, the tax consequences of the once-off costs are set off against the unrecognised deferred tax asset.

7. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF THL

To the Directors of Tongaat Hulett Limited
Amanzimnyama Hill Road
Tongaat
Kwa-Zulu Natal
4400

Dear Sirs/Madam

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Tongaat Hulett Limited by the directors. The *pro forma* financial information, as set out in paragraph 10.1 and Annexure 2 of the circular ("the circular'), to be dated on or about 8 May 2020, consists of the *pro forma* consolidated statement of profit or loss and the *pro forma* consolidated statement of financial position and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in paragraph 1 of the circular, on the company's financial position as at 30 September 2019, and the company's financial performance for the period then ended, as if the corporate action or event had taken place at 1 April 2019 and for the period then ended. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the company's financial statements for the six month period ended 30 September 2019, which were published unaudited and unreviewed on 31 January 2020.

Directors' Responsibility for the *Pro Forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 10.1 and Annexure 2.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a prospectus or circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2019 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 10.1 and Annexure 2.

Deloitte & Touche
Registered Auditor
Per: Ruwayda Redfearn
Partner

23 April 2020

Deloitte Place
2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
Durban
4051
South Africa

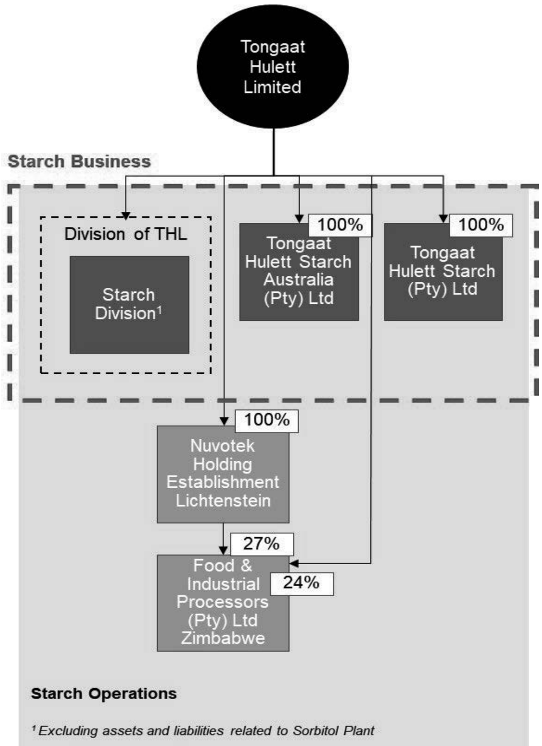
HISTORICAL COMBINED FINANCIAL INFORMATION OF THE STARCH BUSINESS FOR THE YEARS ENDED 31 MARCH 2019 AND 31 MARCH 2018 AND THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

HISTORICAL COMBINED FINANCIAL INFORMATION OF THE STARCH BUSINESS

Special purpose carve-out historical combined financial information ("HFI") of the Starch Business for the years ended 31 March 2019 and 31 March 2018 and as at 31 March 2017

Background

The special purpose carve-out historical combined financial information of the Starch Business consists of the division of Tongaat Hulett Limited ("**THL**") that manufactures, produces, sells and distributes modified and unmodified starch; powered and liquid glucose; and related co-products from maize such as animal feed ("**Starch Division**") together with Tongaat Hulett Starch Proprietary Limited ("**THS**") and Tongaat Hulett Starch Australia Proprietary Limited ("**THSA**") (the "**Starch Business**").



The Starch Business did not historically constitute a separate legal entity. The special purpose carve-out historical combined financial information has been prepared by extracting the historical financial information related to the Starch Division (excluding assets and liabilities of the Sorbitol plant) included in the audited consolidated financial statements of THL and aggregating this with the historical financial information of THS and THSA as at and for the years ended 31 March 2019 and 2018, and as at 31 March 2017. The Sorbitol plant is not operational, its assets have been fully impaired, it has a decommissioning obligation, and consequently it will not be disposed of. THL's interests in Food & Industrial Processors Proprietary Limited registered in Zimbabwe were historically presented as part of the overall starch operations in the audited consolidated financial statements of THL, but have been excluded from the special purpose carve-out historical combined financial information as they will not be disposed.

In order to reflect the historical cost and ability of the Starch Business to operate on a stand-alone basis, the cash and cash equivalents and certain IT hardware related to the Starch Business which are not disposed of have been included in the special purpose carve-out historical combined financial information, since these were directly attributable to the operations. While these assets (and any related costs) are included in the special purpose carve-out historical combined financial information, they will be excluded from the *pro forma* financial information by way of a separate adjustment.

The special purpose carve-out historical combined financial information is the responsibility of the directors. The special purpose carve-out historical combined financial information was authorised for issue by the board of directors of THL on 21 April 2020.

Financial commentary

Financial Year 2019

Gross revenue for the 12 (twelve) months ended 31 March 2019 was R4.002 billion (four billion two million Rand) and was underpinned by starch and glucose sales volumes of 688 000 (six hundred and eighty eight thousand) tons. The benefit of new market development initiatives and the ongoing success in displacing imports was partially offset by weaker local consumer demand. Demand in the alcoholic beverage sector was particularly low while customer production constraints within the coffee creamer sector affected sales volumes in the first half of the year.

Margins improved as a result of the low maize prices that traded closer to export parity levels after the prior 2017/18 season's record crop and a surplus crop in the 2018/19 season. Improved co-product realisations also contributed to the improved margin. Profit from operations was R676 million (six hundred and seventy six million Rand).

Special purpose carve-out historical combined financial information ("HFI") of the Starch Business (continued)

Net finance costs of R30 million (thirty million Rand) arose from the Starch Facilities that fund maize stocks. The effective tax rate of 28.1% (twenty eight point one percent) was in line with the statutory tax rate. The net effect is a profit for the year of R464 million (four hundred and sixty four million Rand).

The business generated strong operating cash flows of R1.06 billion (one billion sixty million Rand). Borrowings reduced by R217 million (two hundred and seventeen million Rand) to R268 million (two hundred and sixty eight million Rand) with distributions to the parent company totalling R556 million (five hundred and fifty six million Rand).

Financial Year 2018

Gross revenue for the 12 (twelve) months ended 31 March 2018 was R3.898 billion (three billion eight hundred and ninety eight million Rand) which realised a profit from operations of R563 million (five hundred and sixty three million Rand). Higher sales volumes arose from the initiative to replace customers' imported volumes with local production, various new business development, and growth in export markets.

Margins benefitted from lower maize prices which traded closer to export parity level after the record crop of 16.8 million (sixteen million eight hundred thousand) tons in the 2017/18 season. Maize prices were further impacted by a stronger Rand. Improved plant capacity utilisation and an ongoing focus on operational efficiencies contributed further to improved profitability.

Net finance costs of R26 million (twenty six million Rand) arose from the Starch Facilities that fund maize stocks. The effective tax rate of 28.0% (twenty eight percent) was in line with the statutory tax rate. The net effect is a profit for the year of R387 million (three hundred and eighty seven million Rand).

The business generated strong operating cash flows of R702 million (seven hundred and two million Rand). Borrowings reduced by R24 million (twenty four million Rand) to R486 million (four hundred and eighty six million Rand) with distributions to the parent company totalling R379 million (three hundred and seventy nine million Rand).

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF FINANCIAL POSITION
as at

R'000	Note	31 March 2019 (Audited)	31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
ASSETS				
Non-current assets				
Property, plant and equipment	4	930 367	1 003 060	1 020 449
Intangible assets	5	41 626	54 687	55 363
Total non-current assets		**971 993**	**1 057 747**	**1 075 812**
Current assets				
Inventories	6	471 197	661 318	693 198
Trade and other receivables	7	511 122	500 605	493 389
Derivative financial instruments	8	11 903	5 962	315
Current tax assets		9 800	3 948	–
Cash and cash equivalents	9	16 810	10 426	10 044
Total current assets		**1 020 832**	**1 182 259**	**1 196 946**
TOTAL ASSETS		**1 992 825**	**2 240 006**	**2 272 758**
EQUITY AND LIABILITIES				
Capital and reserves				
Investment by parent company	10	1 144 069	1 240 088	1 225 623
Other reserves	10	(711)	(2 126)	(937)
Total equity		**1 143 358**	**1 237 962**	**1 224 686**
Non-current liabilities				
Deferred tax liabilities	11	183 106	181 162	182 103
Total non-current liabilities		**183 106**	**181 162**	**182 103**
Current liabilities				
Borrowings	12	268 231	485 558	509 429
Trade and other payables	13	396 567	327 403	342 937
Derivative financial instruments	8	–	7 921	9 131
Current tax liabilities		1 563	–	4 472
Total current liabilities		**666 361**	**820 882**	**865 969**
TOTAL LIABILITIES		**849 467**	**1 002 044**	**1 048 072**
TOTAL EQUITY AND LIABILITIES		**1 992 825**	**2 240 006**	**2 272 758**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended

R'000	Note	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Revenue	14	**4 002 240**	**3 898 192**
Cost of sales		(3 051 690)	(3 075 204)
Gross profit		**950 550**	**822 988**
Marketing and selling expenses		(53 748)	(51 296)
Administrative and other expenses		(233 750)	(217 540)
Other operating income		13 202	8 687
Profit from operations	15	**676 254**	**562 839**
Net finance costs	16	(30 360)	(25 596)
Finance costs		(31 481)	(28 230)
Finance income		1 121	2 634
Profit before taxation		**645 894**	**537 243**
Income tax	17	(181 467)	(150 416)
Profit for the year		**464 427**	**386 827**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations		1 415	(1 189)
Other comprehensive income/(loss) for the year, net of tax		1 415	(1 189)
Total comprehensive income for the year		**465 842**	**385 638**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF CHANGES IN EQUITY

for the year ended

R'000	Investment by Parent Company	Foreign Currency Translation Reserve	Total Equity
Balance at 1 April 2017 (Reviewed)	**1 225 623**	**(937)**	**1 224 686**
Total comprehensive income for the year ended 31 March 2018	386 827	(1 189)	385 638
Profit for the year	386 827	–	386 827
Other comprehensive loss for the year, net of tax	–	(1 189)	(1 189)
Share-based payment charge	6 911	–	6 911
Distribution to parent company	(379 273)	–	(379 273)
Balance at 31 March 2018 (Reviewed)	**1 240 088**	**(2 126)**	**1 237 962**
Total comprehensive income for the year ended 31 March 2019	464 427	1 415	465 842
Profit for the year	464 427	–	464 427
Other comprehensive income for the year, net of tax	–	1 415	1 415
Share-based payment charge	(4 420)	–	(4 420)
Distribution to parent company	(556 026)	–	(556 026)
Balance at 31 March 2019 (Audited)	**1 144 069**	**(711)**	**1 143 358**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF CASH FLOWS

for the year ended

R'000	Note	31 March 2019 (Audited)	31 March 2018 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	1 060 732	702 260
Taxation paid		(184 038)	(159 830)
Net cash inflow generated from operating activities		**876 694**	**542 430**
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		1 121	2 634
Additions to property, plant, equipment and intangible assets		(44 244)	(87 747)
Proceeds on disposal of property, plant and equipment		300	1 201
Net cash outflow from investing activities		**(42 823)**	**(83 912)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to the parent company of the Starch Business		(572 967)	(405 583)
Finance costs		(31 481)	(28 230)
Borrowings		(217 327)	(23 872)
Raised		761 887	826 940
Repaid		(979 214)	(850 812)
Net cash outflow from financing activities		**(821 775)**	**(457 685)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**12 096**	**833**
Cash and cash equivalents at the beginning of the year		10 426	10 044
Translation effects on cash and cash equivalents		(5 712)	(451)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**16 810**	**10 426**

STARCH BUSINESS

NOTES TO THE HISTORICAL COMBINED STATEMENT OF CASH FLOWS
for the year ended

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
A. CASH GENERATED FROM OPERATIONS		
Profit for the year	**464 427**	**386 827**
Adjusted for:		
Finance costs	31 481	28 230
Finance income	(1 121)	(2 634)
Income tax	181 467	150 416
Profit from operations	**676 254**	**562 839**
Adjusted for:		
Depreciation of property, plant and equipment	111 641	104 893
Amortisation of intangible assets	9 206	1 692
Movement in fair value of financial instruments	(30 879)	5 604
Loss/(profit) on disposal of property, plant and equipment	3 549	(663)
Share-based payment charge	(4 420)	6 911
Foreign exchange losses/(gains)	3 713	(842)
Other non-cash items	(2 926)	3 186
Operating cash flows before movements in working capital	**767 014**	**683 620**
Working capital		
Movement in inventories	208 825	18 384
Movement in trade and other receivables	22 629	16 230
Movement in trade and other payables	62 264	(15 974)
Net movement in working capital	**293 718**	**18 640**
Cash generated from operations	**1 060 732**	**702 260**

STARCH BUSINESS

NOTES TO THE HISTORICAL COMBINED FINANCIAL INFORMATION

1. PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION

1.1 Basis of preparation of the special purpose carve-out historical combined financial information

Statement of compliance

The special purpose carve-out historical combined financial information of the Starch Business has been prepared in accordance with section 8.1 to 8.13 of the JSE Listings Requirements. This basis of preparation sets out how the HFI has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and interpretations of those standards as issued by the International Standards Board ("**IASB**"), with certain departures from IFRS as highlighted below. The HFI is also prepared in accordance with the South African Institute of Chartered Accountants ("**SAICA**") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

In terms of the JSE Listing Requirements, the historical financial information of the Starch Business must be presented for at least 3 (three) years up to and including the financial year immediately preceding the issue of a circular. For the Starch Business this would comprise the historical financial information for the financial years ended 31 March 2019, 31 March 2018 and 31 March 2017.

As has been widely publicised, THL had to restate its consolidated annual financial statements for prior period errors that totalled R11.886 billion (eleven billion eight hundred and eighty six million Rand) and which extended back over the past 6 (six) years. THL restated its consolidated annual financial statements for the year ended 31 March 2018. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("**IAS 8**"), THL corrected the prior period errors through a cumulative adjustment to the statement of financial position as at 31 March 2017. IAS 8 did not require THL to restate the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the supporting notes for the year ended 31 March 2017. At 31 March 2017, the cumulative financial impact of correcting the prior period errors related to the Starch Business was an increase in retained earnings of R8.2 million (eight million two hundred thousand Rand). The prior period errors affecting the Starch Business were limited to the consequential impact of correcting prior period errors in THL's other business, for example the reversal of the IFRS 2 *Share-based Payment* expense to reflect that all unvested share awards were not likely to vest.

To obtain the necessary information to comply with the JSE Listings Requirements, THL would have to undertake a separate exercise to split the restatements into the respective financial years. THL engaged with the JSE and requested dispensation from the requirement to present complete historical financial information for the financial year ending 31 March 2017. The JSE granted the dispensation in terms of which THL was permitted to disclose the historical financial information for the Starch Business (i) for the financial years ended 31 March 2019 and 31 March 2018; and (ii) the statement of financial position as at 31 March 2017.

THL has considered whether this will impact the ability of THL Shareholders to make an informed decision in respect of the disposal of the Starch Business and has concluded that the key matters influencing the decision of its Shareholders would be weighted more towards recently published information for the following reasons:

– The Board's view is that THL's borrowing levels must be reduced to a sustainable level. The debt facilities were recently refinanced with a commitment from THL to its lenders to reduce borrowings by R8.1 billion (eight billion one hundred million Rand) before 31 March 2021. The objective of this debt reduction plan is to reduce borrowings to a level that is supported by the operating cash flows of the South African businesses. While the implementation of the turnaround initiative is progressing well and delivering positive results, the combination of improved operational cash flow and proceeds from the disposal of non-core assets is not sufficient to achieve the debt reduction target. Consequently, THL has had to explore the disposal of core assets and/or raise equity capital from its shareholders. As a result of the decline in the THL's share price after the lifting of the suspension of its shares by the JSE, which has been amplified by the distress within capital markets resulting from the uncertainty surrounding COVID-19, a significant equity capital raise to reduce debt is currently not feasible and therefore the disposal of a core asset is a necessary outcome to ensure the THL Group can continue as a going concern. While the Starch Business is a quality asset, it is largely a standalone business that can be sold without impacting on the rest of THL's business. Accordingly, the Board's decision to approve the Disposal was less influenced by the historical performance of the business itself but was rather seen as a necessary step towards reducing THL's debt to more sustainable levels, particularly as the purchase price, which represents approximately 66% (sixty six percent) of the debt reduction target, is considered fair and the deal being with a credible counterparty.
– The disposal process undertaken by the Group was subject to a competitive bidding process during which bidders conducted thorough due diligence of the Starch Business on the basis of the same financial information that has been disclosed in this Circular. In line with the requirements of the Companies Act, including the Companies Regulations, THL has constituted an Independent Board, which has in turn appointed the Independent Expert to provide a report on whether the Disposal is fair and reasonable to THL Shareholders. This will provide THL Shareholders with additional comfort.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.1 **Basis of preparation of the special purpose carve-out historical combined financial information (continued)**

– Considerable time and costs have been incurred by the Group to produce previously restated financial information for the financial year ended 31 March 2018. The requirement to restate the historical financial information, save for the statement of financial position, for the financial year ended 31 March 2017, would consume further resources.

As IFRS does not specifically provide guidance for the preparation of special purpose carve-out historical combined financial information, certain accounting conventions commonly used in the preparation of special purpose carve-out historical combined financial information for inclusion in circulars have been applied which are discussed in more detail below. The special purpose carve-out historical combined financial information reflects assets, liabilities, revenue and expenses directly attributable to the Starch Business that were historically recognised in the THL consolidated financial statements.

The special purpose carve-out historical combined financial information is prepared using the historical cost basis, except as disclosed in the significant accounting policies below. The special purpose carve-out historical combined financial information has been prepared for the purpose of presenting, as far as practically possible, the financial position, results of operations and cash flows of the Starch Business on a standalone basis.

The special purpose carve-out historical combined financial information is presented in South African Rand (ZAR), rounded to thousands.

Limitations inherent to carve-out

As the special purpose carve-out historical combined financial information of the Starch Business has been prepared on a combined carve-out basis, they may not be indicative of the future performance of the Starch Business and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the Starch Business operated as an independent entity during the periods presented.

The following principles were applied in the preparation of the special purpose carve-out historical combined financial information:

Common control

The operations comprising the Starch Business have historically for the reporting periods presented been under common control of THL and common management and the economic activities of these entities will be legally bound together through the proposed transaction, therefore the results of the Starch Business of THL and abovementioned entities have been aggregated.

Equity

– Share capital and earnings per share – As the Starch Business did not historically constitute a separate legal entity there is no issued share capital. The information on earnings per share for the Starch Business pursuant to IAS 33 *Earnings Per Share* has not been presented, as no capital structure has been presented in the special purpose carve-out historical combined financial information.

– Investment by parent company – The contribution from the parent company is recognised at the carrying value of the net assets contributed to the Starch Business at the earliest comparative period presented. The opening balance and movements in aggregated combined retained earnings of the entities included in the carve-out historical combined financial information has been included within "Investment by parent company" in the historical combined statement of changes in equity. Surplus funds held by the Starch Business have historically been provided to the THL head office division as an inter-divisional loan. The loan receivable by the Starch Business will not transfer as part of the proposed disposal; accordingly, the loan has been recognised within "Investment by parent company".

Allocation of group costs

Management and similar functions were primarily performed at a divisional level and the Starch Business performed independently from the THL. Accordingly, all corporate expenses (including payroll, finance, legal, rent, etc.) were recognised as part of the Starch Business. Any group shared costs that were incurred by THL on behalf of the Starch Business were historically charged to the Starch Business (such as certain IT, insurance and electricity related costs). No additional central costs exist that would require allocation to the Starch Business.

Share-based payments

All forfeitable share incentive awards granted to employees of the Starch Business were granted by THL. The awards will be settled in THL shares. As the Starch Business do not have the obligation to settle the awards, the awards represent equity-settled share-based payments in these special purpose carve-out historical combined financial information.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.1 **Basis of preparation of the special purpose carve-out historical combined financial information (continued)**

Post-retirement obligations

Certain current and past employees of the Starch Business are members of the THL post-retirement medical scheme and the retirement gratuity scheme. Accordingly, the Starch Business was charged for costs related to these employees by the THL head office division.

Taxation

The Starch Business has not historically filed a separate tax return. The Starch Division has historically calculated income tax independently of the other divisions of THL and paid the income tax it owed to the THL. THS and THSA, as separate legal entities, have historically filed separate tax returns. For purposes of the special purpose carve-out historical combined financial information, the income taxes have been accounted for using the separate tax return method for the Starch Business on a stand-alone basis. Deferred taxation has been calculated by comparing the tax bases of assets and liabilities of the Starch Business to the carrying amounts recognised in the special purpose carve-out historical combined financial information. The recoverability of deferred tax assets has been assessed by considering the financial results of the Starch Business.

Intangible assets

Any intangible assets that relate to the Starch Business has historically been allocated by THL to the Starch Division's accounting records. No additional intangible assets related to the Starch Business was recognised in the THL group which would have required allocation to the special purpose carve-out historical combined financial information.

Borrowings

Borrowings in respect of two maize financing facilities that relate directly to the Starch Business have historically been allocated by THL to the Starch Division's accounting records. No additional borrowings related to the Starch Business were recognised in the THL Group which would have required allocation to the special purpose carve-out historical combined financial information.

Intercompany and related party transactions and balances

Transactions and balances with THL (excluding the Starch Business) and THL Group companies have been disclosed as related party transactions and balances in the special purpose carve-out historical combined financial information. Intercompany transactions and balances within the Starch Business have been eliminated.

Segments

Segment reporting has not been included in the special purpose carve-out historical combined financial information because the equity and debt instruments of the Starch Business are not currently, or planned in the future to be, traded on a public market.

Going Concern

The special purpose carve-out historical combined financial information has been prepared on the basis of accounting policies applicable to a going concern. The going concern basis presumes that for the foreseeable future (defined as twelve months from the date the HFI was authorised), funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

At 31 March 2019, the Starch Business total assets of R1.99 billion (one billion nine hundred and ninety million Rand) exceeded its total liabilities of R849 million (eight hundred and forty nine million Rand). Current assets of R1.02 billion (one billion and twenty million Rand) exceeded current liabilities by R354 million (three hundred and fifty four million Rand). The profit generated by the Starch Business for the 12 (twelve) months ended 31 March 2019 was R464 million (four hundred and sixty four million Rand). Management has reviewed the budget and cash flow forecasts for the next 12 (twelve) months from the date of approval of this special purpose carve-out historical combined financial information and are satisfied that the Starch Business will continue as a going concern given the committed, restructured facilities that have been negotiated with its lenders. While the facilities still have some suspensive conditions outstanding, these are administrative in nature with a low risk of not being met.

The parent company's debt levels are considered to be unsustainable and have resulted in a number of material uncertainties being disclosed in its own assessment of going concern. The material uncertainties applicable to the parent company are however not applicable to the Starch Business. The Starch Business has two stand-alone maize financing facilities that have been allocated by the parent company to the Starch Business for its exclusive use. As a result, the Starch Business operates as a separate business, independent of its parent company. None of the parent's remaining borrowings are attributable to the Starch Business.

1. PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)

1.1 Basis of preparation of the special purpose carve-out historical combined financial information (continued)

Management, in its assessment of going concern, has considered the impact of increased market volatility and significant uncertainty caused by the COVID-19 global pandemic and the government-imposed lockdown. As the Starch Business is involved in the production, distribution and supply of food, including that of animal feed, it is regarded as an essential service in terms of the government's published COVID-19 regulations and will continue to operate during the lockdown. The Starch Business will be affected by the alcoholic beverage producers, representing a major customer segment, not being able to supply the market during the lockdown. Generally, the Starch Business's sales will also be impacted by lower disposable income. At this stage, some reduction in short-term demand is expected which is likely to be followed by some increase as customers rebuild stock levels. Management do not believe, based on information currently available, that the uncertainty caused by the COVID-19 global pandemic and the government-imposed lockdown is material enough to impact on the suitability of the going concern assumption.

The special purpose carve-out historical combined financial information has been audited for the year ended 31 March 2019, and reviewed for the years ended 31 March 2018 and 31 March 2017 by Deloitte & Touche. Refer to Annexure 6 for the Independent Reporting Accountants' report on special purpose carve-out historical combined financial information of the Starch Business.

1.2 Significant accounting policies

1.2.1 Property, plant and equipment

Property, plant and equipment is measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Costs include any other directly attributable expenditure incurred to bring the assets to the location and condition necessary for them to be capable of operating in a manner intended by management.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Starch Business and the cost of the item can be measured and allocated reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is recognised over the useful lives of assets using the straight-line method on the following basis:

Item	**Average useful life**
Buildings	50 years
Plant and equipment	10 to 30 years
Transport and vehicles	5 years
Furniture and equipment	5 to 10 years

1.2.2 Intangible assets

Intangible assets are recognised initially at cost. If an intangible asset is assessed as having an indefinite life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If an intangible asset is assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication of impairment.

Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Starch Business are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Starch Business intends to and has sufficient resources to complete the development and to use or sell the asset. Otherwise, development costs are recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.2 **Significant accounting policies (continued)**

1.2.2 **Intangible assets (continued)**

Research expenditure

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss when incurred.

Amortisation is recognised over the useful lives of intangible assets using the straight-line method on the following basis:

Item	Average useful life
Computer software	5 to 10 years
Patents, trademarks and licenses	10 years

1.2.3 **Impairment of non-financial assets**

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, the four wet mills are treated as a single cash generating unit as the production of the majority of the products is interchangeable amongst the mills and the utilisation of each mill is determined centrally based on market demand, route to market, scheduled downtime and plant specific capabilities. Therefore, the cash flows and profitability of an individual mill is driven by central allocations and is not within its own control. Where an impairment is determined with respect to a cash generating unit, the impairment is allocated firstly to goodwill and then to the remaining assets in terms of their relative carrying value. No asset within a cash generating unit is written below the higher of its fair value less cost to sell (if determinable), its value in use (if determinable) or zero. Non-financial assets that were impaired, are reviewed for possible reversal of the impairment at each reporting date.

1.2.4 **Inventories**

Maize related raw materials, work in progress, finished goods and consumables

Inventories are stated at the lower of cost and net realisable value determined on a weighted average method. Cost comprises direct materials and an appropriate proportion of other variable overhead expenditure based on standard production bills of material.

Maize purchase obligations

Maize purchases are financed via commodity financing facilities with financial institutions and the liability is recognised as a short-term borrowing, with interest recognised over the period of the obligation.

1.2.5 **Financial instruments**

Financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, bank overdrafts, derivatives and trade and other payables but excluding specific items which don't meet the definition.

Classification

The Starch Business classifies financial assets and liabilities into the following categories:

- amortised cost; or
- fair value through profit or loss.

Initial recognition and measurement

Financial instruments are recognised initially when the Starch Business becomes a party to the contractual provisions of the instruments. The Starch Business classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.2 **Significant accounting policies (continued)**

1.2.5 **Financial instruments (continued)**

Subsequent measurement

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

Category	**Subsequent Measurement**
Financial assets Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. The effective interest rate method is based on the amount of the book value of the financial instrument at the beginning of the accounting period. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss.
Derivative assets	Derivative assets are subsequently measured at fair value with changes therein recognised in profit or loss, unless the derivative is formally designated in a hedging relationship.
Financial liabilities Financial liabilities at amortised cost	Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.
Derivative liabilities	Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss, unless the derivative is formally designated in a hedging relationship.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Starch Business transfers substantially all the risks and rewards of ownership of the asset to another entity, and the transfer qualifies for derecognition.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Fair value determination

When measuring the fair value of an asset or a liability, the Starch Business uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation as follows:

- Level 1: quoted 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).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level impute that is significant to the entire measurement.

Impairment of financial assets

The Starch Business assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

The Starch Business has the following financial assets it assesses for impairment:

- Other non-current financial assets: other loans at amortised cost;
- Trade receivables;
- Other receivables; and
- Cash and cash equivalents.

For trade and other receivables, the Starch Business applies the simplified approach permitted by IFRS 9 *Financial Instruments*. The simplified approach allows entities to recognise lifetime expected losses on all trade receivables without the need to identify significant increases in credit risk.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.2 **Significant accounting policies (continued)**

1.2.5 **Financial instruments (continued)**

Significant increase in credit risk

In making an assessment, the Starch Business considers:

- both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Starch Business's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Starch Business's core operations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Starch Business presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 (sixty) days past due, unless the Starch Business has reasonable and supportable information that demonstrates otherwise.

(a) Definition of default

The Starch Business considers information developed internally or obtained from external sources that indicate that the debtor is unlikely to pay its creditors, including the Starch Business, in full (without taking into account any collateral held by the Starch Business). Irrespective of the above analysis, the Starch Business considers that default has occurred when a financial asset is more than 90 (ninety) days past due unless the Starch Business has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(b) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the significant financial difficulty of the debtor.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date.

The Starch Business writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Starch Business recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Trade payables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at amortised cost.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business and are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognised at fair value. The Starch Business holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the Starch Business. Interest may be charged at commercial rates and collateral is not normally obtained.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within operating expenses.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.2 **Significant accounting policies (continued)**

1.2.5 **Financial instruments (continued)**

Borrowings

Borrowings are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Hedge accounting

The Starch Business does not apply hedge accounting to its forward exchange contracts. The Starch Business uses forward exchange contracts to limit its exposure to foreign currency risk in respect of foreign currency denominated purchases and sales. The Starch Business recognises losses and gains for all forward exchange instruments held at fair value through profit or loss.

The Starch Business applies fair value hedge accounting to its maize procurement contracts and commodity futures. The Starch Business risk management objective is to lock in the price of maize on the portion of maize procured for a season through SAFEX in terms of the maize purchasing strategy. The Starch Business meets this objective by entering into a number of maize future contracts in order to sell the required tonnage once contracts with farmers/traders have been concluded. The required tonnages are typically purchased once contracts are negotiated with customers. In this way, the impact of the variability of maize prices on contributions is mitigated.

The futures contracts are recognised at fair value and are subsequently remeasured to fair value at the end of each reporting period. Fair values are determined using quoted SAFEX prices.

The futures contract is fair valued, and any fair value adjustments are recorded as a profit or loss with a corresponding entry recorded as a financial asset or liability in the statement of financial position.

Due to the fact that the base cost of the hedged item is a SAFEX maize future and the term of the future is matched to the underlying hedged item, the hedge is expected to be highly effective.

To the degree that the hedge has been effective for the duration of the hedging relationship, all gains and losses on the future contract will be recognised as an adjustment to the cost price of the underlying hedged item (purchase of maize).

1.2.6 **Deferred tax**

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the assets and liabilities at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that the related asset will be realised.

1.2.7 **Revenue**

Revenue is recognised by the Starch Business when it transfers control of a product to a customer. Revenue is measured based on the consideration which the Starch Business expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties.

The Starch Business sells starch, glucose and other related products to its customers in both the local and export market. For the sale of such products, the revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer. At this point, a receivable is recognised by the Starch Business when the goods are delivered to the customer as this represents the point in time and when the right to consideration becomes unconditional as only the passage of time is required before payment is due.

1.2.8 **Employee benefits**

Retirement funds

The Starch Business operates defined contribution plans.

A defined contribution plan is a pension plan under which the Starch Business pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The assets of the plans are held separately from those of the Starch Business and are administered and controlled by trustees. Contributions to the defined contribution plans are charged to profit or loss in the period in which the related services are rendered by the employee.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.2 **Significant accounting policies (continued)**

1.2.8 **Employee benefits (continued)**

Short-term employee benefits

The cost of short-term employee benefits such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are expensed in the period in which the employee renders the related service.

Post-employment benefits

Post-employment benefits represent THL Group benefits that are invoiced by the parent to the Starch Business. Accordingly, this is treated as a defined contribution plan by the Starch Business as its employees form part of the THL Group schemes.

Share-based payments

The company enters into share-based payment transactions in terms of the employee share incentive schemes. The charge to profit or loss required by IFRS 2 *Share-based Payment* is accounted for in terms of the scheme on the basis that the instruments are equity-settled. The total amount to be expensed on a straight-line basis over the vesting period is determined with reference to the fair value of the awards determined at the grant date. Non-market vesting conditions are included in assumptions about the number of awards that are expected to become due, including taking into account the forfeiture of instruments due to resignation and these assumptions are reviewed on an annual basis. The fair value of the share-based payment is measured using a binomial tree model and/or a Monte Carlo Simulation model, as is appropriate for the various schemes.

1.3 **New Standards, Amendments to Standards and Interpretations in issue but not yet effective**

The Starch Business has elected not to early adopt the following standards and interpretations, which have been published and are mandatory for the Starch Business financial years beginning on or after 1 April 2019 or later periods:

Effective for financial year beginning 1 April 2019

IFRS 16 *Leases*

IFRIC 23 *Uncertainty over Income Tax Treatments*

IAS 19 *Employee Benefits* – Amendments to requirements concerning plan amendments, curtailment or settlement

IFRS 9 *Financial Instruments* – Amendments to requirements for prepayments features with negative compensation

Annual improvements to IFRS Standards 2015-2017 Cycle

Effective for financial year beginning after 1 April 2020

Conceptual Framework for Financial Reporting

IFRS 3 *Business Combinations* - Amendments to the definition of a business

IAS 1 *Presentation of Financial Statements* and IAS 8 - Amendments to the definition of material

Management is of the view that the adoption of the above-mentioned standards in future periods is not expected to have a significant financial impact on the Starch Business financial information and will only result in additional disclosure requirements with the exception of IFRS 16, as discussed below. These information, interpretations and standards will be adopted at the respective effective dates.

IFRS 16 *Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial information for both lessors and lessees. It provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases except leases with a term less than 12 months or where the underlying asset is low in value. The accounting for lessors will not significantly change. The date of initial application of IFRS 16 for the Starch Business will be 1 April 2019. The Starch Business will apply the modified retrospective approach permitted by IFRS 16. Consequently, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

1. **PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)**

1.3 **New Standards, Amendments to Standards and Interpretations in issue but not yet effective (continued)**

IFRS 16 will primarily affect the accounting for the Starch Business operating leases over its head office building. As at 31 March 2019, the Starch Business has non-cancellable operating lease commitments of R36.9 million (thirty six million nine hundred thousand Rand) (2018: R4.5 million (four million five hundred thousand Rand)). On 1 April 2019, as a result of adopting IFRS 16, the Starch Business will recognise right-of-use assets totalling R30.8 million (thirty million eight hundred thousand Rand) with a corresponding lease liability.

2. **CRITICAL ESTIMATES AND JUDGEMENTS**

In the application of the Starch Business accounting policies, as described in note 1.2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

Management considers these judgements and estimates, as described below, to have a material effect on the consolidated financial information.

Nature of judgement/estimate	Description
Inventory net realisable value allowances	Judgement is used to write-down inventory to the lower of cost or net realisable value or to zero in the event of obsolescence. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in cost of sales.
Useful lives and residual values	Property, plant and equipment are depreciated over their useful lives taking into account residual values. The useful lives of the assets and residual values are assessed annually and are influenced by factors such as technological innovation and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.
Allowance for expected credit loss on loans and trade and other receivables	When measuring expected credit loss, the Starch Business uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3. **ADOPTION OF NEW ACCOUNTING STANDARDS**

The Starch Business adopted IFRS 15 *Revenue from Contracts with Customers* (**"IFRS 15"**) and IFRS 9 *Financial Instruments* ("**IFRS 9**") 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 financial statements of the Starch Business.

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 Starch Business 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 Starch Business expects to be entitled to in the exchange for the goods or

3 **ADOPTION OF NEW ACCOUNTING STANDARDS (continued)**

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.

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 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 Starch Business:

Classification and measurement

On the date of initial application, 1 April 2017, the Starch Business 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'000	**Original (IAS 39)**	**New (IFRS 9)**	**Original**	**New**	**Difference**
Financial assets					
Trade and other receivables	Loans and receivables	Measured at amortised cost	460 937	460 937	–
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	10 044	10 044	–
Derivative financial instruments	Fair value through profit or loss (FVPL)	Fair value through profit or loss (FVPL)	315	315	–
Financial liabilities					
Trade and other payables	Measured at amortised cost	Measured at amortised cost	253 579	253 579	–
Borrowings	Measured at amortised cost	Measured at amortised cost	509 429	509 429	–
Derivative financial instruments	Fair value through profit or loss (FVPL)	Fair value through profit or loss (FVPL)	9 131	9 131	–

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 Starch Business holds these financial assets for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest of the principal amount. The reclassification into the new measurement categories did not have a significant impact on the Starch Business.

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 Starch Business 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 Starch Business, held at amortised cost.

As the Starch Business trade debtors are short term in nature (largely 30 (thirty) days), the impact of IFRS 9 is insignificant.

Hedge accounting requirements

Hedge accounting is applied to account for foreign exchange contracts and maize futures. The Starch Business 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 Starch Business earnings.

4. PROPERTY, PLANT AND EQUIPMENT

R'000	Land, Improvements and Buildings	Plant and Machinery	Assets under Construction	Computer Hardware	Vehicles, Office Equipment and Other Fixed Assets	Total
Balance at 1 April 2017	**157 816**	**823 253**	**17 321**	**17 649**	**4 410**	**1 020 449**
Additions – ongoing capital	295	41 671	25 328	8 725	11 728	87 747
Disposals and scrapping	–	(350)	–	(12)	–	(362)
Current year depreciation charge	(6 081)	(91 615)	–	(3 730)	(3 355)	(104 781)
Translation of foreign operations	–	–	–	–	7	7
Net carrying amount as at 31 March 2018	**152 030**	**772 959**	**42 649**	**22 632**	**12 790**	**1 003 060**
Made up as follows:						
Cost	247 767	2 225 767	42 649	85 697	78 494	2 680 374
Accumulated depreciation and impairment	(95 737)	(1 452 808)	–	(63 065)	(65 704)	(1 677 314)
Net carrying amount:	**152 030**	**772 959**	**42 649**	**22 632**	**12 790**	**1 003 060**
Balance as at 31 March 2018	152 030	772 959	42 649	22 632	12 790	1 003 060
Additions – ongoing capital	1 490	27 277	2 297	11 383	1 797	44 244
Disposals and scrapping	–	(3 550)	–	–	–	(3 550)
Net reclassification from/(to) other assets	–	24 259	(25 785)	–	–	(1 526)
Transfer of assets from/(to) parent company	–	–	–	(300)	(33)	(333)
Current year depreciation charge	(6 189)	(96 568)	–	(5 371)	(3 427)	(111 555)
Translation of foreign operations	–	–	–	–	27	27
Net carrying amount as at 31 March 2019	**147 331**	**724 377**	**19 161**	**28 344**	**11 154**	**930 367**
Made up as follows:						
Cost	249 257	2 274 627	19 161	94 763	80 446	2 718 254
Accumulated depreciation and impairment	(101 926)	(1 550 250)	–	(66 419)	(69 292)	(1 787 887)
Net carrying amount:	**147 331**	**724 377**	**19 161**	**28 344**	**11 154**	**930 367**

Encumbrance

None of the Starch Business property, plant and equipment are encumbered.

Register of land and buildings

Details of the land and buildings are recorded in a register that is available for inspection at the registered office of the company.

5. INTANGIBLE ASSETS

R'000	31 March 2019 (Audited) Computer Software	Patents, Trademarks and Other	Total	31 March 2018 (Reviewed) Computer Software	Patents, Trademarks and Other	Total
Net carrying amount at 1 April	54 687	–	54 687	55 363	–	55 363
Additions	–	–	–	1 016	–	1 016
Current year amortisation charge	(9 206)	–	(9 206)	(1 692)	–	(1 692)
Other	(3 855)	–	(3 855)	–	–	–
Net carrying amount at end of year	**41 626**	**–**	**41 626**	**54 687**	**–**	**54 687**
Made up as follows:						
Cost	56 918	21 935	78 853	62 298	21 935	84 233
Accumulated amortisation	(15 292)	(21 935)	(37 227)	(7 611)	(21 935)	(29 546)

Encumbrance

None of the Starch Business's intangible assets are encumbered.

Research and development costs

The Starch Business incurred research and development costs of R1.1 million (one million one hundred thousand Rand) (2018: R1.6 million (one million six hundred thousand Rand)) which are included in administration costs in the statement of profit or loss.

6. INVENTORIES

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Raw materials	186 490	367 956
Work in progress	15 058	14 665
Finished goods	159 870	164 805
Consumables	116 959	123 122
Inventory before allowance	**478 377**	**670 548**
Less: allowance for inventory write-downs	(7 180)	(9 230)
Net inventories	**471 197**	**661 318**
Carrying amount of inventory that has been written down to net realisable value	340	–

Further information

Raw materials includes an amount of R128 million (one hundred and twenty eight million Rand) (2018: R319 million (three hundred and nineteen million Rand)) that relates to the obligation that has been recognised on maize procurement contracts entered into with a financial institution.

Reconciliation of the allowance for inventory write-downs

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
At beginning of the year	**9 230**	**2 301**
Additional write-down		6 929
Reversals	(2 050)	–
At end of the year	**7 180**	**9 230**

The write-downs and reversals are included in "cost of sales".

7. TRADE AND OTHER RECEIVABLES

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Trade receivables		
Trade receivables from contracts with customers relating to sale of starch and other related products	409 598	433 530
Less: allowance for expected credit losses	(275)	(186)
Net trade receivables	**409 323**	**433 344**
Other receivables		
Prepayments	10 815	9 129
Other receivables	17 152	18 012
Loan to Food and Industrial Processors Proprietary Limited Zimbabwe	28 001	17 161
Amount due by parent company	26 026	8 746
Futures contracts	14 784	9 151
VAT receivable	5 021	5 062
Net other receivables	**101 799**	**67 261**
Total	**511 122**	**500 605**

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.

Impairment

The Starch Business applies the IFRS 9 simplified approach to measuring expected credit losses which uses an 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. Trade receivables that are more than 60 (sixty) days past due represent approximately 2.6% (two point six percent) (31 March 2018: 0.3% (zero point three percent)) of the trade debtors balance and accordingly the allowance relates to non-performing debtors where the amount is outstanding for more than 60 (sixty) days.

The Starch Business 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 Starch Business and a failure to make contractual payments within a specified period.

The following table details the risk profile of trade receivables:

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Less than 1 month	173 817	82 417
Between 1 to 2 months	37 478	6 420
Between 2 to 3 months	2 517	463
Greater than 3 months	8 278	924
Total past due	**222 090**	**90 224**
Not past due	187 508	343 306
	409 598	**433 530**
Less: allowance for expected credit losses	(275)	(186)
Total	**409 323**	**433 344**

In determining the ECL, the history of customers who meet payment terms which are short-term has been taken into consideration, therefore resulting in a limited expected credit loss.

7. TRADE AND OTHER RECEIVABLES (continued)

The following tables show 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.

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Analysis of movement in loss allowance on trade receivables:		
Balance at beginning of the year	**186**	**804**
Transfer to credit impaired	89	171
Amounts written off as uncollectible	–	(789)
Balance at end of the year	**275**	**186**

8. DERIVATIVE FINANCIAL INSTRUMENTS

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
The fair value of derivative instruments at year end was:		
Forward exchange contracts – not hedge accounted	1 141	5 962
Futures contracts – hedge accounted	10 762	(7 921)
Total	**11 903**	**(1 959)**
Categorised as follows:		
Derivative assets	11 903	5 962
Derivative liabilities	–	(7 921)

9. CASH AND CASH EQUIVALENTS

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Cash at banks and on hand	16 810	10 426
Cash and cash equivalents in the statement of financial position and cash flows	**16 810**	**10 426**

Further information

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of the instruments.

10. CAPITAL AND RESERVES

Investment by parent company in the Starch Business

The investment by the parent company comprises distributable reserves accumulated through profits from the Starch Business and any surplus funds held by the Starch Business which have been provided to the THL head office division as an inter-divisional loan. Distributions to the parent company reduce this investment.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial information of the foreign operations, as well as gains and losses on instruments that hedge the Starch Business's net investment in foreign subsidiaries.

11. DEFERRED TAX

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
The movement in net deferred tax liabilities during the year is as follows:		
Balance at beginning of the year	**181 162**	**182 103**
Tax expense during the period recognised in profit or loss	2 145	2 673
Foreign currency translation differences	(52)	45
Prior year adjustment recognised in profit or loss	(149)	(3 659)
Balance at end of the year	**183 106**	**181 162**
Comprising:		
Deferred tax assets	–	–
Deferred tax liabilities	183 106	181 162
The balance comprises temporary differences attributable to:		
Property, plant and equipment	189 689	200 536
Accruals and allowances	(16 934)	(18 839)
Prepayments	2 988	2 511
Derivative financial instruments	3 519	(10)
Other	3 844	(3 036)
Balance at end of the year	**183 106**	**181 162**

12. BORROWINGS

R'000	Currency	Interest Rate %	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Secured borrowings at amortised cost	ZAR	8,50%	132 434	220 510
Unsecured borrowings at amortised cost	ZAR	10,25%	135 797	265 048
Total borrowings			**268 231**	**485 558**

Further information

The Starch Business utilizes borrowing facilities to assist with the acquisition of maize. The maize harvesting season runs from May to August each year, during which the Starch Business acquires its total annual forecast maize requirements. Thus, there is a build-up of financed maize inventory during the first half of the financial year which is then drawn down before the next season cycle begins.

13. TRADE AND OTHER PAYABLES

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Trade payables	**225 630**	**219 281**
Other payables	**141 773**	**88 400**
Accrual for leave pay	26 570	28 839
Utilities	52 982	34 664
Variable consideration	31 660	3 267
Amount due to parent company	7 368	1 011
Other	23 193	20 619
Value added tax	**29 164**	**19 722**
Total	**396 567**	**327 403**

Further information

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying value approximates fair value because of the short period to settlement of these obligations.

The Starch Business sells products to certain customers using a contractual formulaic pricing basis. In terms of this pricing basis, the customer accepts the commodity exposure to maize prices. Sales are invoiced at a standard maize price, which is periodically adjusted to account for the actual maize price. An accrual is raised for the variable consideration owing to the customer, being the difference between the maize price invoiced to date and the actual maize price.

Information about the Starch Business exposure to currency and liquidity risks is disclosed in note 20.

14. REVENUE

The Starch Business generates revenue, at a point in time, primarily from the sale of starch, glucose and other related products.

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Revenue from contracts with customers from:		
Starch	884 739	858 863
Glucose	2 354 310	2 431 275
Co-products	763 191	608 054
Total	**4 002 240**	**3 898 192**
Timing of revenue recognition		
At a point in time	**4 002 240**	**3 898 192**
Revenue from contracts with customers has been further disaggregated into the following geographical regions:		
South Africa	3 854 706	3 717 957
Australia	147 534	180 235
Total	**4 002 240**	**3 898 192**

15. PROFIT FROM OPERATIONS

Operating profit is arrived at after taking into account, among other items, those detailed below:

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Depreciation of property, plant and equipment	**111 555**	**104 781**
Amortisation of intangible assets	**9 206**	**1 692**
Employee costs	**244 115**	**266 703**
Salaries and wages	213 026	212 588
Incentives	17 383	29 185
Share-based payment expense	(4 420)	6 911
Contributions to post-retirement funds	18 073	17 984
Other	53	35
External auditors' remuneration	**3 164**	**2 402**
Audit fees	2 586	2 172
Other services	529	430
Disbursements	49	(200)
Operating lease charges in respect of property, plant and equipment	**11 972**	**11 042**
Consulting fees	**22 329**	**21 499**
Technical services	18 324	19 245
Administrative and other services	4 005	2 254
Research and developments costs	**1 074**	**1 586**
Loss/(profit) on disposal of property, plant, equipment and intangibles	**3 549**	**(663)**

16. NET FINANCE COSTS/(INCOME)

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Net finance costs comprise:		
Finance costs relating to financial instruments measured at amortised cost:		
Financial institutions	30 479	27 680
Other finance costs	1 002	550
Total finance costs	**31 481**	**28 230**
Finance income relating to financial instruments measured at amortised cost:		
Financial institutions	(1 075)	(1 604)
Other finance income	(46)	(1 030)
Total finance income	**(1 121)**	**(2 634)**
Total net finance costs	**30 360**	**25 596**

17. 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'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Current tax		
South African	177 685	146 488
Foreign	1 831	915
Prior year adjustments	(45)	3 999
Sub-total	**179 471**	**151 402**
Deferred tax		
South African	2 179	2 856
Foreign	(34)	(183)
Prior year adjustments	(149)	(3 659)
Sub-total	**1 996**	**(986)**
Taxation charge for the year	**181 467**	**150 416**

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 Starch Business has elected to present both.

	31 March 2019 (Audited)		31 March 2018 (Reviewed)	
R'000	%	R	%	R
Profit before taxation		**645 894**		**537 243**
Tax using the normal rate of South African tax	28,0%	180 850	28,0%	150 428
Adjusted for:				
Disallowed expenditure	0,1%	608	–	1
Effect of different statutory taxation rates in foreign jurisdictions	–	123	–	46
Prior year adjustments	–	(194)	(0,1%)	340
Other	–	80	0,1%	(399)
Effective rate of taxation	**28,1%**	**181 467**	**28,0%**	**150 416**

18. BASIC AND HEADLINE EARNINGS

The calculation of basic and headline earnings is based on:

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Net profit attributable to the parent company	**464 427**	**386 827**
Adjusted for:		
Loss/(profit) on disposal of property, plant and equipment	3 549	(663)
Tax effect of (loss)/profit on disposal of property, plant and equipment	(994)	186
Headline earnings	**466 982**	**386 350**

19. CAPITAL RISK MANAGEMENT

The Starch Business defines total capital as "total equity" plus "borrowings" and "cash and cash equivalents" as reflected in the combined statement of financial position.

The Starch Business's objectives of capital management are to safeguard its ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

20. FINANCIAL RISK MANAGEMENT

The Starch Business does not trade in financial instruments, including derivative financial instruments, for speculative purposes. The Starch Business is, however, still exposed in the normal course of its operations to financial risks. In order to minimise these risks, the Starch Business may enter into transactions that make use of financial instruments. The Starch Business's risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

The following table summarises the carrying amount of financial instruments recorded at 31 March and sets out the Starch Business'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'000	Fair value level	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Financial assets			
Measured at amortised cost:			
Trade and other receivables*		490 783	476 289
Cash and cash equivalents**		16 810	10 426
Fair value through profit or loss:			
Derivative financial instruments	2	11 903	5 962
Total		**519 496**	**492 677**
Financial liabilities			
Measured at amortised cost:			
Trade and other payables*		281 081	236 122
Borrowings***		268 231	485 558
Fair value through profit or loss:			
Derivative financial instruments	2	–	7 921
Total		**549 312**	**729 601**

The above table includes only financial assets and liabilities and thus values may differ to the balances of similarly classified items in the balance sheet.

* *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.*

20. **FINANCIAL RISK MANAGEMENT (continued)**

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The Starch Business manages its liquidity risk by holding committed maize financing facilities which are for its exclusive use and distinct from the financing facilities of its parent company.

The table below details the Starch Business's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial assets and liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Starch Business may be required to pay.

31 March 2019

R'000	Average interest rate (%)	Less than 1 year	Greater than 1 year	Total
Financial assets				
Trade and other receivables	Prime lending rates	464 757	–	**464 757**
Amounts receivable from the parent company	Interest free	26 026	–	**26 026**
Total financial assets		**490 783**	**–**	**490 783**
Financial liabilities				
Borrowings	Prime lending rates	260 863	–	**260 863**
Trade and other payables	Prime lending rates	273 713	–	**273 713**
Amounts payable to the parent company	Interest free	7 368	–	**7 368**
Total financial liabilities		**541 944**	**–**	**541 944**

31 March 2018

R'000	Average interest rate (%)	Less than 1 year	Greater than 1 year	Total
Financial assets				
Trade and other receivables	Prime lending rates	467 543	–	**467 543**
Amounts receivable from the parent company	Interest free	8 746	–	**8 746**
Total financial assets		**476 289**	**–**	**476 289**
Financial liabilities				
Borrowings	Prime lending rates	235 111	–	**235 111**
Trade and other payables	Prime lending rates	326 392	–	**326 392**
Amounts payable to the parent company	Interest free	1 011	–	**1 011**
Total financial liabilities		**562 514**	**–**	**562 514**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Starch Business deals with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit-rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The Starch Business does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are South African banks with high credit-ratings assigned by international credit-rating agencies.

20. **FINANCIAL RISK MANAGEMENT (continued)**

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is required and credit insurance is purchased where practical.

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Financial assets		
Trade and other receivables	**464 757**	**467 543**

Trade receivables comprise a large number of customers spread across all business units.

Credit risk is limited due to the large customer base consisting of some of the largest local and multinational customers operating in key food and industrial sectors. Operational management evaluate the creditworthiness of customers before any credit facilities are granted, and thereafter on a regular basis. The Starch Business establishes an allowance for doubtful receivables which represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between business units, but the majority of the customers are given terms between 30 (thirty) and 60 (sixty) days. Please refer to note 7 for the ageing of trade receivables.

Market risk

The Starch Business's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and commodity prices.

Commodity risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the prices of commodities. To hedge prices for the Starch Business's substantial commodity requirements, commodity futures are used, including fixed and spot-defined forward sales contracts. The Starch Business applies fair value hedge accounting to its unpriced maize procurement contracts and commodity futures.

Foreign currency risk

The Starch Business operates in a global business environment and, therefore, enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the Starch Business's policy to use forward exchange contracts where practical. The Starch Business does not enter into derivative contracts for speculative purposes.

The sensitivity analysis below was prepared based on the exposure to currency on uncovered foreign balances at the reporting date.

	10% weakening of the South African Rand (ZAR)		
R'000	US Dollar	Australian Dollar	New Zealand Dollar
Year ended 31 March 2019	(2 536)	(3 702)	(590)
Year ended 31 March 2018	(1 432)	(4 954)	(364)

Interest rate risk

The Starch Business is exposed to fluctuations in interest rate as it borrows funds at floating interest rates

The sensitivity analysis below was prepared based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis was prepared assuming the amount of unhedged liability outstanding at year end was outstanding for the whole year. A 100 (one hundred) basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
R'000	Increase	Decrease
Year ended 31 March 2019	1 341	(1 341)
Year ended 31 March 2018	2 427	(2 427)

21. **COMMITMENTS & CONTINGENCIES**

Operating leases

The Starch Business leases various properties and plant and equipment. Lease terms are typically made for fixed periods of 1 (one) to 5 (five) years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Operating lease commitments, amounts due:		
Not later than one year	7 506	3 184
Later than one year and not later than five years	29 468	1 354
Later than five years	–	–
	36 974	**4 538**
In respect of:		
Property	34 944	991
Other	2 030	3 547
	36 974	**4 538**

Capital Commitments

At the end of the reporting period, approved and/or contracted capital expenditure is as follows:

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Contracts for capital expenditure authorised	18 059	22 780
Approved but not contracted	21 779	24 379

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

Guarantees and contingent liabilities

At the balance sheet date, the Starch Business has neither contingent liabilities nor has it provided any guarantees.

22. **RELATED PARTY TRANSACTIONS**

During the year the Starch Business, 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 Starch Business and its related parties are disclosed below.

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Goods and services		
Land administration services provided by the parent company	108	108
Sales of starch products to the parent company	(1 459)	(1 167)
Balances – receivable/(payable)		
Amount due to parent company	(7 368)	(1 011)
Amount due by parent company	26 026	8 746
Loan by the Starch Business to Food and Industrial Processors Proprietary Limited Zimbabwe	28 001	17 161

The amounts due to/by the parent company arise from third party costs incurred on behalf of the other party which are recovered with no mark-up.

22. **RELATED PARTY TRANSACTIONS (continued)**

Key management personnel

Key management personnel for the Starch Business is the individual that has authority and responsibility for planning, directing and controlling the activities of the Starch Business. The key management individual received the following remuneration:

R'000	31 March 2019 (Audited)	31 March 2018 (Reviewed)
Short-term employee benefits	4 356	4 071
Post-employment and medical aid benefits	605	564
Share incentive gains	485	1 282
Total	**5 446**	**5 917**

23. **EVENTS OCCURING AFTER THE REPORTING PERIOD**

There is a significant period of time between the reporting date and the date of authorising the special purpose carve-out historical combined financial information. The subsequent events below were carefully assessed to ensure that all material events have been disclosed.

Disposal of Starch Business

On 28 February 2020, the parent company entered into a sale and purchase agreement to dispose of its Starch Business to a wholly-owned subsidiary of Barloworld Limited. The Starch Business is sold as a going concern for a purchase consideration of R5.35 billion (five billion three hundred and fifty million Rand) adjusted for debt, working capital surpluses or shortfalls, and post-retirement benefits (retained by the parent company). The purchase consideration will be paid in cash, with R450 million (four hundred and fifty million Rand) held in an escrow account for twelve months after closing, and will not exceed R5.35 billion (five billion three hundred and fifty million Rand). The disposal is subject to number of suspensive conditions including THL shareholder approval, approval of THL's lenders in South Africa, approval of the relevant competition authorities and approval by the Takeover Regulations Panel. The closing date of the disposal is expected to be during the third quarter of the 2020 calendar year.

Restructure of parent company's debt

On 9 December 2019, THL (the parent company) restructured its debt and entered into new senior term-loans, senior revolving credit facilities and overdraft facilities on new commercial terms including the provision of security. THS is a guarantor to these new debt facilities. The Starch Division and THL have also provided security in the form of: a pledge and cession of bank accounts, insurance rights, claims, intellectual property rights, and trade receivables (excluding those specific to the maize facilities referred to below). THS has further provided a general notarial bond over its moveable property. On closing of the disposal referred to above, the Starch Business will be released from all its obligations as guarantor and security provider for the parent company's borrowings.

On closing of the disposal referred to above, the Starch Business will be released from all its obligations as guarantor and security provider for the parent company's borrowings.

Restructure of Starch Business's maize facilities

A condition of the parent company's debt restructure required that the two existing Starch Facilities, used to fund maize purchases and working capital, be restructured to formalise the security arrangements inherent in the parent company's existing facilities. The new facilities have some outstanding suspensive conditions which are administrative in nature with a low risk of not being met. The restructured facilities will operate as follows:

– All maize will be funded through one facility with a limit of R1 billion (one billion Rand). The business will continue to contract for maize in its own name. At the time of funding the maize contracted, and as security for the facility, ownership will rest with the financial institution as evidenced by silo certificates. The financial institution will also hold a short SAFEX future to mirror the Starch Business's current hedging strategy. The maize required for operations will be repurchased by the Starch Business prior to delivery to the mills, at which point ownership for the maize will transfer to the Starch Business. The new facility is effective on 1 May 2020 when new season maize deliveries commence.

– The second facility is a working capital facility to fund operations from the point maize is delivered to site until the proceeds from the sale of inventory are collected. The facility is committed for a maximum of R400 million (four hundred million Rand) and is secured by a cession over the Starch Business trade receivables.

23. **EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)**

COVID-19

The COVID-19 global pandemic has significantly increased market volatility and uncertainty over the past few months. The South African government implemented an initial 5-week lockdown that commenced on 27 March 2020. As the Starch Business is involved the production, distribution and supply of food, including that of animal feed, it is regarded as an essential service in terms of the government's published COVID-19 regulations and will continue to operate during the lockdown period. The Starch Business will however be affected by the alcoholic beverage producers, representing a major customer segment, not being able to supply the market during the lockdown. An assessment of the impact of the COVID-19 is included as part of the going concern assessment.

In addition, since the impact of the COVID-19 pandemic only became evident after 30 September 2019 it is a non-adjusting event as it relates to assessing the recoverability of assets. The binding sales agreement for the Starch Business provides evidence that its carrying value as a cash generating unit is not impaired as its recoverable value exceeds its carrying amount.

HISTORICAL COMBINED FINANCIAL INFORMATION OF THE STARCH BUSINESS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2019

HISTORICAL COMBINED FINANCIAL INFORMATION OF THE STARCH BUSINESS

Special purpose condensed carve-out historical combined financial information ("HFI") of the Starch Business for the six months ended 30 September 2019

Financial commentary

Gross revenue for the 6 (six) months ended 30 September 2019 was R2.103 billion (two billion one hundred and three million Rand). The Starch Business continued to demonstrate its well-established market position and high-quality, widely diversified product range in the period, growing starch and glucose sales volumes to 254 000 (two hundred and fifty four thousand) tons. Sales benefited from increased demand in the alcoholic beverages sector following customer marketing campaigns, the continuing growth in the coffee creamer sector, and the recapture of imported glucose volumes within the confectionary sector which also benefited from new customer investments.

Profit from operations was R305 million (three hundred and five million Rand) with the benefit of increased sales volumes offset by high maize costs which placed margins under pressure. Maize costs were high as dry weather and low plantings reduced the maize crop compared to the previous season by 10% (ten percent). Co-product revenue benefited from a weaker exchange rate, shortages in competitor animal feed and various initiatives targeted at growing specific segments. Despite some plant downtime which constrained export volumes, operating efficiencies were realised through improved recoveries.

Net finance costs were R17 million (seventeen million Rand) and arose from the facilities that fund maize stocks in silos until required for production. The effective tax rate of 26.5% (twenty six point five percent) was below the statutory tax rate owing to the business benefitting from learnership allowances. The net effect is a profit for the period of R212 million (two hundred and twelve million Rand).

Cash generated from operations was R114 million (one hundred and fourteen million Rand). Borrowings increased by R259 million (two hundred and fifty nine million Rand) to R527 million (five hundred and twenty seven million Rand) and were used to fund maize stocks that build up over the harvesting season that runs from May to August each year. Distributions to the parent company were R265 million (two hundred and sixty five million Rand).

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF FINANCIAL POSITION
as at

R'000	Note	30 September 2019 (Reviewed)
ASSETS		
Non-current assets		
Property, plant and equipment		899 027
Right-of-use assets	2.1	27 429
Intangible assets		39 119
Total non-current assets		**965 575**
Current assets		
Inventories	3	763 568
Trade and other receivables		528 222
Cash and cash equivalents		11 154
Total current assets		**1 302 944**
TOTAL ASSETS		**2 268 519**
EQUITY AND LIABILITIES		
Capital and reserves		
Investment by the parent company		1 044 837
Other reserves		(665)
Total equity		**1 044 172**
Non-current liabilities		
Deferred tax liabilities		171 516
Lease liabilities	2.1	22 996
Total non-current liabilities		**194 512**
Current liabilities		
Borrowings	5	527 225
Lease liabilities	2.1	5 692
Trade and other payables	4	478 332
Derivative financial instruments		4 207
Current tax liabilities		14 379
Total current liabilities		**1 029 835**
TOTAL LIABILITIES		**1 224 347**
TOTAL EQUITY AND LIABILITIES		**2 268 519**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended

R'000	Note	6 months ended 30 September 2019 (Reviewed)
Revenue	6	**2 102 688**
Cost of sales		(1 659 329)
Gross profit		**443 359**
Marketing and selling expenses		(5 430)
Administrative and other expenses		(138 577)
Other operating income		6 036
Profit from operations		**305 388**
Net finance costs		(17 128)
Finance costs		(17 782)
Finance income		654
Profit before taxation		**288 260**
Taxation	7	(76 505)
Profit for the period		**211 755**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences on translation of foreign operations		46
Other comprehensive income for the period, net of tax		**46**
Total comprehensive income for the period		**211 801**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF CHANGES IN EQUITY

for the period ended

R'000	**Investment by the Parent Company**	**Foreign Currency Translation Reserve**	**Total Equity**
Balance at 31 March 2019 (Audited)	1 097 410	(711)	1 096 699
Total comprehensive income for the period	211 755	46	211 801
Profit for the period	211 755	–	211 755
Other comprehensive income for the period, net of tax	–	46	46
Share-based payment charge	1 262	–	1 262
Distribution to the parent company	(265 590)	–	(265 590)
Balance at 30 September 2019 (Reviewed)	**1 044 837**	**(665)**	**1 044 172**

STARCH BUSINESS

HISTORICAL COMBINED STATEMENT OF CASH FLOWS
for the period ended

R'000	Note	6 months ended 30 September 2019 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	A	113 705
Taxation paid		(65 442)
Net cash inflow generated from operating activities		**48 263**
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income		654
Additions to property, plant and equipment		(25 823)
Net cash outflow from investing activities		**(25 169)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to the parent company of the Starch Business		(265 590)
Finance costs	B	(16 043)
Borrowings		258 994
Raised		705 078
Repaid		(446 084)
Net cash outflow from financing activities		**(22 639)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**455**
Cash and cash equivalents at the beginning of the period		16 810
Translation effects on cash and cash equivalents		(6 111)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**11 154**

STARCH BUSINESS

NOTES TO THE HISTORICAL COMBINED STATEMENT OF CASH FLOWS

for the period ended

R'000	**6 months ended 30 September 2019 (Reviewed)**
A. CASH GENERATED FROM OPERATIONS	
Profit for the period	**211 755**
Adjusted for:	
Finance costs	17 782
Finance income	(654)
Income tax	76 505
Profit from operations	**305 388**
Adjusted for:	
Depreciation of property, plant and equipment	58 840
Amortisation of intangible assets	2 508
Loss on disposal of property, plant and equipment and intangibles	1 665
Movement in fair value of financial instruments	18 551
Foreign exchange gains	(9 981)
Share-based payment charge	1 262
Other non-cash items	(5 561)
Operating cash flows before movements in working capital	**372 672**
Working capital	
Movement in inventories	(293 446)
Movement in trade and other receivables	(42 451)
Movement in trade and other payables	76 930
Net movement in working capital	**(258 967)**
Cash generated from operations	**113 705**
B. FINANCE COSTS	
Per statement of profit or loss and other comprehensive income	**17 782**
Lease financing	(1 739)
Per statement of cash flows	**16 043**

STARCH BUSINESS

NOTES TO THE HISTORICAL COMBINED FINANCIAL INFORMATION

1. PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION

1.1 Basis of preparation of the special purpose condensed carve-out historical combined financial information

The special purpose condensed carve-out historical combined financial information ("**HFI**") of the Starch Business consists of the division of THL that manufactures, produces, sells and distributes modified and unmodified starch; powered and liquid glucose; and related co-products from maize such as animal feed ("**Starch Division**") together with Tongaat Hulett Starch Proprietary Limited ("**THS**") and Tongaat Hulett Starch Australia Proprietary Limited ("**THSA**") (the "**Starch Business**").

The Starch Business did not historically constitute a separate legal entity. The HFI has been prepared by extracting the historical financial information related to the Starch Division (excluding assets and liabilities of the Sorbitol plant) included in the unaudited condensed consolidated interim financial statements of THL and aggregating this with the historical financial information of THS and THSA as at and for the six months ended 30 September 2019. The Sorbitol plant is not operational, its assets have been fully impaired, it has a decommissioning obligation, and consequently it will not be disposed of. THL's interests in Food & Industrial Processors Proprietary Limited registered in Zimbabwe were presented as part of the overall starch operations in the condensed consolidated financial statements of THL, but have been excluded from the HFI as they will not be disposed.

In order to reflect the historical cost and ability of the Starch Business to operate on a stand-alone basis, the cash and cash equivalents and certain IT hardware related to the Starch Business which are not disposed of have been included in the HFI, since these were directly attributable to the operations. While these assets (and any related costs) are included in the HFI, they will be excluded from the *pro forma* financial information by way of a separate adjustment.

The HFI is presented in South African Rand, which is the Starch Business's functional and presentation currency, rounded to the nearest thousand.

The HFI is the responsibility of the directors of THL. The HFI was authorised for issue by the board of directors of THL on 21 April 2020.

The HFI for the six months ended 30 September 2019 has been reviewed by Deloitte & Touche and the Independent Reporting Accountants' report is included as Annexure 6 to this Circular.

Statement of compliance

The HFI of the Starch Business for the six months ended 30 September 2019 has been prepared in accordance with sections 8.1 to 8.13 of the JSE Listings Requirements. This basis of preparation sets out how the HFI has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and interpretations of those standards as issued by the International Accounting Standards Board ("**IASB**") and IAS 34 *Interim Financial Reporting* ("**IAS 34**"), with certain departures from IFRS and IAS 34 as highlighted below. The HFI is also prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The HFI does not include all the disclosures required for complete annual financial information prepared in accordance with IFRS. Accordingly, the HFI is to be read in conjunction with the special purpose combined carve-out historical financial information for the year ended 31 March 2019 (refer to Annexure 4 of this Circular).

Limitations inherent to carve-out

As the HFI of the Starch Business has been prepared on a carve-out basis, they may not be indicative of the future performance of the Starch Business and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the Starch Business operated as an independent entity during the periods presented.

The principles applied in preparation of the HFI are consistent with those of the special purpose carve-out historical combined financial information for the year ended 31 March 2019, and are set out below:

Common control

The operations comprising the Starch Business have historically and for the reporting period presented been under common control of THL and common management, and the economic activities of these entities will be legally bound together through the proposed transaction. Therefore, the results of the Starch Business of THL and abovementioned entities have been aggregated using the principles of IFRS 10 *Consolidated Financial Statements*.

1. PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)

1.1 Basis of preparation of the special purpose condensed carve-out historical combined financial information (continued)

Equity

- Share capital and earnings per share – As the Starch Business did not historically constitute a separate legal entity there is no issued share capital. The information on earnings per share for the Starch Business pursuant to IAS 33 *Earnings Per Share* has not been presented, as no capital structure has been presented in the HFI.
- Investment by parent company – The contribution from the parent company is recognised at the carrying value of the net assets contributed to the Starch Business at the earliest comparative period presented. The opening balance and movements in aggregated combined retained earnings of the entities included in the HFI has been included within "Investment by parent company" in the combined statement of changes in equity. Surplus funds held by the Starch Business have historically been provided to the THL head office division as an inter-divisional loan. The loan receivable by the Starch Business will not transfer as part of the proposed disposal; accordingly, the loan has been recognised within "Investment by parent company".

Allocation of group costs

Management and similar functions were primarily performed at a divisional level and the Starch Business performed independently from the THL. Accordingly, all corporate expenses (including payroll, finance, legal, rent, etc.) were recognised as part of the Starch Business. Any group shared costs that were incurred by THL on behalf of the Starch Business were historically charged to the Starch Business (such as certain IT, insurance and electricity related costs). No additional central costs exist that would require allocation to the Starch Business.

Share-based payments

All forfeitable share incentive awards granted to employees of the Starch Business were granted by THL. The awards will be settled in THL shares. As the Starch Business do not have the obligation to settle the awards, the awards represent equity-settled share-based payments in the HFI.

Post-retirement obligations

Certain current and past employees of the Starch Business are members of the THL post-retirement medical scheme and the retirement gratuity scheme. Accordingly, the Starch Business was charged for costs related to these employees by the THL head office division.

Taxation

The Starch Business has not historically filed a separate tax return. The Starch Division has historically calculated income tax independently of the other divisions of THL and paid the income tax it owed to THL. THS and THSA, as separate legal entities, have historically filed separate tax returns. For purposes of the HFI, the tax expense for the interim reporting period represents the sum of current and deferred tax accrued using the statutory rates applicable to the tax jurisdictions in which the Starch Business operates. The income tax expense is based on management's best estimate of the annual effective tax rate.

Intangible assets

Any intangible assets that relate to the Starch Business has historically been allocated by THL to the Starch Division's accounting records. No additional intangible assets related to the Starch Business was recognised in the THL group which would have required allocation to the HFI.

Borrowings

Borrowings in respect of two maize financing facilities that relate directly to the Starch Business have historically been allocated by THL to the Starch Division's accounting records. No additional borrowings related to the Starch Business were recognised in the THL Group which would have required allocation to the HFI.

Intercompany and related party transactions and balances

Transactions and balances with THL (excluding the Starch Business) and THL Group companies have been disclosed as related party transactions and balances in the HFI. Intercompany transactions and balances within the Starch Business have been eliminated.

Segments

Segment reporting has not been included in the HFI because the equity and debt instruments of the Starch Business are not currently, or planned in the future to be, traded on a public market.

1. PRESENTATION OF HISTORICAL COMBINED FINANCIAL INFORMATION (continued)

1.1 Basis of preparation of the special purpose condensed carve-out historical combined financial information (continued)

Interim comparatives

Paragraph 8.7 of the JSE Listings Requirements states that no comparative results need to be shown if the interim financial information has been prepared using accounting policies that are identical to those contained in the historical financial information. The comparative results for the six months ended 30 September 2019 has been prepared using the same accounting policies as those in the historical combined financial information for the years ended 31 March 2019 and 31 March 2018, with the exception of the adoption of IFRS 16 *Leases* ("**IFRS 16**"). As the modified retrospective approach has been applied in respect of the adoption of IFRS 16, comparatives financial information has not been restated. The adoption of IFRS 16, as presented in note 2, did not have a material impact on the amounts previously reported and hence, no comparative results need to be shown as the accounting policies are not materially different.

Going concern

The HFI has been prepared on the basis of accounting policies applicable to a going concern. The going concern basis presumes that for the foreseeable future (defined as 12 (twelve) months from the date the HFI was authorised), funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

At 30 September 2019, the Starch Business's total assets of R2.27 billion (two billion two hundred and seventy million Rand) exceeded its total liabilities of R1.21 billion (one billion two hundred and ten million Rand). Current assets of R1.3 billion (one billion three hundred million Rand) exceeded current liabilities by R273 million (two hundred and seventy three million Rand). The profit generated by the Starch Business for the six months ended 30 September 2019 was R212 million (two hundred and twelve million Rand). Management has reviewed the budget and cash flow forecasts for the next 12 (twelve) months from the date the HFI was authorised and are satisfied that the Starch Business will continue as a going concern given the committed, restructured facilities that have been negotiated with its lenders. While the facilities still have some suspensive conditions outstanding, these are administrative in nature with a low risk of not being met.

The parent company's debt levels are considered to be unsustainable and have resulted in a number of material uncertainties being disclosed in its own assessment of going concern. The material uncertainties applicable to the parent company are however not applicable to the Starch Business. The Starch Business has two stand-alone maize financing facilities that have been allocated by the parent company to the Starch Business for its exclusive use. As a result, the Starch Business operates as a separate business, independent of its parent company. None of the parent's remaining borrowings are attributable to the Starch Business.

Management, in its assessment of going concern, has considered the impact of increased market volatility and significant uncertainty caused by the COVID-19 global pandemic and the government-imposed lockdown. As the Starch Business is involved in the production, distribution and supply of food, including that of animal feed, it is regarded as an essential service in terms of the government's published COVID-19 regulations and will continue to operate during the lockdown period. The Starch Business will be affected by the alcoholic beverage producers, representing a major customer segment, not being able to supply the market during the lockdown. Generally, the Starch Business's sales will also be impacted by lower disposal income. At this stage, some reduction in short-term demand is expected which is likely to be followed by some increase as customers rebuild stock levels. Management do not believe, based on information currently available, that the uncertainty caused by the COVID-19 global pandemic and the government-imposed lockdown is material enough to impact on the suitability of the going concern assumption.

1.2 Significant accounting policies

The accounting policies used in the preparation of the HFI are consistent with those applied in the special purpose carve-out historical combined financial information for the year ended 31 March 2019 (refer to Annexure 4 of this Circular), except for the adoption of new and amended standards as set out in note 2 below.

2. ADOPTION OF ACCOUNTING STANDARDS

2.1 Adoption of IFRS 16 *Leases* ("IFRS 16")

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

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

2. **ADOPTION OF ACCOUNTING STANDARDS (continued)**

2.1 **Adoption of IFRS 16 *Leases* ("IFRS 16") (continued)**

The Starch Business adopted IFRS 16 using the modified retrospective approach permitted by IFRS 16, with no restatement of comparative information. Consequently, the cumulative effect of adopting IFRS 16 is recognised in the opening statement of financial position on 1 April 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Starch Business recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied on 1 April 2019 was 11.85%.

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

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

Practical expedients applied

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

– The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
– To account for each lease component and any non-lease components as a single lease component.
– Reliance on previous assessments on whether leases are onerous.
– The accounting for operating leases with a remaining lease term of less than 12 (twelve) months as at 1 April 2019 as short-term leases.
– The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
– The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets and lease obligations of R31 million (thirty one million Rand) were recognised at 1 April 2019, with no net impact on retained income. When measuring lease liabilities, the Starch Business discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 11.85% (eleven point eight five percent).

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

– Right-of-use assets R31 million
– Lease liabilities R31 million

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

R'000	**30 September 2019**	**1 April 2019**
Buildings	23 651	26 428
Plant and equipment	3 778	4 345
Total right-of-use assets	**27 429**	**30 773**

The lease liability is categorised as follows:

R'000	**30 September 2019**	**1 April 2019**
Non-current portion	22 996	22 855
Current portion	5 692	7 918
Total lease liability	**28 688**	**30 773**

Accounting for the Starch Business's leasing activities

The Starch Business leases various properties and plant and equipment. Lease terms are typically made for fixed periods of one to five years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

2. ADOPTION OF ACCOUNTING STANDARDS (continued)

2.1 Adoption of IFRS 16 *Leases* ("IFRS 16") (continued)

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

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

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

The Starch Business recognises the following leases on a straight-line basis in profit or loss:

– short-term leases – leases with a term of 12 (twelve) months or less
– low-value leases – which comprise of office equipment

Critical estimates and judgements

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

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

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

Incremental borrowing rate used

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

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

2.2 Adoption of IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23")

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

While management has considered the guidance in the interpretation, there are no material uncertain tax positions to which it would be applicable.

3. INVENTORIES

R'000	30 September 2019 (Reviewed)
Raw materials	474 637
Work in progress	18 321
Finished goods	164 133
Consumables	114 095
Inventory before allowance	771 186
Less: allowance for inventory write-downs	(7 618)
Net inventories	**763 568**
Amount of write-down of inventories to net realisable value recognised in cost of sales	438

Further information

Raw material includes an amount of R395 million (three hundred and ninety five million Rand) (2018: R424 million (four hundred and twenty four million Rand)) that relates to the obligation that has been recognised on maize procurement contracts entered into with a financial institution.

Reconciliation of the allowance for inventory write-downs

R'000	30 September 2019 (Reviewed)
At beginning of the year	**7 180**
Additional write-down	438
Reversals	–
At end of the period	**7 618**

The write-downs and reversals are included in "cost of sales".

4. TRADE AND OTHER PAYABLES

R'000	30 September 2019 (Reviewed)
Trade payables	**272 686**
Other payables	**177 068**
Accrual for leave pay	27 183
Utilities	51 187
Variable consideration	43 674
Amount due to parent company	13 380
Employee bonus accrual	28 471
Other	13 173
Value added tax	**28 578**
Total	**478 332**

Further information

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying value approximates fair value because of the short period to settlement of these obligations.

The Starch Business sells products to certain customers using a contractual formulaic pricing basis. In terms of this pricing basis, the customer accepts the commodity exposure to maize prices. Sales are invoiced at a standard maize price, which is periodically adjusted to account for the actual maize price. An accrual is raised for variable consideration owing to the customer, being the difference between the maize price invoiced to date at the actual maize price.

5. BORROWINGS

R'000	31 March 2019 (Audited)	Capital Raised	Capital Repaid	30 September 2019 (Reviewed)
Secured borrowings at amortised cost	132 434	358 362	(260 146)	230 650
Unsecured borrowings at amortised cost	135 797	346 716	(185 938)	296 575
Total borrowings	**268 231**	**705 078**	**(446 084)**	**527 225**

The Starch Business utilizes borrowing facilities to assist with the acquisition of maize. The maize harvesting season runs from May to August each year, during which the Starch Business acquires its total annual forecast maize requirements. Thus, there is a build-up of financed maize inventory during the first half of the financial year which is then drawn down before the next season cycle begins.

6. REVENUE

The Starch Business generates revenue, at a point in time, primarily from the sale of starch, glucose and other co-products.

R'000	6 months ended 30 September 2019 (Reviewed)
Revenue from contracts with customers from:	
Starch, glucose and other co-products	**2 102 688**
Timing of revenue recognition	
At a point in time	**2 102 688**
Revenue from contracts with customers has been further disaggregated into the following geographical regions:	
South Africa	2 029 352
Australia	73 336
Total	**2 102 688**

7. TAXATION

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

The effective tax rate for the six months ended 30 September 2019 was 26.5% (twenty six point five percent) (September 2018: 26.9% (twenty six point nine percent)). The lower effective tax rate is mainly driven by exempt income in relation to learnership allowances.

8. BASIC AND HEADLINE EARNINGS

The calculation of basic and headline earnings is based on:

R'000	6 months ended 30 September 2019 (Reviewed)
Net profit attributable to the parent company	**211 755**
Adjusted for:	
Loss on disposal of property, plant and equipment	1 665
Tax effect of loss on disposal of property, plant and equipment	(466)
Headline earnings	**212 954**

9. **CAPITAL MANAGEMENT**

The Starch Business's objective is to manage its capital to ensure that its operations are able to continue as a going concern and achieve a return on capital that is satisfactory to its parent company.

The capital structure of the Starch Business consists of borrowings, cash and cash equivalents and the parent company investment in the Starch Business.

10. **FINANCIAL INSTRUMENTS**

Accounting classifications and fair values

The Starch Business'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); and

(d) liquidity risk.

The HFI does not include all financial risk management information and should be read in conjunction with the special purpose combined carve-out historical information for the year ended 31 March 2019.

The following table summarises the carrying amount of financial instruments and sets out the Starch Business'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'000	**Fair value level**	**6 months ended 30 September 2019 (Reviewed)**
Financial assets		
Measured at amortised cost:		
Trade and other receivables*		507 179
Cash and cash equivalents**		11 154
Total		**533 790**
Financial liabilities		
Measured at amortised cost:		
Trade and other payables*		342 223
Borrowings***		527 225
Fair value through profit or loss:		
Derivative financial instruments	2	4 207
Total		**873 655**

The above table includes only financial assets and liabilities and thus values may differ to the balances of similarly classified items in the balance sheet.

* *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 are classified as current, the fair value thereof approximates the carrying value.*

11. RELATED PARTY TRANSACTIONS

During the year the Starch Business, 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.

Transactions between the Starch Business and its related parties are disclosed below.

R'000	6 months ended 30 September 2019 (Reviewed)
Goods and services	
Land administration services provided by the parent company	54
Sales of starch products to the parent company	(788)
Balances – receivable/(payable)	
Amount due to parent company	(13 380)
Loan by the Starch Business to Foo d and Industrial Processors Proprietary Limited Zimbabwe	29 142

The amount due to the parent company predominantly arises from a portion of goods and services paid for by the parent company that are for the benefit of the Starch Business. These costs are reimbursed with no mark-up charged and at 30 September 2019 an amount of R13.38 million (thirteen million three hundred and eighty thousand Rand) remains unpaid. These balances are not included in the "Investment by the parent company".

12. EVENTS OCCURING AFTER THE REPORTING PERIOD

Disposal of Starch Business

On 28 February 2020, the parent company entered into a sale and purchase agreement to dispose of its Starch Business to a wholly-owned subsidiary of Barloworld Limited. The Starch Business is sold as a going concern for a purchase consideration of R5.35 billion (five billion three hundred and fifty million Rand) adjusted for debt, working capital surpluses or shortfalls, and post-retirement benefits (retained by the parent company). The purchase consideration will be paid in cash, with R450 million (four hundred and fifty million Rand) held in an escrow account for 12 (twelve) months after closing, and will not exceed R5.35 billion (five billion three hundred and fifty million Rand). The disposal is subject to number of suspensive conditions including THL shareholder approval, approval of THL's lenders in South Africa, approval of the relevant competition authorities and approval by the Takeover Regulations Panel. The closing date of the disposal is expected to be 30 September 2020.

Restructure of parent company's debt

On 9 December 2019, THL (the parent company) restructured its debt and entered into new senior term-loans, senior revolving credit facilities and overdraft facilities on new commercial terms including the provision of security. THS is a guarantor to these new debt facilities. The Starch Division and THL have also provided security in the form of: a pledge and cession of bank accounts, insurance rights, claims, intellectual property rights, and trade receivables (excluding those specific to the maize facilities referred to below). THS has further provided a general notarial bond over its moveable property.

On closing of the disposal referred to above, the Starch Business will be released from all its obligations as guarantor and security provider for the parent company's borrowings.

Restructure of Starch Business maize facilities

A condition of the parent company's debt restructure required that the two existing Starch Facilities, used to fund maize purchases and working capital, be restructured to formalise the security arrangements inherent in the parent company's existing facilities. The new Starch Facilities have some outstanding suspensive conditions which are administrative in nature with a low risk of not being met. The restructured facilities will operate as follows:

– All maize will be funded through one facility with a limit of R1 billion (one billion Rand). The business will continue to contract for maize in its own name. At the time of funding the maize contracted, and as security for the facility, ownership will rest with the financial institution as evidenced by silo certificates. The financial institution will also hold a short SAFEX future to mirror the Starch Business's current hedging strategy. The maize required for operations will be repurchased by the Starch Business prior to delivery to the mills, at which point ownership for the maize will transfer to the Starch Business. The new facility is effective on 1 May 2020 when new season maize deliveries commence.

- The second facility is a working capital facility to fund operations from the point maize is delivered to site until the proceeds from the sale of inventory are collected. The facility is committed for a maximum of R400 million (four hundred million Rand) and is secured by a cession over the Starch Business's trade receivables.

COVID-19

The COVID-19 global pandemic has significantly increased market volatility and uncertainty over the past few months. The South African government implemented an initial five-week lockdown that commenced on 27 March 2020. As the Starch Business is involved the production, distribution and supply of food, including that of animal feed, it is regarded as an essential service in terms of the government's published COVID-19 regulations and will continue to operate during the lockdown period. The Starch Business will however be affected by the alcoholic beverage producers, representing a major customer segment, not being able to supply the market during the lockdown. An assessment of the impact of the COVID-19 is included as part of the going concern assessment.

In addition, since the impact of the COVID-19 pandemic only became evident after 30 September 2019 it is a non-adjusting event as it relates to assessing the recoverability of assets. The binding sales agreement for the Starch Business provides evidence that its carrying value as a cash-generating unit is not impaired as its recoverable value exceeds its carrying amount.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL COMBINED FINANCIAL INFORMATION AND THE HISTORICAL COMBINED INTERIM FINANCIAL INFORMATION OF THE STARCH BUSINESS

To the Directors of Tongaat Hulett Limited
Tongaat Hulett Limited
Amanzimnyama Hill Road
Tongaat
KwaZulu-Natal
4400

Dear Sirs/Madam

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL COMBINED FINANCIAL INFORMATION AND THE HISTORICAL COMBINED INTERIM FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

At your request and for the purpose of the Tongaat Hulett Limited ("**the Company**") Circular to be dated on or about Friday, 8 May 2020, we have:

- audited the historical combined financial information of the Starch Business ("**the Business**") in respect of the year ended 31 March 2019 as presented in Annexure 4 to the circular dated 8 May 2020 ("**the Circular**");
- we have reviewed the historical combined financial information of the Business in respect of the year ended 31 March 2018 and the statement of financial position as at 31 March 2017 as presented in Annexure 4 to the Circular; and
- we have reviewed the interim historical combined financial information of the Business for the 6 (six) month period ended 30 September 2019 as presented in Annexure 5 to the Circular.

Historical Combined Financial Information for the year ended 31 March 2019

Opinion

The historical combined financial information in respect of the year ended 31 March 2019 as presented in Annexure 4 to the Circular comprises the combined statement of financial position as at 31 March 2019, and the combined statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the historical combined financial information, including a summary of significant accounting policies.

In our opinion, the historical combined financial information presents fairly, in all material respects, the combined statement of financial position of the Business as at 31 March 2019, and its combined statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Business in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants'

International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

We draw attention to note 1.1 to the historical combined financial information for the year ended 31 March 2019, which describes the basis of preparation of the historical combined financial information and further describes that the Business has not operated as a separate entity. As a result, the historical combined financial information is not necessarily indicative of results that would have occurred if the Business had been a stand-alone entity during the periods presented, and may not be suitable for a purpose other than the Circular. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Historical Combined Financial Information

The Company's directors are responsible for the preparation and fair presentation of the historical combined financial information for the year ended 31 March 2019 in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies, and for such internal control as the directors determine is necessary to enable the preparation of historical combined financial information that is free from material misstatement, whether due to fraud or error.

In preparing the historical combined financial information, the directors are responsible for assessing the Business' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Business or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Historical Combined Financial Information for the year ended 31 March 2019

Our objectives are to obtain reasonable assurance about whether the historical combined financial information for the year ended 31 March 2019, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the historical combined financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the historical combined financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Business' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the historical combined financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Business to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of historical combined financial information, including the disclosures, and whether the historical combined financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Historical Combined Financial Information for the years ended 31 March 2018 and 31 March 2017

We have reviewed the historical combined financial information of the Business in respect of the years ended 31 March 2018 and 31 March 2017 set out in Annexure 4 to the Circular, comprising the combined statements of financial position for the years ended 31 March 2018 and 31 March 2017, and the combined statement of comprehensive income for the year ended 31 March 2018, changes in equity and cash flows for the year ended 31 March 2018, including a summary of significant accounting policies and selected explanatory notes for the year ended 31 March 2018.

Directors' Responsibility for the Historical Combined Financial Information

The Company's directors are responsible for the preparation and fair presentation of the historical combined financial information in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies, and for such internal control as the directors determine is necessary to enable the preparation of historical combined financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Reviews of the Historical Combined Financial Information for the years ended 31 March 2018 and 31 March 2017

Our responsibility is to express a conclusion on the historical combined financial information for the years ended 31 March 2018 and 31 March 2017. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410), which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the historical combined financial information is not prepared, in all material respects, in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies. This standard also requires us to comply with relevant ethical requirements.

A review of the historical combined financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of the directors and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical combined financial information.

Conclusion on the Historical Combined Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the historical combined financial information of the Business for the years ended 31 March 2018 and 31 March 2017 do not present fairly, in all material respects, the combined financial positions of the Business as at 31 March 2018 and 31 March 2017, and its combined financial performance and combined cash flows for the year ended 31 March 2018, in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies.

Emphasis of Matter – Basis of Preparation

We draw attention to note 1.1 to the historical combined financial information for the year ended 31 March 2018 and 31 March 2017, which describes the basis of preparation of the historical combined financial information and further describes that the Business has not operated as a separate entity. As a result, the historical combined financial information is not necessarily indicative of results that would have occurred if the Business had been a stand-alone entity during the periods presented, and may not be suitable for a purpose other than the circular. Our opinion is not modified in respect of this matter.

We draw attention to note 1.1 to the historical combined financial information for the year ended 31 March 2017, which describes that dispensation has been provided by the JSE to present a statement of financial position as at 31 March 2017 only. A statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for, and related notes for the year ended 31 March 2017 have not been presented in respect of the Business. Our opinion is not modified in respect of this matter.

Interim Historical Combined Financial Information for the 6 (six) month period ended 30 September 2019

We have reviewed the condensed interim historical combined financial information of the Business, as presented in Annexure 5 to the Circular, which comprise the condensed combined statement of financial position as at 30 September 2019 and the condensed combined statements of comprehensive income, changes in equity and cash flows for the 6 (six) month period then ended, including a summary of significant accounting policies and selected explanatory notes.

Directors' Responsibility for the Interim Historical Combined Financial Information

The Company's directors are responsible for the preparation and presentation of this interim historical combined financial information in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies, and for such internal control as the directors determine is necessary to enable the preparation of interim historical combined financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Interim Historical Combined Financial Information for the 6 (six) month period ended 30 September 2019

Our responsibility is to express a conclusion on the interim historical combined financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the combined interim historical financial information are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim historical combined financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim historical combined financial information of the Business for the 6 (six) month period ended 30 September 2019 is not prepared, in all material respects, in accordance with the basis of preparation paragraph in note 1.1 of the accounting policies.

Emphasis of Matter – Basis of Preparation

We draw attention to note 1.1 to the interim condensed historical combined financial information for the 6 (six) month period ended 30 September 2019, which describes the basis of preparation of the historical combined financial information and further describes that the Business has not operated as a separate entity. As a result, the historical combined financial information is not necessarily indicative of results that would have occurred if the Business had been a stand-alone entity during the periods presented, and may not be suitable for a purpose other than the circular. Our opinion is not modified in respect of this matter.

In addition, we draw attention to note 1.1 to the interim condensed historical combined financial information for the 6 (six) month period ended 30 September 2019, which details that no comparative information has been presented in accordance with paragraph 8.7 of the JSE Listings Requirements. Our conclusion is not modified in respect of this matter.

Purpose of the report

The purpose of our report is for the Circular of the Company and is not to be used for any other purpose.

Deloitte & Touche
Registered Auditor
Per: R Redfearn
Partner

23 April 2020

Deloitte & Touche
Deloitte Place
2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
Durban
4051
South Africa

THL ABRIDGED SUMMARISED AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH 2019 AND 31 MARCH 2018, AND THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

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)	(1 712)
Non-controlling interests		(230)	(40)
		(3 549)	**(1 753)**
Loss per share [cents]	9		
Basic and Diluted Earnings		(948)	(1 054)

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 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)**

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

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
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 THE END OF THE YEAR		**962**	**2 723**

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
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 requirements of the Companies Act of South Africa 2008, as amended, and as a minimum contain the information required by *IAS 34: 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 (ten billion five hundred and forty four million Rand) at 31 March 2017.

BASIS OF PREPARATION (continued)

Going concern (continued)

- The Group reported a net loss of R793 million (seven hundred and ninety three million Rand) 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 (seventeen billion nine hundred and eighty five million Rand) exceed the book values of total assets of R15 033 million (fifteen billion thirty three million Rand) at 31 March 2019, the fair values of the total assets of the entities exceed 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 (fifteen billion five hundred and forty six million Rand) exceeded its current assets of R7 899 million (seven billion eight hundred and ninety nine million Rand) 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.

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 (twelve) 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;

BASIS OF PREPARATION (continued)

Going concern (continued)

- 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 (twelve) to 18 (eighteen) 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 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.

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% (seventy five percent) 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 (eight billion one hundred million Rand) through the sale of assets and/or an equity capital raise. A significant portion of the R8.1 billion (eight billion one hundred million Rand) 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 (eight billion one hundred million Rand) 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:

BASIS OF PREPARATION (continued)

Going concern (continued)

<table>
<tr><th>Payment test date</th><th>Debt Reduction amount (cumulative)</th><th>Plans to achieve the repayment milestones</th></tr>
<tr><td>30 June 2020, based on a signature date of 30 November 2019</td><td>R0.5bn</td><td>This milestone is likely to be achieved well ahead of time due to the disposal of the Groups 51% (fifty one percent) interest in Tongaat Hulett Namibia (“THN”) which was signed on 18 November 2019 and which is expected to result in gross proceeds of R112 million (one hundred and twelve million Rand). In addition, the liquidation of the Tongaat Hulett Pension Fund is well advanced and proceeds of R500 million (five hundred million Rand) are expected before 30 June 2020.</td></tr>
<tr><td>30 September 2020, based on a signature date of 31 March 2020</td><td>R4.0bn</td><td>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.</td></tr>
<tr><td>31 December 2020, based on a signature date of 30 June 2020</td><td>R6.0bn</td><td rowspan="2">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.</td></tr>
<tr><td>31 March 2021, based on a signature date of 30 September 2020</td><td>R8.1bn</td></tr>
</table>

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 (fourteen) days of the test date and the Group does not implement the equity capital raise within 60 (sixty) days of the 14 (fourteen) day period.
- The Group undertakes any equity capital raise and within 40 (forty) days does not receive acceptances or underwriter’s undertakings to participate in such an equity capital raise that would render proceeds of at least R1.0 billion (one billion Rand).
- 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 (thirty) days.
- An audit qualification save for any going concern qualification or modification recorded in the restated financial statements.

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 R4.0 billion (four billion Rand) will be required. Notwithstanding 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.

BASIS OF PREPARATION (continued)

Going concern (continued)

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 (fifteen million United States Dollars) 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.

It is unlikely that any material claims will be payable within the next 12 (twelve) to 18 (eighteen) 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 (twelve) to 18 (eighteen) 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 provided 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. **RESTATEMENTS (continued)**

1.1 **PRIOR PERIOD ERRORS (continued)**

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.

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% (fifty percent) 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.

1. **RESTATEMENTS (continued)**

1.1 **PRIOR PERIOD ERRORS (continued)**

1.1.1 **Revenue recognition and other income (continued)**

b. **Sale of sugar (continued)**

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.

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% (eighty eight percent) and 10% (ten percent) respectively. Despite the low economic participation (usually 2% (two percent)), 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.

1. **RESTATEMENTS (continued)**

1.1 **PRIOR PERIOD ERRORS (continued)**

1.1.2 **Cane assets (continued)**

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 they were 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.

Project costs

Over the years, the Group commenced 15 (fifteen) projects of which 11 (eleven) were ongoing and 4 (four) were completed. Costs were capitalised on the basis that they would result in future 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.

1. **RESTATEMENTS (continued)**

1.1 **PRIOR PERIOD ERRORS (continued)**

1.1.3 **Cost capitalisation (continued)**

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 CGU 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.

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.

1. **RESTATEMENTS (continued)**

1.1 **PRIOR PERIOD ERRORS (continued)**

1.1.5 **Other items including reclassifications (continued)**

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.

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:

1. **RESTATEMENTS (continued)**

1.2 **ADOPTION OF NEW ACCOUNTING STANDARDS (continued)**

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.

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 (fourteen) days in the South African Sugar operations and 30 (thirty) 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 R27 million (twenty seven million Rand), 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**
Segment revenue	**4 469**	**1 362**	**5 679**	**1 320**	**12 830**
External customers	4 362	1 362	5 077	1 320	12 121
Inter-segment	107	–	602	–	709
Profit from operations	1 201	(471)	(482)	98	346
Depreciation and amortisation	228	96	186	16	526
EBITDA[2]	**1 429**	**(375)**	**(296)**	**114**	**872**
Non-trading items – loss/(profit)	(247)	219	21	–	(7)
Fair value adjustments to biological assets	(536)	120	(46)	(8)	(470)
Adjusted EBITDA[3]	**646**	**(36)**	**(321)**	**106**	**395**
Segment assets[4]	**3 132**	**2 692**	**3 076**	**340**	**9 240**
Capital expenditure[5]	**201**	**632**	**237**	**12**	**1 082**
Expansion	–	496	112	–	608
Replacement and core	201	127	97	12	437
Intangibles	–	9	28	–	37

Starch Operations	Property	Corporate	Inter-segment/ Unallocated	Total
4 008	**940**	**–**	**(709)**	**17 069**
4 008	940	–	–	17 069
–	–	–	(709)	–
656	273	(68)	–	1 207
121	6	–	–	653
777	**279**	**(68)**	**–**	**1 860**
–	–	–	–	(7)
–	–	–	–	(470)
777	**279**	**(68)**	**–**	**1 383**
1 901	**1 740**	**17**	**–**	**12 898**
44	**–**	**–**	**–**	**1 126**
–	–	–	–	608
44	–	–	–	481
–	–	–	–	37

2. SEGMENTAL REPORTING (continued)

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

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.

Starch Operations	Property	Corporate	Inter-segment/ Unallocated	Total
3 913	**487**	**–**	**(584)**	**17 505**
3 913	487	–	–	17 505
–	–	–	(584)	–
568	**135**	**(124)**	**–**	**142**
106	1	–	–	585
674	**136**	**(124)**	**–**	**727**
–	–	–	–	354
–	–	–	–	(45)
674	**136**	**(124)**	**–**	**1 036**
2 201	**1 715**	**20**	**–**	**14 674**
154	**4**	**–**	**–**	**1 400**
1	–	–	–	432
86	4	–	–	823
67	–	–	–	145

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

R'million	South Africa	Mozambique	Zimbabwe	Other SADC	Other	Total
2019						
Revenue	8 371	1 964	3 620	1 277	1 837	17 069
2018						
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 (four hundred and seventy million Rand) (2018: loss of R45 million (forty five million Rand)) 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)

3. **BIOLOGICAL ASSETS (continued)**

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% (three percent) lower than the assumed yield resulting in a R27 million (twenty seven million Rand) 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 (twenty four million Rand) relating to the outstanding purchase consideration from the sale of land where legal ownership of the property has transferred 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 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 (thirty) days passed due represent less than 1% (one percent) of the trade debtors balance and accordingly the allowance relates to non-performing debtors where the amount is outstanding for more than 30 (thirty) 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 credit losses have 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 determining the expected credit loss Zimbabwe has applied the following expected credit loss rate based on past due status: current (0.5% (zero point five percent)); 30 (thirty) days past due (5% (five percent)); 60 (sixty) days past due (10% (ten percent)) and 90 (ninety) days past due (39% (thirty nine percent)).

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 2019	Provision for Development Expenditure 2018 Restated	Other Provisions 2019	Other Provisions 2018 Restated	Total 2019	Total 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% (twenty three percent) (R302 million (three hundred and two million Rand)) of the provision as at 31 March 2019 will be unwound during the next reporting period with the remaining 77% (seventy-seven percent) (R1 billion (one billion Rand)) 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. BORROWING

R'million	Currency	Interest Rate %	2019	2018 Restated
Borrowings in functional currency				
Secured borrowings at amortised cost				
Other short-term	MT	12.80% to 17.00%	638	38
Other – Trade finance	RTGS		–	809
Other – Trade finance	ZAR	0.00% to 8.50%	628	842
Unsecured borrowings at amortised cost				
Term loans	ZAR	3 month JIBAR plus 2.00% to 3.05%	3 230	3 230
Bonds	ZAR	3 month JIBAR plus 2.60% to 2.85%	1 100	1 270
Development finance	ZAR	3 month JIBAR plus 0.50% to 2.70%	662	662
General short-term	ZAR	8.25% to 10.25%	3 861	3 826
Other short-term	MT	14.00% to 16.00%	518	–
Other short-term	RTGS	6.50% 7.50%	92	–
Other – Trade finance	ZAR	0.00% to 10.25%	357	427
Other	ZAR	8.75% to 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% to 6.63%	245	20
			303	128
Finance lease liabilities	ZAR	10.27% to 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 (one billion six hundred million Rand) (2018: R438 million (four hundred and thirty eight million Rand)) are encumbered as security for the long-term borrowings and certain short-term borrowings totalling R635 million (six hundred and thirty five million Rand) (2018: R148 million (one hundred and forty eight million Rand)).

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 14 – 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 14 – 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	**5 078**	5 518
Sugar sales	**4 068**	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 and other SADC operations	**2 682**	3 186
Sugar sales	**2 625**	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.

	2019		2018 Restated	
R'million	%	R	%	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
Loss per share		
Basic and Diluted	**(948)**	(1 054)
Headline loss per share		
Basic and diluted	**(823)**	(861)

The Group has potential ordinary shares held in the employee share option plan and management share option plan that have not vested or are unallocated, in addition to contingently issuable shares held by employees in terms of employee incentive schemes which are anti-dilutive for the years ended 31 March 2018 and 31 March 2019. The diluted loss per share and diluted headline loss per share have therefore been calculated based on the weighted average number of shares in issue.

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 14 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); and

(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 AND 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 5 (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 its 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 (twelve) 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).

14. **EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)**

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 Outstandings); * **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.			

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 (three times) * 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 (two point five times) **Event of Default** * Parties fail to reach an agreement regarding the proposed financial covenant remediation within 14 (fourteen) days following the Discussions Circumstances Meeting or the borrower fails to comply with the agreed proposed financial remediation within 14 (fourteen) 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 (three point five times)

14. **EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)**

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 (eight billion one hundred million Rand) 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% (fifty one percent) stake in Tongaat Hulett Namibia (THN). The disposal, whilst subject to certain conditions, is expected to result in gross proceeds of R112 million (one hundred and twelve million Rand) 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 (five hundred million Rand) 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 (twenty five million one hundred thousand) 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

14. **EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)**

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% (one hundred and seventy five point six six percent). 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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

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

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

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD

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

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

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

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

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

TONGAAT HULETT LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

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

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

TONGAAT HULETT LIMITED

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

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

BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements of Tongaat Hulett Limited ("**Tongaat Hulett**" or the "**Company**"), together with its subsidiaries ("**the Group**") for the 6 (six) months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, 2008, as amended, and the JSE Limited Listings Requirements.

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

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

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

Going concern

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

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

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

BASIS OF PREPARATION (continued)

Going concern (continued)

The Group has reported a net loss of R199 million (one hundred and ninety nine million Rand) for the 6 (six) months ended 30 September 2019. The Group's current liabilities of R18 billion (eighteen billion Rand) exceeded its current assets of R9 billion (nine billion Rand) at 30 September 2019 and its total liabilities of R21 billion (twenty one billion Rand) exceeded its total assets of R17 billion (seventeen billion Rand) at 30 September 2019.

IAS 29 Financial Reporting in Hyperinflationary Economies

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

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

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

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

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

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

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

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

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

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

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

The following general price indices and conversion factors were applied:

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

The average conversion factor for the 6 (six) months to 30 September 2019 was 1.705.

Footnote:

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

1. **ADOPTION OF ACCOUNTING STANDARDS**

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

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

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

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

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied on 1 April 2019 ranged from 11.83% (eleven point eight three percent) to 12.45% (twelve point four five percent) in South Africa, 11.83% (eleven point eight three percent) to 13.22% (thirteen point two two percent) for Rand denominated leases in Mozambique and 14.48% (fourteen point four eight percent) to 15.69% (fifteen point six nine percent) for those in Metical denominated leases in Mozambique.

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

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

Practical expedients applied

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

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

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

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

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

1. **ADOPTION OF ACCOUNTING STANDARDS (continued)**

1.1 **Adoption of IFRS 16 *Leases* ("IFRS 16") (continued)**

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

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

Earnings per share decreased by 5 (five) cents per share for the 6 (six) months to 30 September 2019 as a result of the adoption of IFRS 16.

Accounting for the Group's leasing activities

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

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

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

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

The Group recognises the following leases on a straight-line basis in profit or loss:

– short-term leases – leases with a term of 12 (twelve) months or less;
– low-value leases – which comprise of office equipment.

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

Critical estimates and judgements

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

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

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

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

1. ADOPTION OF ACCOUNTING STANDARDS (continued)

1.1 Adoption of IFRS 16 *Leases* (“IFRS 16”) (continued)

Incremental borrowing rate used

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

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

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

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

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

2. **SEGMENTAL REPORTING**

Overview

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

The following reportable segments have been identified:

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

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

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

Business segments

6 (six) months ended 30 September 2019 (Unaudited)	**Sugar Operations**			
R'million	**South Africa**	**Mozambique**	**Other SADC[1]**	**Total Sugar Operations – excluding Zimbabwe**
Segment revenue	**2 662**	**909**	**778**	**4 349**
External customers	2 295	909	778	3 982
Inter-segment	367	–	–	367
Profit from operations	**(283)**	**122**	**88**	**(73)**
Depreciation and amortisation	89	100	8	197
EBITDA[2]	**(194)**	**222**	**96**	**124**
Non-trading items – loss/(profit)	6	(1)	–	5
Fair value adjustments to biological assets	30	59	33	122
Adjusted EBITDA[3]	**(158)**	**280**	**129**	**251**
Segment assets[4]	**3 902**	**3 074**	**445**	**7 421**
Capital expenditure[5]	**11**	**57**	**7**	**75**
Expansion	–	36	–	36
Replacement and core	10	21	7	38
Intangibles	1	–	–	1

Sugar Operations						
Zimbabwe	**Total Sugar Operations**	**Starch Operations**	**Property**	**Corporate**	**Inter-segment/ Unallocated**	**Total**
1 600	**5 949**	**2 101**	**425**	**–**	**(390)**	**8 085**
1 577	5 559	2 101	425	–	–	8 085
23	390	–	–	–	(390)	–
928	**855**	**305**	**243**	**(125)**	**–**	**1 278**
50	247	61	–	–	–	308
978	**1 102**	**366**	**243**	**(125)**	**–**	**1 586**
–	5	–	–	–	–	5
(261)	(139)	–	–	–	–	(139)
717	**968**	**366**	**243**	**(125)**	**–**	**1 452**
3 099	**10 520**	**2 203**	**1 808**	**32**	**–**	**14 563**
20	**95**	**26**	**–**	**9**	**–**	**130**
–	36	–	–	–	–	36
20	58	26	–	9	–	93
–	1	–	–	–	–	1

2. **SEGMENTAL REPORTING**

Business segments (continued)

6 (six) months ended 30 September 2018
Restated (Unaudited)

R'million	South Africa	Mozambique	Other SADC[1]	Total Sugar Operations – excluding Zimbabwe
	Sugar Operations			
Segment revenue	2 611	676	696	3 983
External customers	2 337	676	696	3 709
Inter-segment	274	–	–	274
Profit from operations	(121)	(211)	94	(238)
Depreciation and amortisation	95	48	8	151
EBITDA[2]	(26)	(163)	102	(87)
Non-trading items – loss/(profit)	–	3	–	3
Fair value adjustments to biological assets	(5)	123	20	138
Adjusted EBITDA[3]	(31)	(37)	122	54
Segment assets[4]	4 063	3 046	440	7 549
Capital expenditure[5]	110	401	8	519
Expansion	13	334	–	347
Replacement and core	91	64	8	163
Intangibles	6	3	–	9

Notes:

1. *Other SADC operations include a sugarcane estate in eSwatini and distribution operations in Botswana and Namibia.*
2. *EBITDA represented profit from operations adjusted to exclude depreciation and amortisation.*
3. *Adjusted EBITDA is defined as EBITDA adjusted to exclude any impairment (or reversal thereof), any non-trading items as well as any fair value adjustments related to biological assets.*
4. *Segment assets represent total assets, adjusted for deferred tax, long-term receivables, investments, current tax assets and derivatives financial instruments.*
5. *Capital expenditure comprises additions of property, plant and equipment (including cane roots) as well as intangible assets.*

Sugar Operations						
Zimbabwe	Total Sugar Operations	Starch Operations	Property	Corporate	Inter-segment/ Unallocated	Total
2 589	6 572	1 871	92	–	(328)	8 207
2 535	6 244	1 871	92	–	–	8 207
54	328	–	–	–	(328)	–
306	68	305	(6)	(52)	–	315
182	333	54	1	–	–	388
488	401	359	(5)	(52)	–	703
62	65	–	–	–	–	65
186	324	–	–	–	–	324
736	790	359	(5)	(52)	–	1 092
6 314	13 863	2 347	1 833	16	–	18 059
169	688	39	–	–	–	727
–	347	–	–	–	–	347
169	332	39	–	–	–	371
–	9	–	–	–	–	9

2. **SEGMENTAL REPORTING**

Seasonality effects on operating segments

Sugar

The financial results of the sugar operations, being largely agricultural in nature, are significantly affected by seasonality. The financial results of a complete season, which include sugarcane cultivation, harvesting, milling and refining activities, are captured in the 12 (twelve) month results to 31 March. Due to this seasonality, there are a number of factors that can impact period-on-period comparability of the financial results presented in the interim financial statements, including:

- In terms of various sugar industry agreements, certain cash payments and receipts occurring during the season are derived from the expected production tonnages, estimated sales volumes into different markets, and prices to be achieved for the season as a whole. The effect of this is that sugar sales proceeds received and sugarcane prices paid (i.e. sucrose or sugarcane) may be provisional in nature until the conclusion of the season.
- The timing of when the sugar season commences, or any other delay in the season (e.g. industrial action, heavy rainfall) can affect the production volumes recorded in the interim reporting period and create period-on-period timing differences that may not be indicative of underlying operational or financial performance.
- At the end of an interim reporting period, the quantity of sugar stock designated for sale into low-priced export markets may vary considerably and necessitate an adjustment of this stock to its net realisable value.
- A sugar mill operates for approximately nine months of the year and has to produce sufficient stocks to be sold into the market over 12 (twelve) months. As a consequence, the working capital requirements to fund the build-up of inventory peak between September and December. In addition, during the 3 (three) month shutdown a significant amount of maintenance is carried out to restore the plant and machinery to its condition at the beginning of the season.
- Biological assets are influenced by the age profile of standing cane with an increase in age towards the end of the financial year due to harvesting in the earlier part of the season.

Starch

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

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

3. BORROWINGS

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

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

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

4. **REVENUE**

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

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

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

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

5. **TAXATION**

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

The effective tax rate for the 6 (six) months ended 30 September 2019 was 441.7% (four hundred and forty one point seven percent) (September 2018: 19.3% (nineteen point three percent)). The higher effective tax rate is mainly due to a deferred tax asset not being recognised on tax losses where, given that the Group has estimated tax losses in excess of R5.097 billion (five billion and ninety seven million Rand), there is uncertainty whether the tax loss will be utilised within the next 3 (three) years. The non-taxable net monetary loss of R329 million (three hundred and twenty nine million Rand) has further contributed to the increased effective tax rate.

6. **LOSS PER SHARE AND HEADLINE LOSS PER SHARE**

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

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

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

6. **LOSS PER SHARE AND HEADLINE LOSS PER SHARE (continued)**

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

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

7. **CAPITAL MANAGEMENT**

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

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

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

8. **FINANCIAL INSTRUMENTS**

Accounting classifications and fair values

The Group's activities expose it to a variety of financial risks, including:

(a) capital risk;

(b) credit risk;

(c) market risk (including foreign currency risk, commodity price risk and interest rate risk); and

(d) liquidity risk.

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

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

Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. **FINANCIAL INSTRUMENTS (continued)**

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

* *The fair value of these instruments approximates their carrying value, due to their short-term nature.*

** *The carrying value of cash is considered to reflect its fair value.*

*** *Since the borrowings have been classified as current, the fair value thereof approximates the carrying value as they are repayable on demand.*

9. **RELATED PARTY TRANSACTIONS**

During the year Tongaat Hulett, in the ordinary course of business, entered into various related party sales, purchases and investment transactions. These transactions occurred under terms that are no less favourable than those arranged with third parties. Intra-group transactions with subsidiaries are eliminated on consolidation.

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

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

10. **REPORTING ON THE ZIMBABWEAN OPERATIONS**

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

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

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended

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

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

10. REPORTING ON THE ZIMBABWEAN OPERATIONS (continued)

STATEMENT OF FINANCIAL POSITION

as at

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

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

11. **RESTATEMENTS**

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

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

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

R'million	**30 September 2018 Previously Reported (Unaudited)**	**Restatements**	**30 September 2018 (Unaudited)**
ASSETS			
Non-current assets			
Property, plant and equipment	15 906	(8 581)	7 325
Goodwill	407	(361)	46
Other non-current assets	1 194	582	1 776
Total non-current assets	**17 507**	**(8 360)**	**9 147**
Current assets			
Inventories	6 886	(261)	6 625
Biological assets	2 290	(771)	1 519
Trade and other receivables	5 092	(3 101)	1 991
Other current assets	42	15	57
Cash and cash equivalents	2 908	286	3 194
	17 218	**(3 832)**	**13 386**
Assets classified as held for sale		107	107
Total current assets	**17 218**	**(3 725)**	**13 493**
TOTAL ASSETS	**34 725**	**(12 085)**	**22 640**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	135	–	135
Share premium	1 544	–	1 544
BEE held consolidation shares	(635)	–	(635)
Accumulated profit/(losses)	9 064	(11 943)	(2 879)
Other reserves	1 763	(117)	1 646
Total equity attributable to owners of Tongaat Hulett Limited	**11 871**	**(12 060)**	**(189)**
Non-controlling interests	2 197	(1 122)	1 075
Total Equity	**14 068**	**(13 182)**	**886**
Non-current liabilities			
Deferred tax liabilities	2 324	(1 493)	831
Borrowings	5 023	(5 023)	–
Provisions and other non-current liabilities	843	1 077	1 920
Total non-current liabilities	**8 190**	**(5 439)**	**2 751**
Current liabilities			
Borrowings	5 639	6 949	12 588
Trade and other payables	6 099	(670)	5 420
Provisions and other current liabilities	729	230	959
	12 467	**6 509**	**18 976**
Liabilities directly associated with assets classified as held for sale	–	27	27
Total current liabilities	**12 467**	**6 536**	**19 003**
TOTAL EQUITY AND LIABILITIES	**34 725**	**(12 085)**	**22 640**

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

11. **RESTATEMENTS (continued)**

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

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

12. **EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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

Turnaround plan

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

Mozambique debt

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

South African debt

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

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

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

Disposal of core and non-core assets

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

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

Pension fund employer surplus account

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

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

Uzinzo transaction

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

Governance changes

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

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

Regulatory investigations

The investigation by the FSCA relating to the potential contravention of Section 81 of the Financial Markets Act, is pending. The Group continues to cooperate with enquiries from other regulators, such as the JSE Limited.

MATERIAL LOANS

THL New SA Facilities

On 9 December 2019, THL finalised the refinancing of its existing debt facilities and entered into two senior term-loans (i.e. Facility A and Facility D), two senior revolving credit facilities (i.e. Facility B and Facility C) and two overdraft facilities ("**New SA Facilities**") on new commercial terms including the provision of security. On 10 March 2020, all the suspensive conditions related to the refinancing agreements were fulfilled and the refinancing agreements came into effect.

The New SA Facilities are governed by a Common Terms Agreement ("**CTA**") concluded between THL and the THL Lenders such that each individual lender participates in the facilities on the same commercial terms as the other lenders and has the same rights and obligations as it pertains to each of the facilities. The CTA makes provision for four new facilities (i.e. Facilities A, B, C and D) and the underlying exposures of each individual lender to these facilities is managed by an appointed facility agent. The THL Lenders are bound by an inter-creditor agreement that governs their relationship.

Details of the refinance facilities are provided below:

Facility A

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
ABSA Bank Limited	ZAR 990 660 386	ZAR 990 660 386	Facility A was borrowed to partially discharge THL's indebtedness under existing term-loan facilities and revolving credit facilities.	JIBAR (1 month or 3 month) plus 4.60% (four point six percent) inclusive of the three interest rate step downs achieved to date. *Refer to Note A1*	*Refer to Note A2*	31 March 2021 *Refer to Note A3*	None
The Standard Bank of South Africa Limited *(acting through its Corporate and Investment Banking division)*	ZAR 2 299 747 325	ZAR 2 299 747 325					
FirstRand Bank Limited *(acting through its Rand Merchant Bank division)*	ZAR 1 436 457 561	ZAR 1 436 457 561					
Investec Bank Limited *(acting through its Corporate and Institutional Banking division)*	ZAR 353 807 280	ZAR 353 807 280					
Investec Bank Limited *(acting through its Investment Banking Division: Corporate Solutions)*	ZAR 353 807 280	ZAR 353 807 280					
Nedbank Limited	ZAR 1 662 894 219	ZAR 1 662 894 219					

Facility A (continued)

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
The Land and Agricultural Development Bank of South Africa	ZAR 633 445 825	ZAR 633 445 825					
Sanlam Life Insurance Limited *(acting through its Sanlam Capital Markets division)*	ZAR 265 052 105	ZAR 265 052 105					
Sanlam Investment Management Proprietary Limited *(acting on behalf of its third-party clients)*	ZAR 229 552 346	ZAR 229 552 346					
Sanlam Life Insurance Limited *(acting through its Sanlam Investment Management division)*	ZAR 117 790 304	ZAR 117 790 304					
Momentum Metropolitan Life Limited	ZAR 153 098 689	ZAR 153 098 689					
Ashburton Fund Managers Proprietary Limited *(acting on behalf of its third-party clients)*	ZAR 95 686 680	ZAR 95 686 680					
Total	**ZAR 8 592 000 000**	**ZAR 8 592 000 000**					

Notes

(A1) THL can elect the base interest rate applicable to the facility to be either 1 month JIBAR or 3 month JIBAR. The applicable margin was determined through a closed bid process and applies consistently to all lenders and is reflective of the THL's credit standing and the specific attributes of the facility as at the date of refinancing the facilities.

The interest settled in cash is the aggregate of JIBAR (1 month or 3 month) plus a margin of 2.7% (two point seven percent). The difference between cash-settled interest and the interest rate on the facility is "rolled-up" to be settled from the proceeds of Debt Reduction Transactions.

For each predetermined signature test date or payment test date achieved, the cumulative interest rate applicable to the facility reduces by approximately 0.38% (zero point three eight percent) (step down). Conversely, if either test date is not achieved the interest rate applicable to the facility increases by approximately 1.00% (one percent) (step up). For every test date previously not achieved which is subsequently achieved, the relevant step up is reversed and a step down is applied to the cumulative interest rate for each of those test dates achieved at the next test date.

(A2) Mortgage bonds registered (or to be registered) over immovable properties owned by THL's South African subsidiaries, excluding certain properties where commercial negotiations had been concluded or were at an advanced stage prior to the refinancing.

General notarial bonds over movable assets of THL's South African businesses.

Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of THL's South African businesses, excluding any of the assets provided in respect of the Starch Facilities ("**Starch Facilities Security**").

The security is first ranking, save in respect of trade debtors, bank accounts, and credit insurances attributable to the Starch Business and ceded in security for the Starch Facilities; and the inventory (being work-in-progress and finished goods not delivered) provided as security for the Starch Facilities (collectively referred to as "**Starch Facilities Security**"). In respect of the Starch Facilities Security, the THL Lenders will be second ranking.

(A3) The facility is required to be repaid by no later than 31 March 2021. No amount repaid may be redrawn. The facility will be repaid from the net proceeds directly or indirectly realised pursuant to (i) the disposal of any immovable property; and/or (ii) the implementation or conclusion of any debt reduction transaction, including any equity capital raise. These debt reduction proceeds that cumulatively total ZAR8 100 000 000 (eight billion one hundred million Rand) must be applied to reduce this facility on or before the predetermined payment test dates. Any balance that remains outstanding at 31 March 2021 will have to be refinanced.

Facility B

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
ABSA Bank Limited	ZAR 348 953 140	ZAR 245 853 350	Facility B was borrowed to partially discharge THL's residual indebtedness under existing term-loan facilities and revolving credit facilities; as well for THL's general corporate and working capital purposes.	JIBAR (1 month or 3 month) plus 5.13% (five point one three percent) inclusive of the three interest rate step downs achieved to date. *Refer to Note B1*	*Refer to Note B2*	31 March 2021 *Refer to Note B3*	None
The Standard Bank of South Africa Limited *(acting through its Corporate and Investment Banking division)*	ZAR 660 069 791	ZAR 465 049 171					
FirstRand Bank Limited *(acting through its Rand Merchant Bank division)*	ZAR 355 982 053	ZAR 250 805 537					
Investec Bank Limited *(acting through its Corporate and Institutional Banking division)*	ZAR 124 626 122	ZAR 87 804 767					
Investec Bank Limited *(acting through its Investment Banking Division: Corporate Solutions)*	ZAR 124 626 122	ZAR 87 804 767					
Nedbank Limited	ZAR 585 742 772	ZAR 412 682 408					
Total	**ZAR 2 200 000 000**	**ZAR 1 550 000 000**					

Notes

(B1) THL can elect the base interest rate applicable to the facility to be either 1 month JIBAR or 3 month JIBAR. The applicable margin was determined through a closed bid process and applies consistently to all lenders and is reflective of the THL's credit standing and the specific attributes of the facility as at the date of refinancing the facilities.

The interest settled in cash is the aggregate of JIBAR (1 month or 3 month) plus a margin of 2.7% (two point seven percent). The difference between cash-settled interest and the interest rate on the facility is "rolled-up" to be settled from the proceeds of debt Reduction Transactions.

For each predetermined signature test date or payment test Date achieved, the cumulative interest rate applicable to the facility reduces by approximately 0.43% (zero point four three percent) (step down). Conversely, if either test date is not achieved the cumulative interest rate applicable to the facility increases by approximately 1.04% (one point zero four percent) (step up). For every test date previously not achieved which is subsequently achieved, the relevant step up is reversed and a step down is applied to the cumulative interest rate for each of those test dates achieved at the next test date.

(B2) Mortgage bonds registered (or to be registered) over immovable properties owned by THL's South African subsidiaries, excluding certain properties where commercial negotiations had been concluded or were at an advanced stage prior to the refinancing.

General notarial bonds over movable assets of THL's South African businesses.

Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of THL's South African businesses, excluding any of the assets provided in respect of the Starch Facilities.

The security is first ranking, save in respect of trade debtors, bank accounts, and credit insurances attributable to the Starch Business and ceded in security for the Starch Facilities; and the inventory (being work-in-progress and finished goods not delivered) provided as security for the Starch Facilities. In respect of the Starch Facilities Security, the THL Lenders will be second ranking.

(B3) The facility is required to be repaid by no later than 31 March 2021. Any balance that remains outstanding at 31 March 2021 will have to be refinanced to ensure the ongoing working capital requirements of the business.

Facility C

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
ABSA Bank Limited	ZAR 72 463 768	ZAR nil	Facility C is a new facility for the working capital requirements of the South African sugar business, specifically for the peak of the seasonal working capital cycle.	JIBAR (1 month or 3 month) 3.97% (three point nine seven percent) inclusive of the three interest rate step down achieved to date. *Refer to Note C1*	*Refer to Note C2*	31 March 2021 *Refer to Note C3*	None
The Standard Bank of South Africa Limited *(acting through its Corporate and Investment Banking division)*	ZAR 168 219 462	ZAR nil					
FirstRand Bank Limited *(acting through its Rand Merchant Bank division)*	ZAR 105 072 464	ZAR nil					
Investec Bank Limited *(acting through its Corporate and Institutional Banking division)*	ZAR 25 879 917	ZAR nil					
Investec Bank Limited *(acting through its Investment Banking Division: Corporate Solutions)*	ZAR 25 879 917	ZAR nil					
Nedbank Limited	ZAR 121 635 611	ZAR nil					
The Land and Agricultural Development Bank of South Africa	ZAR 34 265 010	ZAR nil					
Total	**ZAR 553 416 149**	**ZAR nil**					

Notes

(C1) THL can elect the base interest rate applicable to the facility to be either 1 month JIBAR or 3 month JIBAR. The applicable margin was determined through a closed bid process and applies consistently to all lenders and is reflective of the THL's credit standing and the specific attributes of the facility as at the date of refinancing the facilities.

The interest rate presented above represents that applicable to Facility C prior to its extension by 12 (twelve) months to 31 March 2021. As a condition of the extension, the interest rate will be repriced using the same closed bid process provided above. However, the repriced interest rate had not yet been determined by the Last Practicable Date.

The interest settled in cash is the aggregate of JIBAR (1 month or 3 month) plus a margin of 2.7% (two point seven percent). The difference between cash-settled interest and the interest rate on the facility is "rolled-up" to be settled from the proceeds of Debt Reduction Transactions.

For each predetermined signature test date or payment test date achieved, the cumulative interest rate applicable to the facility reduces by approximately 0.27% (zero point two seven percent) (step down). Conversely, if either test date is not achieved the cumulative interest rate applicable to the facility increases by approximately 1.15% (one point one five percent) (step up). For every test date previously not achieved which is subsequently achieved, the relevant step up is reversed and a step down is applied to the cumulative interest rate for each of those test dates achieved at the next test date.

(C2) Mortgage bonds registered (or to be registered) over immovable properties owned by THL's South African subsidiaries, excluding certain properties where commercial negotiations had been concluded or were at an advanced stage prior to the refinancing.

General notarial bonds over movable assets of THL's South African businesses.

Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of THL's South African businesses, excluding any of the assets provided in respect of the Starch Facilities.

The security is first ranking, save in respect of trade debtors, bank accounts, and credit insurances attributable to the Starch Business and ceded in security for the Starch Facilities; and the inventory (being work-in-progress and finished goods not delivered) provided as security for the Starch Facilities. In respect of the Starch Facilities Security, the THL Lenders will be second ranking.

If an insolvency event occurs (including, without limitation, the filing of a liquidation application or the commencement of business rescue proceedings), then Facility C and Facility D shall rank in priority to Facility A, Facility B, the Overdraft Facilities and the Ancillary Facilities.

(C3) The facility was extended by 12 (twelve) months from 31 March 2020 to 31 March 2021. The facility will be repaid from the proceeds received from South African Sugar Association in connection with its financing of year end sugar stock for the season ending 31 March 2021. These proceeds shall be applied in mandatory prepayment and cancellation of Facility C and Facility D on a *pro rata* and *pari passu* basis.

Facility D

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
Sanlam Life Insurance Limited *(acting through its Sanlam Capital Markets division)*	ZAR 19 681 677	ZAR nil	Facility D is a new facility for the working capital requirements of the South African sugar business, specifically for the peak of the seasonal working capital cycle.	JIBAR (1 month or 3 month) plus 3.55% (three point five five percent) inclusive of the three interest rate step downs achieved to date. *Refer to Note D1*	*Refer to Note D2*	31 March 2021 *Refer to Note D3*	None
Sanlam Investment Management Proprietary Limited *(acting on behalf of its third-party clients)*	ZAR 6 371 636	ZAR nil					
Sanlam Life Insurance Limited *(acting through its Sanlam Investment Management division)*	ZAR 7 072 981	ZAR nil					
Momentum Metropolitan Life Limited	ZAR 8 281 574	ZAR nil					
Ashburton Fund Managers Proprietary Limited *(acting on behalf of its third-party clients)*	ZAR 5 175 983	ZAR nil					
Total	**ZAR 46 583 851**	**ZAR nil**					

Notes

(D1) THL can elect the base interest rate applicable to the facility to be either 1 month JIBAR or 3 month JIBAR. The applicable margin was determined through a closed bid process and applies consistently to all lenders and is reflective of the THL's credit standing and the specific attributes of the facility as at the date of refinancing the facilities.

The interest rate presented above represents that applicable to Facility D prior to its extension by 12 (twelve) months to 31 March 2021. As a condition of the extension, the interest rate will be repriced using the same process provided above. However, the repriced interest rate had not yet been determined by the Last Practicable Date.

The interest settled in cash is the aggregate of JIBAR (1 month or 3 month) plus a margin of 2.7% (two point seven percent). The difference between cash-settled interest and the interest rate on the facility is "rolled-up" to be settled from the proceeds of debt Reduction Transactions.

For each predetermined signature test date or payment test Date achieved, the interest rate applicable to the facility reduces by approximately 0.28% (zero point two eight percent). Conversely, if either test date is not achieved the interest rate applicable to the facility increases by approximately 0.98% (zero point nine eight percent) (step up). For every test date previously not achieved which is subsequently achieved, the relevant step up is reversed and a step down is applied to the cumulative interest rate for each of those test dates achieved at the next test date.

(D2) Mortgage bonds registered (or to be registered) over immovable properties owned by THL's South African subsidiaries, excluding certain properties where commercial negotiations had been concluded or were at an advanced stage prior to the refinancing.

General notarial bonds over movable assets of THL's South African businesses.

Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of THL's South African businesses, excluding any of the assets provided in respect of the Starch Facilities.

The security is first ranking, save in respect of trade debtors, bank accounts, and credit insurances attributable to the Starch Business and ceded in security for the Starch Facilities; and the inventory (being work-in-progress and finished goods not delivered) provided as security for the Starch Facilities. In respect of the Starch Facilities Security, the THL Lenders will be second ranking.

If an insolvency event occurs (including, without limitation, the filing of a liquidation application or the commencement of business rescue proceedings), then Facility C and Facility D shall rank in priority to Facility A, Facility B, the Overdraft Facilities and the Ancillary Facilities.

(D3) The facility was extended by 12 (twelve) months from 31 March 2020 to 31 March 2021. The facility will be repaid from the proceeds received from South African Sugar Association in connection with its financing of year end sugar stock for the season ending 31 March 2021. These proceeds shall be applied in mandatory prepayment and cancellation of Facility C and Facility D on a *pro rata* and *pari passu* basis.

THL Overdraft and Ancillary Facilities

General banking facilities

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
The Standard Bank of South Africa Limited *(acting through its Corporate and Investment Banking division)*	ZAR 150 000 000	ZAR nil	General Banking Facilities were borrowed for THL's general corporate and working capital purposes.	Prime lending rate	*Refer to Note E2*	31 March 2021 *Refer to Note E3*	None
FirstRand Bank Limited *(acting through its Rand Merchant Bank division)*	ZAR 150 000 000	ZAR nil		Prime lending rate plus a margin *Refer to Note E1*			
Total	**ZAR 300 000 000**	**ZAR nil**					

Notes

(E1) A margin of 1% (one percent) is applicable to call borrowings while a margin of 2% (two percent) is applicable to overdraft balances.

(E2) The General Banking Facilities to rank *pari passu* with the senior term and senior revolving credit facilities in respect of any proceeds realised from the enforcement of transaction security or pursuant to insolvency, business rescue or any related proceedings.

(E3) The General Banking Facilities are committed until 31 March 2021, at which point the lenders may demand repayment of the facility.

Ancillary facilities

THL Lender	Commitment	Utilised	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
		Refer to Note F1					
ABSA Bank Limited – Forward Exchange Contracts – Guarantees	ZAR 725 000 000	ZAR 340 632 022	As per the original facilities negotiated historically and was not impacted by the refinancing and continues to operate on a bilateral basis.	Refer to note F2	Refer to Note F3	Refer to note F4	None
The Standard Bank of South Africa Limited *(acting through its Corporate and Investment Banking division)* – Credit Cards – Company Corporate Cards – Vehicle and Asset Finance – Fleet Management Services – Guarantees – Documentary Credit Facility – Derivatives Product Trading	ZAR 182 290 000	ZAR 105 117 263					
FirstRand Bank Limited *(acting through its Rand Merchant Bank division)* – Forward Exchange Contracts – Guarantees – Corporate Cards	ZAR 31 000 000	ZAR 26 930 244					
Nedbank Limited – Derivatives	ZAR 25 000 000	ZAR nil					
Total	**ZAR 963 290 000**	**ZAR 472 679 529**					

Notes

(F1) The amounts utilised per the ancillary facilities is the balance owing on 31 March 2020 being the closest month-end to the Last Practicable Date.

(F2) Generally, the bank's usual terms and conditions apply to the ancillary facilities. Interest on short-term loans is determined at the time of advancing the loan. Other facilities such as forward exchange contracts, other derivative products and guarantees are subject to commissions or fees that are agreed at the time of utilisation.

(F3) The Ancillary Facilities (excluding any asset backed facilities) rank *pari passu* with the senior term and senior revolving credit facilities in respect of any proceeds realised from the enforcement of transaction security or pursuant to insolvency, business rescue or any related proceedings, provided that, in respect of any derivate instrument, the contingent liability thereunder will only rank *pari passu* as aforementioned to the extent that the applicable Ancillary Facility lender has entered into ISDA documentation in connection with such derivative instrument.

(F4) Generally, the ancillary facilities are payable on demand. Repayment of any short-term loans is determined at the time of advancing the loan. The duration and/or maturity of guarantee or derivative facilities are agreed at the time of utilisation.

Starch Facilities

A condition of the refinance of the THL facilities was that the two existing Starch Facilities, used to fund maize purchases and working capital, had to be restructured to formalise security arrangements inherent in the existing facilities. The new Starch Facilities will only be drawn down at the start of the maize harvesting season. Consequently, the amount disclosed as utilised reflects the amount per the existing Starch Facilities.

Details of the Starch Facilities are provided below:

Starch Facilities

THL Lender	Commitment	Utilised at 20 April 2020	Origination	Interest	Security	Repayment	Conversion/ Redemption Rights
ABSA Bank Limited	ZAR 1 000 000 000	ZAR 23 597 489	The new Starch Facilities will be used to discharge THL's indebtedness under the Starch Facilities.	*Refer to Note G1*	*Refer to Note G3*	*Refer to Note G5*	None
Nedbank Limited	ZAR 400 000 000	ZAR 11 057 925		*Refer to Note G2*	*Refer to Note G4*	Refer to Note G6	
Total	**ZAR 1 400 000 000**	**ZAR 136 655 414**					

Notes

(G1) The interest rates applicable to the facility are:

- for the Hedging component of the facility the prime lending rate;
- for the Stock Funding component of the facility, the prime lending rate less 2.1% (two point one percent); and
- for the Liquidity Release component of the facility, the prime lending rate plus 3.5% (three point five percent)

(G2) The interest rate applicable to the facility is the prime lending rate.

(G3) First ranking security over:

- cash deposits for the respective hedging positions in a defined ABSA account;
- physical stock transferred to an ABSA Stock folio account at approved maize storers; and
- liquidity release facility for short term sale and repurchases.

The lenders under the Starch Facilities shall have second ranking security over all proceeds of the enforcement of security provided for the New SA Facilities.

(G4) First ranking security over:

- cession of debtors' receivable of the Starch Business;
- pledge and cession of the Standard Bank Collections account for the Starch Business in favour of Nedbank; and
- The amount of any loan advanced against receivables shall not exceed 80% (eighty percent) of the value of eligible receivables.

The lenders under the Starch Facilities shall have second ranking security over all proceeds of the enforcement of security provided for the New SA Facilities.

(G5) The stock funding and hedging facilities are self-liquidating. The stock funding facility is utilised to purchase maize harvested and delivered to various storage facilities. At the same time, the hedging facility is used to enter into a maize future contract to mitigate commodity price risk. As the maize season progresses, maize is drawn from the storage facilities for use in the production of finished goods. The stock funding and hedging facilities related to the maize drawn down must be repaid 5 (five) days before that maize is delivered to the Starch Business. ABSA shall review the continuing provision of the facilities on an annual basis, with the first review scheduled for 31 August 2020.

(G6) When the facility is revolving in nature and its availability subject to an annual credit review process, each individual loan in terms of the facility must be repaid within 120 days (one hundred and twenty days) of being drawn down.

SECTION 115: REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN CHAPTER 5 OF THE COMPANIES ACT

"Section 115: Required approval for transactions contemplated in Part

(1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its Board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless –

(a) the disposal, amalgamation or merger, or scheme of arrangement –

(i) has been approved in terms of this section; or

(ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to –

(i) dispose of all or the greater part of its assets or undertaking;

(ii) amalgamate or merge with another company; or

(iii) implement a Scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)*(b),* or exempted the transaction in terms of section 119(6).

(2) A Disposal contemplated in subsection (1) must be approved –

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if –

(i) the holding company is a company or an external company;

(ii) the Disposal concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

(iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

(c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if–

(a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

(b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights –

(a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution.

(4A) In subsection (4), "act in concert" has the meaning set out in section 117(1)(b).

(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either –

(a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

(b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)*(b)*, the court may grant leave only if it is satisfied that the applicant-

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if –

(a) the resolution is manifestly unfair to any class of holders of the company's securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person –

(a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect –

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding-up, of a company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

SECTION 164: APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

"**Section 164: Dissenting shareholders appraisal rights**

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to-

(a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its Shares in any manner materially adverse to the rights or interests of holders of that class of Shares, as contemplated in section 37(8); or

(b) enter into a transaction contemplated in section 112, 113 or 114,

that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who-

(a) gave the company a written notice of objection in terms of subsection (3); and

(b) has neither –

(i) withdrawn that notice; or

(ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if-

(a) the shareholder –

(i) sent the company a notice of objection, subject to subsection (6); and

(ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;

(b) the company has adopted the resolution contemplated in subsection (2); and

(c) the shareholder-

(i) voted against that resolution; and

(ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within –

(a) 20 business days after receiving a notice under subsection (4); or

(b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state –

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless –

(a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);

(b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within 5 business days after the later of –

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under subsection (11) -

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 business days after it was made.

(13) If a shareholder accepts an offer made under subsection (12) –

(a) the shareholder must either in the case of –

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those Shares to the company or the company's transfer agent; and

(b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and –

(i) tendered the share certificates; or

(ii) directed the transfer to the company of uncertificated shares.

(14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has –

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under subsection (14) –

(a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court –

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

(iii) in its discretion may –

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

(iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(v) must make an order requiring –

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(15A) At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case –

(a) that shareholder must comply with the requirements of subsection 13(a); and

(b) the company must comply with the requirements of subsection 13(b).

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pays its debts as they fall due and payable for the ensuing 12 months –

(a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and

(b) the court may make an order that:

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to –

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent –

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

Tongaat Hulett Limited
(Incorporated in South Africa)
(Registration number 1892/000610/06)
Share code: TON
ISIN ZAE000096541
("**THL**" or the "**Company**")

NOTICE OF GENERAL MEETING OF THL SHAREHOLDERS

NOTICE IS HEREBY GIVEN to THL Shareholders that a general meeting of THL Shareholders will be held electronically **at 10:00 (South African Standard Time) on Friday, 05 June 2020** or such other adjourned or postponed date and time as will be determined and announced in accordance with the provisions of the Companies Act as read with the JSE Listings Requirements.

The General Meeting will be conducted entirely by way of electronic communication and electronic facilities. Shareholders will not be able to physically attend the General Meeting.

Purpose:

The purpose of the General Meeting is to consider and, if deemed fit, to adopt, with or without modification, the resolutions set out hereunder in the manner required by the Companies Act and the JSE Listings Requirements.

The resolutions relate to the "Disposal" (as defined in the Circular to which this Notice of General Meeting is attached and of which it forms part ("**Circular**")). The Circular, which is hereby incorporated into this Notice of General Meeting by reference thereto, sets out a summary of the salient terms and conditions of the Disposal.

Notes:

- The definitions and interpretations commencing on page 9 of the Circular apply throughout this Notice of General Meeting.
- **In terms of section 63(1) of the Companies Act, before any person (including a proxy or representative) may participate in the General Meeting, that person will be required to present reasonably satisfactory identification and the person presiding in the General Meeting must be reasonably satisfied that the right of that person to participate and vote in the General Meeting, either as a Shareholder, or as a proxy for or representative of a Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's license or a valid passport. Shareholders wishing to participate in the General Meeting must e-mail a copy of an acceptable form of identification to the Transfer Secretaries at proxy@computershare.co.za, as provided in the "*Action Required by THL Shareholders*" section of the Circular.**
- Shareholders wishing to participate in the General Meeting must follow the prescribed procedures set forth at the end of this Notice of General Meeting under the title: "*Voting and Proxies*" and in the "*Action required by THL Shareholders*" section of the Circular.

Record Dates:

In terms of section 59(1)(a) and (b) of the Companies Act (and, to the extent relevant, the JSE Listings Requirements), the Board has set the following record dates for the purposes of determining which Shareholders are entitled to:

- receive the Circular and this incorporated Notice of the General Meeting (being the date on which a Shareholder must be registered in the Securities Register in order to receive this Notice of General Meeting), which date is **Thursday, 30 April 2020**; and
- participate and vote in the General Meeting (being the date on which a Shareholder must be registered in the Securities Register in order to participate in and vote in the General Meeting), which date is **Friday, 29 May 2020**.

Special Resolution Number 1 – Approval of the Disposal, pursuant to sections 112 and 115 of the Companies Act

"***Resolved as a special resolution that** the Company be and is hereby authorised to enter into and implement the Disposal, and accordingly that the Disposal be and is hereby approved pursuant to and in terms of sections 112 and 115 of the Companies Act."*

Threshold:

In order for this Special Resolution Number 1 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights exercised on the resolution, in terms of sections 112 and 115 of the Companies Act.

Reason and effect:

The reason for Special Resolution Number 1 is that the Disposal is considered by the Board to constitute a disposal of a greater part of the undertaking of the Company, as contemplated by section 112 of the Companies Act, and as such requires the approval of Shareholders by way of a special resolution, in compliance with section 115 of the Companies Act.

The effect of adopting Special Resolution Number 1 will be that the Company will have obtained the requisite approval of the THL Shareholders for the Disposal as required by sections 112 and 115 of the Companies Act.

Ordinary Resolution Number 1 – Approval of the Disposal, as required by and in terms of the JSE Listings Requirements

"***Resolved as an ordinary resolution that** the Company be and is hereby authorised to enter into and implement the Disposal, and accordingly that the Disposal be and is hereby approved pursuant to and in terms of section 9.20 of the JSE Listings Requirements as a category 1 transaction."*

Threshold:

In order for this Ordinary Resolution Number 1 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights cast on the resolution, in terms of section 9.20 of the JSE Listings Requirements.

Reason and effect:

The reason for Ordinary Resolution Number 1 is that the Disposal is classified by the JSE as a category 1 transaction for the purposes of section 9 of the JSE Listings Requirements, and as such requires the approval of Shareholders by way of an ordinary resolution, in compliance with section 9.20 of the JSE Listings Requirements.

The effect of adopting Ordinary Resolution Number 1 will be that the Company will have obtained the requisite approval of the THL Shareholders for the Disposal as required in terms of section 9.20 of the JSE Listings Requirements.

Special Resolution Number 2 – Revocation of resolution in certain circumstances

*"**Resolved as a special resolution**, in terms of section 164(9) of the Companies Act, that if:*

i. any Suspensive Condition to the Agreement fails (i.e. is neither fulfilled by the latest date allowed for its fulfilment in accordance with the provisions of the Agreement nor waived by that latest date), and the Company makes an announcement on SENS to the effect that (a) a Suspensive Condition has so failed; and (b) the Disposal will no longer be pursued, and the Agreement will not be revived; or

ii. the Agreement is cancelled or terminated in accordance with its provisions, and the Company makes an announcement on SENS to the effect that (a) such cancellation or termination has occurred; and (b) the Disposal will no longer be pursued, and the Agreement will not be revived,

then Special Resolution Number 1 will be revoked (with Ordinary Resolution Number 1 also then being deemed to have been revoked, for the sake of consistency) with effect from the date on which such announcement is made, and accordingly each dissenting Shareholder (if any) as contemplated in terms of sections 164(5) to (8) of the Companies Act which has sent a demand to the Company as contemplated in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its THL Shares, shall cease to have, and be deemed not to have had, any right to be paid the fair value of its THL Shares under section 164 of the Companies Act."

Threshold:

In order for this Special Resolution Number 2 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Reason and effect:

The reason for Special Resolution Number 2 is to obtain the shareholder approval required to revoke dissenting THL Shareholders' rights to payment under section 164 of the Companies Act in certain circumstances set out in the resolution.

The effect of adopting Special Resolution Number 2 will be to revoke a dissenting THL Shareholder's right to payment under section 164 of the Companies Act in such circumstances.

Ordinary Resolution Number 2 – Directors' and Company Secretary's Authority

*"**Resolved as an ordinary resolution that** each Director (acting individually or jointly with other Directors and/or the Company Secretary) and the Company Secretary (acting individually or jointly with any Director/s) be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions, or procure the doing of all such things, the signature of all such documents and the taking of all such actions, as may be necessary or desirable for or incidental to the (i) implementation of the Agreement and the Disposal;* and *(ii) giving effect to the special and ordinary resolutions set out in this Notice of General Meeting, and anything already done in this respect be and is hereby ratified to the fullest extent permitted by law.*"

Threshold:

In order for this Ordinary Resolution Number 2 to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution.

Reason and effect:

The reason for Ordinary Resolution Number 2 is to authorise each Director and the Company Secretary to do all such things as may be necessary or desirable for or incidental to the implementation of the Agreement and the Disposal or the giving effect to of the special and ordinary resolutions set out in this Notice of General Meeting, and to ratify anything already done in this respect to the fullest extent permitted by law.

The effect of adopting Ordinary Resolution Number 2 will be to authorise each Director and the Company Secretary to do all such things as may be necessary or desirable for or incidental to the implementation of the Agreement and the Disposal or the giving effect to of the special and ordinary resolutions set out in this Notice of General Meeting, and to ratify anything already done in this respect to the fullest extent permitted by law.

VOTING AND PROXIES

Certificated Shareholders and Own-Name Dematerialised Shareholders are entitled to appoint a proxy to listen in to, speak during, and vote in the General Meeting in their stead. A proxy need not be a Shareholder. It is requested, for administrative reasons, that Forms of Proxy (blue) be emailed to the Transfer Secretaries at proxy@computershare.co.za so as to be received by the Transfer Secretaries by no later than by 10:00 (South African Standard Time) on Wednesday, 03 June 2020. If Certificated Shareholders or Own-Name Dematerialised Shareholders do not email Forms of Proxy to the Transfer Secretaries to reach the Transfer Secretaries by the time stipulated above, such Shareholders will nevertheless be entitled to email the Form of Proxy (blue) in respect of the General Meeting, in accordance with the instructions therein, to the Transfer Secretaries to be received prior to the commencement of the General Meeting. The Form of Proxy should be attached to the Participation Request.

The Company will offer THL Shareholders (or their representatives or proxies) reasonable access through electronic facilities and a virtual meeting platform to participate in the General Meeting. A THL Shareholder (or its representative or proxy) will, if (and only if) the THL Shareholder requests that access be granted to it (or its representative or proxy) to do so, be able to:

- listen in to, and speak during, and vote in the General Meeting through electronic facilities; and
- vote during the General Meeting through a virtual meeting platform.

THL Shareholders are invited to request such access by sending an email ("**Participation Request**") to the Transfer Secretaries at proxy@computershare.co.za in accordance with the prescribed procedure set forth in the "*Action required by THL Shareholders*" section of the Circular. Following receipt of a Participation Request, and in accordance with the prescribed procedure, the Transfer Secretaries will email the relevant contact link and logon details to the THL Shareholder concerned to enable it (or its representative or proxy) to listen in to, speak during, and vote in, the General Meeting.

Beneficial owners of Dematerialised Shares should contact their CSDP or Broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or Broker:

- to furnish them with their voting instructions; or
- in the event that they wish to listen in to, speak during and/or vote in the General Meeting, or they wish for another person to represent them in the General Meeting, to obtain the necessary letter of representation to do so. Beneficial owners of Dematerialised Shares should ensure that a copy of the letter of representation is attached to the Participation Request.

The above resolutions will be considered by way of a poll. On a poll, every Shareholder participating itself or represented by proxy or by representative and entitled to vote, shall be entitled to cast 1 (one) vote per Share held.

SHAREHOLDER APPRAISAL RIGHTS

Section 164 of the Companies Act regulates Appraisal Rights. Special Resolution Number 1 is the resolution contemplated in section 164(2)(b) (i.e. a resolution to enter into a transaction contemplated in section 112 of the Companies Act). Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, by reason of the Company giving this Notice of General Meeting to consider adopting Special Resolution Number 1, are required to give written notice to the Company prior to Special Resolution Number 1 being voted on, objecting to Special Resolution Number 1. In this regard, THL Shareholders are referred to Annexure 11 of the Circular.

By order of the Board

TONGAAT HULETT LIMITED

J van Rooyen
Company Secretary
8 May 2020

Amanzimnyama
Tongaat, KwaZulu-Natal

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196, South Africa
(Private Bag X9000, Saxonwold, 2132, South Africa

Est. 1892

TongaatHulett®

Tongaat Hulett Limited

(Incorporated in South Africa)
(Registration number 1892/000610/06)
Share code: TON
ISIN ZAE000096541
("**THL**" or the "**Company**")

FORM OF PROXY

FOR USE BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS IN THE GENERAL MEETING OF THL TO BE HELD ELECTRONICALLY AT 10:00 (SOUTH AFRICAN STANDARD TIME) ON FRIDAY, 05 JUNE 2020.

For completion by Certificated Shareholders and Own-Name Dematerialised Shareholders who are unable to listen in to, speak during and vote in the General Meeting of the Company to be held electronically **at 10:00 (South African Standard Time) on Friday, 05 June 2020** or in any postponed or adjourned meeting.

Beneficial owners of Dematerialised Shares without own-name registration must not complete this Form of Proxy.

The definitions and interpretations commencing on page 9 of the circular to which this Form of Proxy is attached and of which it forms part ("**Circular**') apply throughout this Form of Proxy.

Each Certificated Shareholder and Own-Name Dematerialised Shareholder is entitled to appoint a proxy (who need not be a Shareholder) to listen in to, speak during and vote in place of that Shareholder in the General Meeting. Please read the notes to this Form of Proxy below.

I/We (please print names in full) ______________________________

of (address) ______________________________

Telephone/Cellphone number: ______________ Email address: ______________

being the holder/s of [   ] shares in the Company, do hereby appoint:

1. ______________________________ or, failing him/her
2. ______________________________ or, failing him/her
3. the chairman of the General Meeting, as my/our proxy to listen in, and speak on my/our behalf in the General Meeting or in any postponement or adjournment thereof, and to vote or to abstain from voting in the General Meeting or any postponement or adjournment thereof, as follows on the Ordinary and Special Resolutions to be proposed in such meeting:

	For	Against	Abstain
Special Resolution Number 1: Approval of the Disposal, pursuant to sections 112 and 115 of the Companies Act			
Ordinary Resolution Number 1: Approval of the Disposal, as required by and in terms of the JSE Listings Requirements			
Special Resolution Number 2: Revocation of resolution in certain circumstances			
Ordinary Resolution Number 2: Directors' and Company Secretary's Authority			

* One vote per Share held by Shareholders. If you wish to cast your votes in a certain way, or wish to abstain from voting, in respect of:

- a lesser number of Shares than you hold, insert in the appropriate box provided the number of Shares held in respect of which you desire to vote or to abstain from voting (see note 4); or
- all Shares held by you, insert an "X" in the appropriate box.

If no indication is given, the proxy may vote or abstain as she/he sees fit.

Signed at ______________ this ______________ day of ______________ 2020

Signature ______________________________

Assisted by me, where applicable (name and signature) ______________________________

Please read the notes and instructions below.

NOTES TO THE PROXY

1. A Form of Proxy is only to be completed by Certificated Shareholders and Own-Name Dematerialised Shareholders.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided. The person whose name stands first on the Form of Proxy and who is participating in the General Meeting will be entitled to act to the exclusion of those whose names follow.
3. Voting will be by way of a poll. On a poll, a Shareholder who is participating itself or by proxy or representative will be entitled to 1 (one) vote per Share.
4. A Shareholder or proxy or representative is not obliged to use all the votes exercisable by that Shareholder, proxy or representative, but the total of votes cast and in respect of which abstention is recorded may not exceed the total of votes exercisable by the Shareholder, proxy or representative.
5. Forms of Proxy must be dated and signed by the Shareholder appointing a proxy and, for administrative reasons, Shareholders are urged (but not required) to email forms of proxy to the transfer secretaries, Computershare Investor Services Proprietary Limited, email: proxy@computershare.co.za **to be received** by no later than **10:00 (South African Standard Time) on Wednesday, 03 June 2020**. If a Shareholder does not email the completed Form of Proxy, in accordance with the above instruction, to reach the Transfer Secretaries by the relevant time, that Shareholder will nevertheless be entitled to email this Form of Proxy to the Transfer Secretaries to be received prior to the commencement of the General Meeting. Forms of Proxy must accompany Participation Requests, as provided in the "*Action Required by THL Shareholders*" section of the Circular.
6. Completing and lodging this Form of Proxy will not preclude the relevant Shareholder from participating in the General Meeting and speaking and voting to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity or other legal capacity must be attached to this Form of Proxy, unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
8. Any alteration or correction made to this Form of Proxy must be initialed by the signatory/ies.
9. Despite the aforegoing, the chairman of the General Meeting may waive any formalities that would otherwise be a prerequisite for a valid Form of Proxy.
10. If any Shares are jointly held, all joint Shareholders must sign this Form of Proxy. If more than one of those Shareholders is participating in the General Meeting either itself or by proxy or representative, the person whose name appears first in the Securities Register will be entitled to vote.

TRANSFER SECRETARIES OFFICES

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Tel: +27 11 370 5000
Email: proxy@computershare.co.za

PRINTED BY INCE (PTY) LTD

REF. JOB020512