TONGAAT HULETT LIMITED FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

It's a new dawn, it's a new day,
it's the Tongaat Hulett Way

Est. 1892
TongaatHulett®

ABOUT THIS REPORT

WELCOME TO OUR 2020 ANNUAL FINANCIAL STATEMENTS

Tongaat Hulett is an agri-leader with an unparalleled SADC footprint and a well-established development platform for the conversion of farm land to urban development. We are a prominent agri-business in Africa with quality assets and leading market shares in the sugar, starch and glucose, cattle and animal feeds markets. We also own one of the largest portfolios of premier commercial land in KwaZulu-Natal and South Africa.

Tongaat Hulett endorses the principles of transparency and accountability as a basis for constructive engagement with all stakeholders. These Annual Financial Statements form part of comprehensive analysis of the business' performance, transformation, risks, strategy and prospects, and is intended to inform all stakeholders of the Group's current status and future direction and to stimulate meaningful dialogue related to the Group's impact on society.

ANNUAL FINANCIAL STATEMENTS

These Annual Financial Statements were prepared in accordance with:

- International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB);
- the SAICA Financial Reporting Guides, as issued by the Accounting Practices committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Requirements of the South African Companies Act, Act 71 of 2008;
- the Listings Requirements of the JSE Limited; and
- the Recommendations of King IV™.

HOW TO NAVIGATE OUR REPORTING SUITE

Suite of reports

The 2020 Annual Financial Statements forms part of and should be read in conjunction with a suite of reports published on our website, www.tongaat.com to provide a comprehensive overview of the Company, its operations and its prospects. These include:

- 2020 Integrated Annual Report (www.tongaat.com/2020IAR.pdf)
- 2020 Sustainability Report (www.tongaat.com/2020sustainability.pdf)
- Tongaat Hulett B-BBEE Compliance Report (https://www.tongaat.com/wp-content/uploads/2020/02/BEE-Compliance-Report-13-G.pdf)

REQUEST FOR FEEDBACK

Tongaat Hulett would like to hear from all stakeholders on their views of the 2020 Annual Reporting suite, including the accessibility of the information provided and opportunities to expand and improve the Company's future reporting.

Please contact:

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OUR CROSS-REFERENCING APPROACH

available online

in this report

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DIRECTORS' REPORT

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The Board of Directors (the Board) is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Company and Group that have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

In preparing the financial statements, the Company and Group have considered the appropriateness of its accounting policies and judgements and estimates, in order to achieve a fair reflection of events and conditions and to ensure compliance with International Financial Reporting Standards. The Board concluded that the financial statements fairly present the financial position of the Company and Group at 31 March 2020 and the results of its operations for the year then ended. The Board also satisfied itself that the Company and Group will continue as a going concern for the year ahead. As part of this assessment, the Board considered the ability of the Group to achieve its debt reduction plan, both the risks and mitigating responses thereto. Further details have been included in the Basis of Preparation section of these financial statements.

The Board considered procedures and controls in order to ensure, in all material respects, that the Group's assets are protected and used as intended and with appropriate authorisation. Remedying the material breakdown in the functioning of the controls, procedures and systems that resulted in the need to restate the Company and Group 2018 Annual Financial Statements, remains a top priority of the Board.

The consolidated and separate Annual Financial Statements were approved by the Board on 13 August 2020.

The Board hereby submit the Annual Financial Statements for the year ended 31 March 2020.

NATURE OF BUSINESS

Tongaat Hulett is an agri-processing business that includes the integrated components of agriculture, land management and property development. These activities are dealt with in detail on the website www.tongaat.com.

STATE OF AFFAIRS OF THE BUSINESS

During the year under review, the Company and Group went through significant change whilst implementing the turnaround strategy mandated by the Board and its debt reduction plan. Some of the key events to be highlighted in this report are:

- On 24 April 2019, the Company announced that the financial review undertaken had revealed certain practices requiring further examination and that the restatement of previously published financial information was anticipated;
- The funders of the Company's broad-based black economic empowerment equity transaction exercised their security rights and, on 14 May 2019, transferred the majority of the shares held by the BEE special purpose vehicles into their own name;
- The Company concluded a covenant waiver agreement with its South African lenders on 16 May 2019, in terms of which the majority of its South African assets were provided as security for its borrowings. The Company undertook to restructure its South African debt facilities;
- On 31 May 2019, the Company announced that reliance could no longer be placed on the financial information contained in its 2018 Annual Financial Statements and that the extent of the restatements was anticipated to reduce the Company's report equity by between R3.5 billion and R4.5 billion;
- The Company confirmed, on 10 June 2019, that the financial information contained in the September 2018 Interim Financial Statements could not be relied upon. The Company had applied to the JSE to voluntarily suspend its listing until such time as the updated and correct results could be issued to the market;
- The disposal of the Company's sugar packing operation in Namibia for R220 million was announced on 19 November 2019;
- The Company published an overview and the key findings of its forensic investigation into the cause of the restatement of financial information on 29 November 2009;
- On 10 December 2019, the Company and Group released its consolidated and separate 2019 Annual Financial Statements, including restated comparative financial information. The cumulative restatement of the financial information was R11.9 billion;
- On 18 December 2019, the Group concluded a 12-month standstill agreement with its Mozambican lenders and undertook to restructure its Mozambican debt facilities;
- Shareholders approved the adoption of a new Memorandum of Incorporation of the Company on 9 January 2020;
- On 3 February 2020 the suspension of the listing on the JSE was lifted, and trading in the share commenced;
- On 28 February 2020, the Company entered into an agreement to dispose of its starch and glucose operation for an enterprise value of R5.35 billion; and
- On 10 March 2020, the Company concluded the restructure of its South African debt facilities totalling R12.2 billion.

The Group's results for the year ended 31 March 2020, including the discontinued starch and glucose operation, reflect a profit attributable to shareholders of R120 million (2019: R1 063 million loss). This translates into basic earnings per share of 89 cents (2019: 948 cents loss), based on the weighted average number of shares in issue during the year. Headline earnings per share for the year was 90 cents (2019: 823 cents loss).

DIRECTORATE

Jenitha John and Nhlanhla Mjoli-Mncube resigned from the Board on 31 May 2019 and 30 June 2019 respectively.

Bahle Sibisi (Chairman), Rachel Kupara, Thandeka Mgoduso, Sybrand Pretorius and Tomaz Salomão stepped down as directors with effect from 30 September 2019.

Stephen Beesley and Fatima Daniels stepped down on 26 January 2020.

Four new independent non-executive directors were appointed to the Board, namely Linda de Beer, Robin Goetzsche, Jean Nel and Andile Sangqu, with effect from 1 October 2019.

Dan Marokane was appointed to the Board on 18 November 2019.

David Noko was appointed to the Board on 1 July 2020 and Louisa Stephens was appointed to the Board on 15 July 2020. Both appointments are subject to shareholder approval at the upcoming the annual general meeting (AGM).

The composition of the Board at the date of this report is as follows: Louis von Zeuner (Chairman), Gavin Hudson (CEO), Rob Aitken (CFO), Linda de Beer, Jean Nel, Robin Goetzsche, Dan Marokane, David Noko, Andile Sangqu and Louisa Stephens.

The directors retiring by rotation at the AGM in accordance with Section 7 of the Memorandum of Incorporation is Louis von Zeuner and Linda de Beer. Both these directors are eligible and offer themselves for re-election and election. Details of each of these directors are set out in the Annual Report.

SHARE CAPITAL

The Company's authorised share capital is 150 million ordinary shares. At 31 March 2020, the issued share capital was 135.113 million ordinary shares. Refer to Note 15 in the Annual Financial Statements for further information.

DIRECTORS' SHAREHOLDINGS

The directors' interests in the ordinary shares of the Company are set out in Note 32 in the Annual Financial Statements.

GOING CONCERN

Based on the going concern assessment detailed in Basis of Preparation section of the Annual Financial Statements, the Board is of the view that the Company and Group have adequate resources to continue in operation for the foreseeable future and accordingly, the Annual Financial Statements have been prepared on a going concern basis. Apart of the material uncertainty surrounding the ability of the Company and the Group to meets its debt reduction plan, and the resultant mitigating actions, the Board is not aware of any new material changes that may adversely impact the Company and Group. Further disclosure is provided in the Basis of Preparation section of the Annual Financial Statements.

INTERESTS IN SUBSIDIARIES

The Company is the ultimate holding company of a number of subsidiaries, details of which are reflected in Note 6 in the Annual Financial Statements.

AUDITORS

The audit and compliance committee has recommended that Deloitte be reappointed as the designated auditor of the Group and Company, in terms of the resolution to be proposed at the AGM in accordance with the Companies Act. The motivation for this recommendation is elaborated upon in the audit committee report on page 5 of the Annual Financial Statements, as well as in the notice to the AGM.

SECRETARY

The Company Secretary is Johann van Rooyen.

OWNERSHIP

The shares of the Company are publicly listed on the Johannesburg Stock Exchange. No single shareholder, or group of shareholders, control the Company. Further details of shareholders are in the Annual Financial Statements.

DIVIDENDS

The Board of Directors did not declare any interim or final dividend for the year ended 31 March 2020.

EVENTS AFTER THE REPORTING DATE

Refer to Note 34 in the Annual Financial Statements.

Louis von Zeuner
Chairman

Gavin Hudson
Chief Executive Officer

Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal
13 August 2020

CERTIFICATE BY COMPANY SECRETARY

I certify that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act of South Africa in respect of the year ended 31 March 2020 and that all such returns are true, correct and up to date.

Johann van Rooyen
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal
13 August 2020

AUDIT AND COMPLIANCE COMMITTEE REPORT

INTRODUCTION

The Tongaat Hulett audit and compliance committee (the Committee) is pleased to present its report in terms of the Companies Act, 71 of 2008 as amended (the Companies Act), the King Code of Governance for South Africa, 2016 (King IV™) and the JSE Listings Requirements for the financial year ended 31 March 2020. The committee functions within formal terms of reference and complies with all relevant legislation, regulation and governance codes. The terms of reference were reviewed, updated and approved in January 2020.

The role of the committee is in the first instance to oversee financial reporting and matters related to that, including the external audit quality and independence. The committee is also responsible for ensuring oversight over the internal audit function as it reviews, assesses and reports on the internal control environment in the Group. Furthermore, it oversees the governance of Information and Technology and is responsible for monitoring the overall effectiveness of Corporate governance within the Group.

Whilst the 2020 year was challenging, significant improvement in a number of areas were noticed since the last report by the committee. While the focus of management was on restructuring and debt management, operations continued under difficult circumstances. Much of the attention of the committee was focused on the internal audit structure and internal controls, finance capability and regulatory matters. It was heartening to notice that financial reporting practices in general have significantly improved under the leadership of the CFO and no further legacy financial restatements were required.

ATTENDANCE

The record of attendance of the members of this committee is contained in the leadership and governance section of the Integrated Annual Report.

COMPOSITION AND GOVERNANCE

As at 31 March 2020, the committee consisted of Linda de Beer (Chairman), Jean Nel and Robin Goetzsche. Members of the committee satisfy the requirements to serve as members of an audit committee as provided for in Section 94 of the Companies Act and have adequate knowledge and experience to carry out their duties. All members are independent non-executives.

The CEO, CFO, Business Assurance Executive and representatives from the external and internal auditors attend committee meetings by invitation. Other members of management are invited to attend certain meetings to provide the committee with greater insight into specific areas and aspects within the Group. Closed sessions are held with internal and external auditors separately, from time to time, without management present. Closed sessions are also held with the CFO and with committee members only. Most of the in-house assurance function heads, such as the Chief Audit Executive, Chief Information Officer and Chief Risk Officer were only filled after year end and closed sessions will be held with them in future as well.

The Chairman of the committee reports to the Board on committee activities and the matters discussed at each meeting. The performance of the committee is reviewed as part of the effectiveness review of the Board and all its committees, albeit currently still on an informal basis.

FOCUS AREAS DURING THE YEAR

For the period under review, the committee satisfied its responsibilities in compliance with its terms of reference, which elaborates on the duties of the committee. The committee's terms of reference are not set out in detail in this report, but can be accessed on the Tongaat Hulett website. The following were focus areas of the committee during the year under review:

- Monitored the quality and accuracy of financial reporting and compliance with IFRS in respect of financial practices and policies, considered the going concern status of the Group and recommended the financial statements to the Board for approval;
- Continuous engagement with the external auditors to oversee independence, audit quality and initiate audit firm rotation;
- Monitored the impact of COVID-19 on the financial results and financial position of the Group at year-end;
- Monitored the external audit process, findings, key audit matters, audit fees and fees paid for non-audit services;
- Provided oversight over the Group's treasury function in order to ensure reliable cash forecasts, solvency and liquidity and an enhancement of treasury in general, with specific reference to the risk of trapped cash in Zimbabwe;
- Provided oversight over the Group's tax affairs;
- Restructured the internal audit function and internal audit plan, as well as appointed an in-house Chief Audit Executive to oversee the outsourced arrangement with KPMG;
- A strong focus on internal audit findings and an improvement in the internal control environment;
- Reviewed fraud reports received through whistle-blowing process, among others, and ensure corrective action was taken; and
- Approved a new Fraud Risk Management framework and the related policies.

EXTERNAL AUDITORS

In 2019, the committee committed to change auditors. This process has commenced and will be finalised in good time in order to transition from Deloitte as our external audit firm and Ms Ruwayda Redfearn as the current designated auditor, to the new audit firm and audit partner. Strides have been made in engaging with another audit firm in this regard. Despite being in a very difficult position when she took over the audit in 2019, Ruwayda has gone above and beyond what was expected in order for us to clean up our reporting practices. As a committee we would like to thank her for her commitment, professionalism and competence.

EXTERNAL AUDIT: KEY AUDIT MATTERS

The committee notes the following key audit matters set out in the audit report, which were also matters of concern for the committee over the year:

- Internal controls over financial reporting (Group and separate)*;
- Valuation of growing crops (Group and separate)*;
- Valuation and determination of cash-generating units (Group and separate)*;
- Net realisable value of bulk infrastructure inventory;
- Hyperinflationary accounting in Zimbabwe;
- Recoverability of the deferred tax assets (Group and separate); and
- Going concern*.

** Also prior year key audit matters*

Internal controls over financial reporting

The committee is fully aware of the stretched resources in the Finance team and the need for enhanced internal controls, in particular moving away from manual controls, spreadsheets and an over-reliance on the CFO as gatekeeper to the quality of reporting. In the transitional period since 2019, these gaps were mostly filled by contractors and outsourced technical finance expertise. The committee has, however, agreed a roadmap with the CFO in strengthening the in-house team, not just in the centre, but also at a business unit level. Some progress has been made but more work is to be done. Simultaneously, the CFO is working on the enhancement of the manual control environment, which again has progressed but with more work remaining. The next line of defence positions such as Risk, Internal Audit, IT and Compliance have been filled, which also is a step in the right direction. In the meantime, progress has been made in enhancing the Internal Audit function and the focus of the Internal Audit Plan and report back on the correction of weaknesses identified in respect of internal controls. This is a very high priority for the committee and will remain so until we are comfortable that the right skills, processes and control levels have been achieved.

IFRS matters: Valuations, recoverability of deferred tax and hyperinflation

In respect of the matters relating to valuations and net realisable values, the committee did significant work in understanding the errors, the IFRS requirements and the intricacies of the matters for purposes of the 2019 financial statements, which were issued in December 2019. For those results, management, together with the services of external IFRS technical experts, documented the key accounting practices, evaluated and reviewed the accounting treatment thereof and revised the Company's accounting policies, as required. All of this was considered and approved by the committee. Emphasis was placed on providing greater clarity on the accounting policies and procedures. For purposes of the 2020 reporting, the committee revisited all of these accounting policies, assumptions and judgements and concluded that it was comfortable with the accounting treatment thereof. The committee also reviewed the first-time adoption of IFRS 16: *Leases*, as well as the application of IAS 29: *Hyperinflation Accounting*, in the Zimbabwe business.

Going concern

The auditors have issued an unqualified audit opinion with an emphasis of matters relating to going concern. Events as elaborated on in the going concern section of the basis of preparation of the financial statements, and other matters indicate that material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

In addition to the Board's regular assessment of liquidity and cash forecasts, the committee reviewed a documented assessment by management of the going concern premise of the Group before recommending to the Board that the Group is a going concern and will remain so for the foreseeable future. The committee also reviewed inter-company funding in terms of section 45 the Companies Act, recommending such funding arrangements to the Board for consideration.

IMPACT OF COVID-19 ON FINANCIAL REPORTING

In discharging its duties, the committee specifically considered the IFRS implications of the impact of COVID-19 on the 2020 Financial Statements. This included considering the current and potential future impact of the pandemic on the business and management's mitigating actions in this regard. From there, the committee evaluated the potential effect on valuations and hence at account balance level, the financial statements as a whole and the additional disclosure requirements as per the JSE's guidance in this regard.

INTERNAL AUDITORS AND INTERNAL FINANCIAL CONTROLS

Internal Audit, which is outsourced to KPMG, performed a review of the effectiveness of the Company's internal control environment, including its internal financial controls, IT controls as they pertain to financial reporting and the effectiveness of its risk management process.

The committee is of the view, based on the representations made by Internal Audit, that the internal financial controls in place for the Group were still not adequate and effective during the period under review. As noted above, the committee is monitoring remedial action in this regard.

Given the breakdown in controls that led to the restatements in 2019, the committee has reviewed the 2021 Internal Audit Plan to ensure focus on key risk areas and approved a new Internal Audit structure to bolster the capability in the Internal Audit function. The new model is based on a co-sourcing model consisting of in-house resources and KPMG, led by a newly appointed in-house Chief Internal Audit Executive, Rena Botha.

ANNUAL CONFIRMATIONS AND ASSESSMENTS

The committee has, as part of its annual obligations considered and assessed the following:

- The skills and experience of the CFO, with which the committee was very comfortable, as well as with the Finance function, commented on above in respect of future focus and improvement.
- The appropriateness of financial reporting procedures and whether those are operational in all entities in the Group in order to effectively prepare and report on the financial statements.
- The effectiveness of the Internal Audit Function, which has met the committee's requirements.
- The adequacy and effectiveness of internal controls, with specific reference to internal financial controls, which need improvement, as commented before.
- Audit quality and auditor independence, with which the committee was satisfied.
- Compliance with all related matters in terms of the JSE Listings Requirements, including additional disclosure requirements in terms of COVID-19 and as per the JSE's 2019 Pro-active Monitoring Report.

COMMITTEE FOCUS IN 2021

In addition to the standard agenda items, the committee will also be focusing on the following items for 2021:

- Strengthening the Finance function, both at the centre and business unit level, with a greater integration between the two;
- Improvement of the internal control environment;
- Enhancement of treasury and tax management;
- Combined assurance implementation with the Group-wide integration of Finance, Risk and Compliance functions; and
- Information and technology governance.

CONCLUSION

Everyone in the Finance function and financial reporting chain were under immense pressure in the past year, having to move from one deadline to the next with a smaller staff complement and all whilst facing the internal difficulties in restoring trust in the Finance functions after our 2019 results restatement. In addition, the 2020 year-end statutory audit and a significant portion of the internal audit plan had to be executed during the COVID-19 lockdown. The committee's sincere thanks go out to everyone, operating under the unwavering ethical leadership of Rob Aitken as CFO.

On behalf of the audit and compliance committee

Linda de Beer
Audit and compliance committee Chairman

Amanzimnyama, Tongaat, KwaZulu-Natal
13 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tongaat Hulett Limited

Deloitte.

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Tongaat Hulett Limited and its subsidiaries (the Group) set out on pages 14 to 119, which comprise the statements of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

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 and Separate Financial Statements section of our report. We are independent of the Group and Company 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.

Material uncertainty relating to going concern

We draw attention to the going concern note included in the "Basis of preparation" and Notes 17 and 29 to the consolidated and separate financial statements, which indicate that the Group's consolidated current liabilities exceed its consolidated current assets by R6 498 million and the Company's current liabilities exceed the current assets by R9 703 million. The notes disclose that the Group's South African debt has been restructured with multiple milestones that need to be met within the 12-month period following the issue of the consolidated and separate financial statements. The milestones are disclosed in the going concern and related notes to the consolidated and separate financial statements. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in this respect.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Tongaat Hulett Limited

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the Key Audit Matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Internal Controls over Financial Reporting (consolidated and separate financial statements)	
International Accounting Standard ("IAS") 1: *Presentation of Financial Statements*, provides the requirements to be applied in preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards ("IFRS"). Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented. In the prior year, management reported to shareholders that their review of internal controls, supported by the review of the internal auditors, indicated a severe breakdown in internal controls, including controls over financial reporting. Many important and material numbers on the financial statements are calculated on manual spreadsheets which are subject to human error and require highly sensitive estimates to be made by employees in the different business units. These calculations, assumptions and estimates are not subject to a level of detailed internal checking commensurate with a strong internal control environment. While mitigating actions have been taken to improve the internal control environment, it is our view that weaknesses in the overall internal control environment are still prevalent. Controls over the Group consolidation and financial statement preparation process have been strengthened, however, gaps are still present in day-to-day monitoring and review controls. General Information Technology Controls (GITCs) relating to access and segregation of duties have been assessed as weak in the current year leading to reliance not being placed on GITCs, for external audit purposes. Due to the significant and pervasive impact the internal controls have on financial reporting and the overall efficiency, level of expertise and effort associated with the audit, we consider this to be a Key Audit Matter.	Our procedures to address the Key Audit Matter included the following: • We adopted a largely substantive audit approach to the audit of the financial statements, including at financially significant components. • Our procedures performed to respond to the impact of the breakdown of access controls included substantive testing of information produced by the entity. • Re-performance involves checking the accuracy of inputs into spreadsheets, corroborating estimates with reference to external data wherever possible, checking the logic, mathematical accuracy and integrity of formulas, evaluating the consistency of assumptions with other data in the financial records and ensuring the policy adopted is consistent with IFRS. • Our audit response to the most significant of these areas are addressed as separate Key Audit Matters. • We utilised internal and external specialists in areas involving complexity and judgement. This included extensive consultation with internal accredited IFRS specialist's on the appropriate application of IFRS to current year transactions. • We re-performed procedures on management's calculations in support of the different levels of aggregation in the consolidation process. • We assessed the adequacy of disclosures in the consolidated and separate financial statements with reference to detailed IFRS disclosure checklists and the involvement of IFRS technical specialist. Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the breakdown of controls over financial reporting.

Key Audit Matter	How the matter was addressed in the audit
Valuation of growing crops (consolidated and separate financial statements)	
The value of growing crops in the financial statements is quantitatively and qualitatively material to users as it converts to cash in a relatively short time-frame and has a material impact on reported earnings. Management's crop valuation process, governed by IAS 41: *Agriculture*, contains multiple significant assumptions involving judgement, each of which could have a material impact on the reported fair value of growing crops. Judgement by management is required in estimating the expected cane yield, the estimated sucrose content, and the forecast realisable sugar ("RV") price in the various markets that the Group operates in. Hectares under cane used in the underlying valuation models for growing cane not harvested and the number of months growth of that standing cane at the reporting date, are also subject to estimation error. The fair value of each growing crop is calculated via a complex, manual computation which further increased the audit risk associated with the balance. Due to the significance of the balance to the financial statements as a whole, combined with the significant assumptions and judgements associated with determining the carrying value identified in this account balance, as set out in the critical estimates and judgements section of the accounting policies, we considered the valuation of growing crops to be a Key Audit Matter.	We assessed the valuation of growing crops by performing the following audit procedures: • Utilising our accounting specialists, we concluded on the appropriate application of IAS 41: *Agriculture*, in the context of the Group's sugar operations; • We tested the mathematical accuracy and internal logic of the growing, crops valuation models by assessing the formulas used in managements valuation models in detail to determine whether the logic was appropriately applied; • We performed sensitivity analyses to identify and assess the impact of changes in key inputs; • We tested key inputs used in the valuation of growing crops by comparing the amounts used in the valuation for RV price, expected tons and sucrose yields, hectares and age of standing cane against historical and independent market data; • We performed retrospective reviews by comparing the above key inputs used in the prior year's valuations, to actual outcomes, to assess the reasonableness and accuracy of the assumptions used; and • We assessed management's disclosures in Note 10 against the requirements of IAS 41: *Agriculture*. • Based on the procedures performed above, we found the valuation of growing crops, as calculated by management, to be within a range of our acceptable results. The disclosures are appropriate and in accordance with the accounting standards.

Key Audit Matter	How the matter was addressed in the audit

Valuation of cash-generating units (consolidated and separate financial statements)

Key Audit Matter

In order to perform the impairment tests required by IAS 36: *Impairments* ("IAS 36") it is necessary to determine cash-generating units ("CGUs"). A CGU is the smallest group of assets that independently generates cash inflows. Due to the integrated nature particularly of the Group's Sugar operations, management judgement needed to be applied in identifying CGUs.

The impairment tests applied to the carrying values of the assets in the CGUs entailed calculating discounted cash flow models for each of the individual CGUs. Significant assumptions and judgements were applied by management when performing these calculations to determine whether impairments were required.

As disclosed in the accounting policies of the consolidated and separate financial statements, there are a number of key judgements made by the management in determining the inputs into the cash-generating valuation models which include:

- future revenue volumes and growth;
- future operating margins;
- future major maintenance and capital expenditure; and
- discount rates applied to the projected future cash flows.

The impairment assessment by CGU and the related key estimates and judgements required from management was considered to be a matter of significance to the current year audit due to:

- The nature of the judgements made by management regarding the assumptions and other forecast information included in the calculations used to perform the impairment assessments; and
- The magnitude of the balances being assessed for impairment.

How the matter was addressed in the audit

We assessed the valuation and determination of CGUs by performing the following procedures:

- Utilising our internal IFRS accounting specialists, we concluded on the appropriate application of IAS 36 in determining the Group's CGUs and the valuation of the identified CGUs;
- We assessed the competence, capabilities and objectivity of management's independent experts;
- Utilising our internal valuation specialists, we performed an independent assessment of the recoverable values of the underlying CGUs where impairment indicators existed. Our independent assessment was evaluated against that of management's expert, by performing the following procedures:
  - Assessing whether the valuation techniques used are consistent with industry norms;
  - Critically evaluating whether the discounted cash flow models used in management's valuation complied with the requirements of IAS 36;
  - Assessing the key assumptions used in calculating the discount rates and recalculating these rates;
  - Checking the compilation of the projected cash flows used in the valuation models;
  - Analysing the projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the respective entities; and
  - Subjecting the key judgements in the valuation model to sensitivity analyses.

We assessed management's disclosures in Note 3 against the requirements of IAS 36 and noted no material exceptions.

Based on these procedures, we found that the recoverable amounts of the CGUs, as calculated by management's experts, to be reasonable within a range of acceptable results.

The disclosures in Note 3 are appropriate and in accordance with the accounting standards.

Key Audit Matter	How the matter was addressed in the audit
Accounting in Zimbabwe (consolidated financial statements)	
Zimbabwe was deemed a hyperinflationary economy in terms of the requirements of IAS 29: *Financial Reporting in Hyperinflationary Economies*, during the current financial year. The financial results of Tongaat Hulett's Sugar operations in Zimbabwe are translated to the Group's reporting currency, of South African Rands, using the formal exchange rate published by the Reserve Bank of Zimbabwe ("RBZ"). In an efficient market, the change in an exchange rate between two economies is reflective of the long-term inflation differential between those same two economies. In the current year this relationship between the exchange rates and the relative inflation rates was not consistent with this principle. This anomaly has made the Zimbabwean Sugar results difficult to compare with Sugar operations in other parts of the Group. As a result of applying IAS 21: T*he Effects of Changes in Foreign Exchange Rates* in conjunction with IAS 29, a significant "net monetary loss" of R1.296 billion was recognised in operating profit for the year using the exchange rates disclosed in Note 33. The application of the requirements of IAS 29 and IAS 21 and the assessment of the rate sensitivities disclosure, were areas that required significant auditor attention. Given the significance of the quantitative impact, the complexities associated with hyperinflationary accounting and the extent of audit effort required, the application of hyperinflation accounting in Zimbabwe and the related sensitivity disclosures were deemed to be a Key Audit Matter.	We assessed the appropriate application of IAS 29 and IAS 21 by performing the following procedures: • Utilising our internal IFRS accounting specialists, we concluded on the appropriate application of IAS 29 and IAS 21; • We tested the mathematical accuracy and internal logic of the hyperinflation adjustments by performing independent calculations using the same key inputs as management; • We assessed the hyperinflation calculations with specific focus on the inflation rates, cumulative inflation rate and consumer price indices; • We assessed the hyperinflation calculations used to determine the sensitivities disclosed; • We assessed management's disclosures in Note 33 against the requirements of IAS 29 and noted no material exceptions; and • We ensured that the exchange rates used to translate the hyper inflated statement of financial position and hyper inflated statements of comprehensive income and cash flows, were in agreement with the official exchange rate at year end and average exchange rates for the year respectively in accordance with IAS 21. Based on these procedures, we found that management's application of the IAS 29 principles to be appropriate in all material respects and that the hyperinflated results of the Group's Zimbabwean operations had been translated to the Group's reporting currency in accordance with IAS 21. The disclosures in Note 33 are appropriate and in accordance with the accounting standards.
Net realisable value of Bulk Infrastructure Inventory (consolidated financial statements)	
Inventory in the Property business comprises bulk and basic infrastructure expenditure which is measured at the lower of cost or its net realisable value. Capitalised infrastructure costs include both costs incurred but not yet matched to revenue, and expensed, and costs committed to but where development has not yet commenced. There is the potential for a decline in KwaZulu-Natal retail and commercial property market demand and prices in future years due to weak South African economic growth forecasts allied to the unpredictable, but almost certainly negative, impact of COVID-19. Contractual and legislative bulk infrastructure development commitments to third parties remain consistent irrespective of the economic outlook, although the timing of the spend may change. Key judgements include the estimated future selling prices of land holdings, taking into account the impact of COVID-19 on the sector and the availability of internal funding to meet infrastructure commitments. This is important because the estimated selling prices used in management's carrying value assessments, were for "serviced land". Due to the significance of the balance to the financial statements as a whole, combined with the significant assumptions associated with determining the net realisable value, as set out in the critical estimates and judgements section of the accounting policies, we considered the audit of the carrying value of Development Inventory to be a Key Audit Matter.	Our procedures included the following: • We engaged with land valuation experts to gain insight into the potential impact of COVID-19 on land sale prospects and related factors used in performing current land valuations. • We attended a property market update seminar post-COVID-19 to obtain an understanding of future forecasts relating to the property markets by both the banks and property developers. • We performed best- and worst-case scenario testing on future sales prospects, factoring in the anticipated decline in the property market. Inventory holdings were subject to this scenario testing on a granular project-by-project basis. • We reviewed management's estimations of the net realisable value of land. • Comparisons were made between management's revenue estimations, management's valuation report and our independently obtained valuation report. • We assessed management's projection of the timing of future cash outflows required to meet infrastructure obligations. The audit procedures performed illustrate that the estimated realisable value of serviced land exceeds the sum of the book value of the land and the capitalised bulk and basic infrastructure costs. We concur with management's conclusion that the infrastructure carrying costs are recoverable. We assessed management's disclosure of the nature of the estimates used and sensitivity factors applied, and found them to be appropriate and in line with the requirements of IFRS.

To the Shareholders of Tongaat Hulett Limited

Key Audit Matter	How the matter was addressed in the audit
Recoverability of deferred tax assets (consolidated and separate financial statements)	
The Group operates across numerous jurisdictions which have different applicable tax laws. Significant assessed and estimated tax losses exist in the South African and Mozambican operating companies as a result of historic trading losses. The Group recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to the quantum and timing of future taxable income. Estimates of future taxable income are based on forecasted cash projections from the operations, the reversal of temporary differences and the application of existing tax laws in each jurisdiction. The disposal of the Starch business disclosed in Note 14, is expected to result in future taxable profits against which the tax losses can be utilised. The recoverability of the deferred tax assets for the Group and Company was considered a Key Audit Matter in the audit of the consolidated and separate financial statements due to the significant estimations and judgements inherent in management's future taxable earnings projections, the reversal of temporary differences and the application of existing tax laws in each jurisdiction.	Our procedures included the following: • Utilising our internal IFRS accounting specialists, we concluded on the appropriate application of IAS 12: *Income Taxes*; • Utilising our internal taxation specialists, we concluded on the appropriate application of income tax laws in management's forecast taxable profits; • We evaluated management's estimate of the manner in which the deferred tax asset would be utilised by comparing their assessment to business plans and profit forecasts based on our knowledge of the business; • As disclosed in Note 16 we noted that a material assumption supporting the raising of the deferred tax asset is that the Starch business disposal will be successful in the short-term. • We assessed whether profit forecasts were reasonable in relation to historical trends, current year performance and future plans; • We considered the adequacy of the Group's disclosures in respect of recognised and unrecognised deferred tax assets and the disclosures related to key judgements and estimates in relation to the deferred tax asset recognised. Based on the procedures performed above, we found management's application of the IAS 12: *Deferred Tax Asset Recognition and Measurement Principles*, to be acceptable.

Other information

The directors are responsible for the other information. The other information comprises, information in the document titled "Tongaat Hulett Consolidated and Separate Financial Statements for the year ended 31 March 2020", which includes the Directors' Report, the Audit committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this Auditor's Report and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our Auditor's Report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

To the Shareholders of Tongaat Hulett Limited

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements 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 these consolidated and separate financial statements.

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 consolidated and separate financial statements, 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 Group's and the Company's 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 Group's and the Company's 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 consolidated and separate financial statements 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 Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Tongaat Hulett Limited for 82 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Ruwayda Redfearn CA (SA); RA
Partner
14 August 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

		Group		Company	
R million	Notes	31 March 2020	31 March 2019	31 March 2020	31 March 2019
ASSETS					
Non-current assets					
Property, plant and equipment	3	**6 013**	5 709	**1 551**	2 576
Right-of-use assets	4	**340**	–	**22**	–
Goodwill	5	**53**	48	**–**	–
Other intangible assets	5	**337**	388	**210**	280
Investments in subsidiaries and joint operations	6	**–**	–	**1 296**	1 311
Investments in associates and joint ventures	7	**35**	6	**–**	–
Deferred tax assets	16	**593**	123	**474**	–
Other non-current assets	8	**348**	860	**334**	790
Total non-current assets		**7 719**	7 134	**3 887**	4 957
Current assets					
Inventories	9	**3 281**	3 673	**567**	1 065
Biological assets	10	**2 572**	1 552	**135**	234
Trade and other receivables	11	**1 071**	1 528	**451**	774
Derivative financial instruments	12	**–**	12	**–**	12
Current tax assets		**124**	72	**–**	–
Cash and cash equivalents	13	**1 242**	962	**762**	20
Amounts owing by Group companies	6	**–**	–	**104**	187
		8 290	7 799	**2 019**	2 292
Assets classified as held for sale	14	**2 139**	100	**1 988**	–
Total current assets		**10 429**	7 899	**4 007**	2 2992
TOTAL ASSETS		**18 148**	15 033	**7 894**	7 249

STATEMENTS OF FINANCIAL POSITION CONTINUED

as at 31 March 2020

R million	Notes	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	15	**1 679**	1 679	**1 679**	1 679
Accumulated losses		**(3 563)**	(3 548)	**(8 253)**	(7 949)
Other reserves		**(863)**	(1 704)	**304**	291
Total equity attributable to owners of Tongaat Hulett Limited		**(2 747)**	(3 573)	**(6 270)**	(5 979)
Non-controlling interests		**1 152**	601	**–**	–
TOTAL EQUITY		**(1 595)**	(2 972)	**(6 270)**	(5 979)
Non-current liabilities					
Deferred tax liabilities	16	**1 123**	660	**–**	–
Borrowings	17	**157**	–	**–**	–
Lease liabilities	4	**227**	–	**12**	–
Post-retirement benefit obligations	18	**504**	585	**366**	427
Deferred income	19	**115**	173	**68**	88
Provisions	20	**690**	1 041	**8**	8
Total non-current liabilities		**2 816**	2 459	**454**	523
Current liabilities					
Borrowings	17	**12 439**	11 438	**10 937**	9 888
Lease liabilities	4	**78**	–	**10**	–
Trade and other payables	21	**2 493**	3 553	**1 155**	1 385
Post-retirement benefit obligations	18	**51**	58	**47**	46
Deferred income	19	**167**	129	**20**	20
Provisions	20	**688**	302	**–**	–
Current tax liabilities		**76**	46	**–**	–
Amounts owing to Group companies	6	**–**	–	**691**	1 366
		15 992	15 526	**12 860**	12 705
Liabilities classified as held for sale	14	**935**	20	**850**	–
Total current liabilities		**16 927**	15 546	**13 710**	12 705
TOTAL LIABILITIES		**19 743**	18 005	**14 164**	13 228
TOTAL EQUITY AND LIABILITIES		**18 148**	15 033	**7 894**	7 249

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2020

R million	Notes	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Continuing Operations					
Revenue	22	**15 382**	13 061	**6 023**	5 680
Cost of sales		**(8 591)**	(9 394)	**(5 533)**	(5 630)
Gross profit		**6 791**	3 667	**490**	50
Marketing and selling expenses		**(1 023)**	(919)	**(176)**	(212)
Administrative and other expenses		**(2 836)**	(2 271)	**(997)**	(707)
Net impairment (loss)/reversal		**(4)**	65	**–**	(21)
Non-trading items		**(8)**	–	**204**	–
Other operating income/(loss)		**337**	9	**149**	(184)
Operating profit/(loss)	23	**3 257**	551	**(330)**	(1 074)
Net finance costs	24	**(1 620)**	(1 331)	**(1 118)**	(988)
Finance costs		**(1 880)**	(1 478)	**(1 178)**	(1 058)
Finance income		**260**	147	**60**	70
Dividend income		**–**	–	**223**	523
Net monetary loss arising from hyperinflation in Zimbabwe	33	**(1 296)**	–	**–**	–
Share of net profit of associates		**24**	2	**–**	–
Profit/(loss) before taxation		**365**	(778)	**(1 225)**	(1 539)
Taxation	26	**(228)**	(459)	**467**	175
Profit/(loss) from continuing operations		**137**	(1 237)	**(758)**	(1 364)
Profit from discontinued operation	14	**393**	445	**390**	457
Profit/(loss) for the year		**530**	(792)	**(368)**	(907)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Foreign exchange differences on translation of foreign operations		**1 064**	(2 729)	**–**	–
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of post-retirement benefit obligations		**(285)**	(37)	**46**	53
Tax effect of remeasurement of post-retirement benefit obligations		**71**	8	**(13)**	(15)
Allocation of a retirement fund surplus to the employer		**42**	–	**42**	–
Tax effect of the allocation of a retirement fund surplus to the employer		**(12)**	–	**(12)**	–
Other comprehensive income/(loss) for the year, net of tax		**880**	(2 758)	**63**	38
Total comprehensive income/(loss) for the year		**1 410**	(3 550)	**(305)**	(869)
Profit/(loss) for the year is attributable to:					
Owners of Tongaat Hulett Limited		**120**	(1 063)	**(368)**	(907)
Non-controlling interests		**410**	271	**–**	–
		530	(792)	**(368)**	(907)
Total comprehensive income/(loss) for the year is attributable to:					
Owners of Tongaat Hulett Limited		**810**	(3 320)	**(305)**	(869)
Non-controlling interests		**600**	(230)	**–**	–
		1 410	(3 550)	**(305)**	(869)
Earnings per share arising from loss from continuing operations attributable to the owners of Tongaat Hulett Limited (cents)	28				
Basic		**(212)**	(1 352)		
Diluted		**(212)**	(1 352)		
Earnings per share arising from profit/(loss) attributable to the owners of Tongaat Hulett Limited (cents)	28				
Basic		**89**	(948)		
Diluted		**89**	(948)		

The comparative financial information has been represented for the classification of the Starch and Glucose operation as discontinued in terms of IFRS 5: *Non-Current Assets Held for Sale and Discontinued Operations.*

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Group								
R million	**Share Capital**	**Share Premium**	**Accumulated Losses**	**B-BBEE Held Con-solidation Shares**	**Share-based Payment Reserve**	**Foreign Currency Translation Reserve**	**Total Equity Attributable to Owners of Tongaat Hulett Limited**	**Non-controlling Interests**	**Total Equity**
Balance at 1 April 2018	135	1 544	(2 435)	(623)	264	255	(860)	921	61
Total comprehensive loss for the year ended 31 March 2019	–	–	(1 083)	–	–	(2 236)	(3 319)	(230)	(3 549)
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	–	–	–	–	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[1]	–	–	36	623	–	–	659	(18)	641
Dividends	–	–	(66)	–	–	–	(66)	–	(66)
Dividends – non-controlling shareholders	–	–	–	–	-	–	–	(72)	(72)
Balance at 31 March 2019	**135**	**1 544**	**(3 548)**	**–**	**277**	**(1 981)**	**(3 573)**	**601**	**(2 972)**
Total comprehensive income for the year ended 31 March 2020	**–**	**–**	**(15)**	**–**	**–**	**825**	**810**	**600**	**1 410**
Profit for the year	**–**	**–**	**120**	**–**	**–**	**–**	**120**	**410**	**530**
Other comprehensive income for the year, net of tax	**–**	**–**	**(135)**	**–**	**–**	**825**	**690**	**190**	**880**
Share-based payment charge	**–**	**–**	**–**	**–**	**15**	**–**	**15**	**–**	**15**
BEE share-based payment charge	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Dividends – non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(49)**	**(49)**
Balance at 31 March 2020	**135**	**1 544**	**(3 563)**	**–**	**293**	**(1 156)**	**(2 747)**	**1 152**	**(1 595)**

[1] *On 31 January 2019, the preference share funding provided to the BEE SPVs was not extended and became due and payable on demand. The share cover ratio was breached in February 2019 and subsequent to a continued decline in the Tongaat Hulett share price the shareholders of the BEE SPVs were formally notified by the preference share funders that the redemption of the preference shares was due. The preference shareholders exercised their security rights by acquiring the shares in the BEE SPVs, resulting in the Group losing control and deconsolidating these two entities with effect from 29 February 2019.*

STATEMENTS OF CHANGES IN EQUITY CONTINUED

for the year ended 31 March 2020

R million	Company				
	Share Capital	Share Premium	Accumulated Losses	Share-based Payment Reserve	Total Equity Attributable to Owners of Tongaat Hulett Limited
Balance at 1 April 2018	135	1 544	(6 999)	282	(5 038)
Total comprehensive loss for the year ended 31 March 2019	–	–	(869)	–	(869)
Loss for the year	–	–	(907)	–	(907)
Other comprehensive income for the year, net of tax	–	–	38	–	38
Share-based payment charge	–	–	–	30	30
Purchase of shares for delivery to employees	–	–	–	(21)	(21)
Dividends	–	–	(81)	–	(81)
Balance at 31 March 2019	**135**	**1 544**	**(7 949)**	**291**	**(5 979)**
Total comprehensive loss for the year ended 31 March 2020	**–**	**–**	**(304)**	**–**	**(304)**
Loss for the year	**–**	**–**	**(367)**	**–**	**(367)**
Other comprehensive income for the year, net of tax	**–**	**–**	**63**	**–**	**63**
Share-based payment charge	**–**	**–**	**–**	**12**	**12**
BEE share-based payment charge	**–**	**–**	**–**	**1**	**1**
Balance at 31 March 2020	**135**	**1 544**	**(8 253)**	**304**	**(6 270)**

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2020

R million	Notes	Group		Company	
		31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	A	**2 337**	1 720	**577**	638
Taxation paid	D	**(239)**	(408)	**(23)**	(19)
Net cash inflow generated from operating activities		**2 098**	1 312	**554**	619
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income	B	**23**	90	**3**	13
Additions to property, plant and equipment	3	**(538)**	(1 090)	**(99)**	(254)
Expansion capital		**(322)**	(466)	**–**	(47)
Replacement and ongoing capital		**(116)**	(280)	**(98)**	(163)
Establishing new area under cane		**(31)**	(15)	**–**	(15)
Replanting of existing area under cane		**(69)**	(329)	**(1)**	(29)
Additions to intangible assets	5	**(10)**	(37)	**(10)**	(27)
Sharecropper and cane supply arrangements		**(6)**	(22)	**(6)**	(22)
Software and other		**(4)**	(15)	**(4)**	(5)
Proceeds on disposal of investments		**8**	2	**–**	2
Proceeds on liquidation of legacy pension fund		**538**	–	**538**	–
Proceeds on disposal of property, plant and equipment		**45**	9	**365**	28
Loans repaid by/(advanced to) growers and key/strategic business partners		**3**	(5)	**(4)**	(5)
Net cash inflow/(outflow) from investing activities		**69**	(1 031)	**793**	(243)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid:		**(52)**	(120)	**–**	(81)
To shareholders of Tongaat Hulett Limited	27	**–**	(66)	**–**	(81)
To non-controlling shareholders		**(52)**	(54)	**–**	–
Finance costs	B	**(1 310)**	(1 107)	**(1 091)**	(1 039)
Borrowings:	C	**1 312**	542	**1 270**	(439)
Raised		**13 217**	8 940	**12 529**	6 352
Repaid		**(11 905)**	(8 398)	**(11 259)**	(6 791)
Lease liabilities		**(88)**	–	**(22)**	–
Net movement on non-recourse equity-settled BEE borrowings		**–**	(12)	**–**	–
Purchase of shares for delivery to employees		**–**	(27)	**–**	(24)
Proceeds from amounts owing to Group companies		**–**	–	**518**	1 154
Repayment of amounts owing to Group companies		**–**	–	**(1 280)**	(6)
Net cash outflow from financing activities		**(138)**	(724)	**(605)**	(435)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2 029**	(443)	**742**	(59)
Cash and cash equivalents at the beginning of the year		**962**	2 723	**20**	79
Foreign currency translation effect on cash and cash equivalents		**164**	(1 309)	**–**	–
Hyperinflation effect on cash and cash equivalents	E	**(1 919)**	–	**–**	–
Transfer from/(to) assets held for sale		**6**	(9)	**–**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**1 242**	962	**762**	20

NOTES TO THE STATEMENTS OF CASH FLOWS

for the year ended 31 March 2020

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
A. CASH GENERATED FROM OPERATIONS				
Profit/(loss) for the year (including discontinued operation)	**530**	(792)	**(368)**	(907)
Adjusted for:				
Finance costs	**1 946**	1 509	**1 214**	1 089
Finance income	**(269)**	(148)	**(69)**	(71)
Share of profit of associate	**(24)**	(2)	**–**	–
Income tax	**394**	640	**(313)**	4
Net monetary loss	**1 296**	–	**–**	–
Operating profit	**3 873**	1 207	**464**	115
Adjusted for:				
Depreciation on property, plant and equipment	**583**	596	**227**	265
Depreciation on right-of-use assets	**103**	–	**18**	–
Amortisation of intangible assets and lease incentives	**57**	57	**40**	41
Impairment/(reversal of impairment) of property,plant and equipment	**4**	(65)	**–**	20
Impairment on investments and intercompany loans	**–**	–	**156**	–
Allowance for expected credit losses	**(56)**	(103)	**(3)**	440
(Profit)/loss on disposal of property, plant and equipment	**(11)**	96	**(343)**	(8)
Loss on disposal of intangible assets	**5**	–	**4**	–
Movement in fair value of biological assets	**(889)**	(470)	**13**	(46)
Foreign exchange losses/(gains)	**76**	31	**12**	(10)
Share-based payments – BEE charge	**1**	2	**1**	1
Share-based payments – Employee share incentive scheme	**15**	38	**9**	30
Movement in provision for retirement benefit obligations	**(62)**	(111)	**(56)**	(101)
Deferred income (government grants) released to statement of profit or loss	**(20)**	(19)	**(20)**	(19)
Other non-cash items:				
Financial instruments and non-cash income	**(35)**	5	**(18)**	5
Valuation adjustment on investment	**48**	2	**48**	(2)
Operating cash flows before movements in working capital	**3 692**	1 266	**552**	731
Working capital				
Movement in inventories	**(380)**	184	**50**	347
Movement in trade and other receivables and contract assets	**(361)**	(114)	**(144)**	(351)
Movement in trade and other payables and contract liabilities	**(532)**	516	**119**	(89)
Investment in development of land portfolio	**(82)**	(132)	**–**	–
Net movement in working capital	**(1 355)**	454	**25**	(93)
Cash generated from operations	**2 337**	1 720	**577**	638

NOTES TO THE STATEMENTS OF CASH FLOWS CONTINUED

for the year ended 31 March 2020

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
B. NET FINANCE COSTS				
Finance Income				
Per statement of profit or loss and other comprehensive income	**260**	148	**60**	71
Finance income relating to discontinued operation	**9**	–	**9**	–
Pension fund employer surplus account	**(57)**	(58)	**(57)**	(58)
Financial instrument income	**(16)**	–	**–**	–
Exchange gain on revaluation of borrowings	**(125)**	–	**(9)**	–
Lease liabilities	**(48)**	–	**–**	–
Per statement of cash flows	**23**	90	**3**	13
Finance Costs				
Per statement of profit or loss and other comprehensive income	**1 880**	1 509	**1 178**	1 089
Finance costs relating to discontinued operation	**66**	–	**36**	–
Unwind of discount on provisions:				
Retirement gratuity	**(6)**	(16)	**(4)**	(12)
Post-retirement medical aid	**(44)**	(44)	**(39)**	(38)
Development expenditure	**(130)**	(104)	**–**	–
Non-recourse equity-settled BEE interest	**–**	(48)	**–**	–
Financial instrument expense	**(5)**	–	**(5)**	–
Exchange loss on revaluation of borrowings	**(363)**	(190)	**–**	–
Interest paid on right-of-use lease liability	**(7)**	–	**(6)**	–
Interest accrued	**(81)**	–	**(69)**	–
Per statement of cash flows	**1 310**	1 107	**1 091**	1 039
C. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES				
Balance at the beginning of the year	**11 438**	11 303	**9 888**	10 327
Held for sale	**(262)**	–	**(227)**	–
Cash movements for the period	**1 312**	542	**1 270**	(439)
Term loans and bonds:				
– raised	**168**	827	**–**	1
– repaid	**(5 887)**	(270)	**(4 993)**	(171)
General short-term banking facilities:				
– raised	**13 049**	8 113	**12 529**	6 351
– repaid	**(6 018)**	(8 128)	**(6 266)**	(6 620)
Non-cash movements for the period	**108**	(407)	**6**	–
Currency adjustments on borrowings				
– currency adjustment (including effect of IAS 29)	**284**	(596)	**–**	–
– net monetary gain	**(597)**	–	**–**	–
– losses on revaluation of borrowings	**402**	190	**–**	–
Other	**19**	(1)	**6**	–
Balance at the end of the year	**12 596**	11 438	**10 937**	9 888
D. TAXATION PAID				
Tax (asset)/liability at the beginning of the year	**(26)**	75	**–**	–
Taxation charged for the year in the income statement	**425**	311	**23**	19
Interest accrued to the South African Revenue Service	**2**	–	**–**	–
Foreign currency translation, including the effect of hyperinflation	**(203)**	(4)	**–**	–
Transfer of assets held for sale	**(7)**	–	**–**	–
Tax asset at the end of the year	**48**	26	**–**	–
Taxation paid	**239**	408	**23**	19

E. HYPERINFLATION EFFECT ON CASH AND CASH EQUIVALENTS

As a result of applying hyperinflation accounting in Zimbabwe, 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 resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period and as such is not reflecting actual cash flows during the year.

While the statement of cash flows is adjusted to reflect current purchasing power, the cash and cash equivalents balance can only ever represent the actual cash flow (i.e. not indexed) at the point in time when the transactions occurred. As a result, an adjustment of R1 919 million was required to account for the loss of value between the hyperinflation-adjusted cash flows and the actual cash flows, as well as to account for the loss of value in the opening cash and cash equivalent balances, In effect, the R1 919 million represents the value eroded by hyperinflation within the Zimbabwean economy.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

REPORTING ENTITY

Tongaat Hulett Limited ("Tongaat Hulett" or the "Company") 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 *Segmental Reporting*.

The consolidated financial statements of Tongaat Hulett, as at and for the year ended 31 March 2020, comprise the Group and the Group's interests in associates and joint arrangements (the "consolidated financial statements"). The separate financial statements of Tongaat Hulett, as at and for the year ended 31 March 2020 only comprise the Company (the "separate financial statements"). The consolidated and separate financial statements together are referred to as the "financial statements".

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with 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.

The 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 13 August 2020. They will be presented to shareholders at the Annual General Meeting on 28 September 2020.

Historical cost convention

The financial statements are prepared on a historical cost basis, except as disclosed in the significant accounting policies.

Presentation

The financial statements are presented in South African Rand, which is Tongaat Hulett's functional and presentation currency, rounded to the nearest million.

The Group continues to enhance and improve its disclosures taking into consideration developments and transactions each year as well as recommendations from regulatory bodies. Accordingly, the disclosure of certain comparative information has been revised to align with the current year disclosures.

Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Company and Group (the "entities"). Therefore, 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 Company and Group to continue as a going concern

IAS 1 *Preparation of Financial Statements* requires management to perform an assessment of the entities' ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities' ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

In conducting this assessment, the Board have taken into consideration the following factors:

Financial position

- Whilst the Group and Company's total liabilities of R19.7 billion and R14.2 billion exceed the total assets of R18.1 billion and R7.9 billion at 31 March 2020, respectively, the fair values of the total assets of the entities exceed their total liabilities. This is despite the weak economic climate which has been exacerbated by the impact of the COVID-19 pandemic. The fair value of the total assets has been determined by suitable qualified independent third parties and is supported by the market value of the Group's landholdings that approximates R11.1 billion (as at 1 June 2019) compared to a carrying amount of R1.7 billion.
- The Group's current liabilities of R16.9 billion exceed its current assets of R10.4 billion and the Company's current liabilities R13.7 billion exceed its current assets of R4.0 billion at 31 March 2020. This is mainly due to the classification of the South African debt, which contractually matures on 31 March 2021, to current borrowings. The maturity of the debt facilities was extended to 30 September 2021 on 31 July 2020 (refer below).

Turnaround initiative

- Substantial progress in the execution of the turnaround initiative has been demonstrated in the financial results for the 2020 financial year. The Group reported an operating profit from its continuing operations of R3,257 million (2019: R551 million) and the Company reported an operating loss from its continuing operations of R330 million (2019: R1,074 million loss).
- While the impact of hyperinflation and currency dynamics in Zimbabwe are noted, the Mozambique sugar operations recorded an operating profit of R124 million (being R595 million better than the previous year) and the South African sugar operations improved profits by R352 million (reporting a reduced operating loss of R130 million).
- Overall, operating profit from continuing operations, but excluding the Zimbabwe operating segment, recovered from a loss of R650 million to a profit of R375 million. This result includes a substantial amount of once-off costs related to retrenchments, debt reduction initiatives and forensic investigations that will not repeat in the next 12 months.

BASIS OF PREPARATION CONTINUED

Economic conditions and impact of COVID-19

- As a result of the liquidity constraints, weak trading environments and difficult regulatory conditions the entities already found themselves in, the COVID-19 pandemic has added additional pressure. The COVID-19 pandemic has developed rapidly in 2020 and there remains uncertainty as to what its impact and the effect of government implemented measures will be on the entities' operations.
- The current economic climate remains non-conducive to land sales and associated development activity. While COVID-19 lockdown has delayed cash inflows from property transfers it has equally delayed cash outflows related to infrastructure obligations.
- With the ongoing dispute with the purchaser, there is uncertainty as to whether the disposal of the starch business, which is classified as a discontinued operation, will proceed. However, management remain committed to successfully implementing the transaction. Despite the impact of the lockdown on the sale of starch to the alcoholic beverage sector, the starch business remains profitable as it expected to generate positive cash flow for the 2021 financial year. These expectations are based on the suspension of alcohol sales being lifted by 1 October 2020. The ability to execute the starch disposal and its impacted on the debt reduction milestones is discussed below.
- The Group's PropCo initiative to partner with a strategic investor and unlock value from its landholdings, is recovering from a series of delays caused by COVID-19 and the inability of local and international bidders to conduct physical site inspections.

The Board undertook a comprehensive assessment of the entities, including their solvency and liquidity statuses. The conditions described in this note give rise to a material uncertainty regarding the ability of the entities to continue as a going concern in the foreseeable future. The specific factors considered by the Board are set out below.

Liquidity

In assessing the entities' liquidity, management prepared a cash flow forecast up until 30 September 2021, being the date that the renegotiated South African debt facilities mature (refer below). A number of assumptions and estimates have been made in preparing the forecast. The forecast takes into consideration various scenarios relating to the impact the COVID-19 pandemic may have on its various operations, including the following:

Sugar	• Despite sugar operations continuing during lock down periods, the forecast assumes that the sugar mills will continue to operate and that it will be possible to complete the sugar season as planned. • The buoyant sugar sales in South Africa experienced in the first quarter of 2021 will reduce as the industry is constrained by lower levels of disposable income. • Local sugar sales in Mozambique are expected to decline as a result of the re-introduction in VAT on sugar sales from 1 January 2020 but will be offset by additional refined sugar exports. • The Zimbabwe sugar operations will continue to be in a position to increase sugar prices in line with inflation. • Decline in international sugar prices impacting prices at which sugar can be exported experienced during the initial stages of the pandemic was temporary in nature, and largely offset by the benefit of weaker exchange rates on export realisations. • The anticipated benefit of the introduction of the Sugar Master Plan in South African has not been factored into the forecast, neither has any dividend flows from the Zimbabwe sugar operations.
Properties	• Slow-down in demand for land and new development that may reduce the extent of land sold and/or reduce selling prices. • Delays in closing deals as a result of delays at the deeds office and obtaining planning approvals from municipalities. • There still remains expressions of interest in respect of certain parcels of land and it is expected and assumed that cash proceeds from these property disposals will be sufficient to fund development activities during the forecast period as the Group has significant obligations for the provision of bulk and basic infrastructure which will be discharged in a phased manner over a period of time.
Starch	• In preparing the forecast, management have considered two scenarios – one where the starch business disposal becomes effective, and one where it is not. • Historically, the starch business has performed well and has demonstrated good quality of earnings with a high cash conversion ratio. • The forecast has taken into consideration the impact of the suspension of alcohol sales during the COVID-19 lockdown on the demand for starch. Most notably the forecast takes into consideration a near-term decline in demand for starch in and then a gradual recovery as the suspension is lifted. There remains uncertainty as to consumer reaction and the impact on demand for alcohol beyond the lifting of the suspension. • The forecast assumes that the suspension of alcohol sales will be lifted by the 1 October 2020 and that during the suspension the breweries will operate at reduced capacity to restock distribution channels. • The forecast also takes into consideration benefits derived from lower maize prices resulting from the second largest crop on record.
Other	• It is unlikely that any material claims, not currently included in the forecast, will be payable within the next 12 to 18 months and at this point management has not forecast cash outflows related to any material claims that could arise in the future, other than those related to the regulatory investigations referred to in Note 34 *Events Occurring After the Reporting Period*.

The current cash flow forecasts which take into consideration the probability of various debt reduction initiatives, indicate that the entities will have sufficient cash resources for the foreseeable future which is defined as 12 months from the date of publishing these financial statements. The cash flows are highly dependent on the successful implementation of the various debt reduction initiatives. Cash flows and liquidity are monitored daily by management with oversight from the Board.

BASIS OF PREPARATION CONTINUED

Solvency

The solvency assessment requires the Group to determine the fair value of its assets compared to the fair value of their liabilities. The asset base of the Group comprises mainly tangible assets whose carrying amount is not reflective of their fair value. As part of the impairment testing process, the fair value of the Group's underlying assets (excluding the starch and Eswatini operations) at 31 March 2020 has been determined by an independent expert. The fair value of the starch and Eswatini operations was determined with reference to the signed sale and purchase agreements. These fair values align with the various expressions of interest and non-binding offers the Group has received as part of various debt reduction initiatives underway. Despite the fair value of these assets reducing as a result of the COVID-19 pandemic, the valuations continue to confirm that the Group's assets exceed the value of the external debt.

Achievement of debt reduction milestones

The refinancing of the Company's existing debt facilities with its lenders in South Africa (the "SA Lenders") became effective on 10 March 2020 (the "New SA Facilities"). As part of the debt refinance, the Company committed to reduce its level of debt by R8.1 billion through the sale of assets and/or an equity capital raise by 31 March 2021. To achieve the R8.1 billion target, the SA Lenders have specified a series of milestones for signing cumulative debt reduction transactions and collecting the associated cash proceeds by specific dates. As the milestones are met and the Company progresses towards an investment-grade credit risk, the pricing on these facilities reduces. However, these milestones have both default and adverse pricing consequences if they are missed.

The original milestones agreed with the SA Lenders in December 2019, and before any renegotiation, are summarised below:

Milestone Date	Signed Debt Transaction Agreements (cumulative)	Debt Reduction Proceeds (cumulative)
30 November 2019	R500 million	R nil
31 March 2020	R4.0 billion	R nil
30 June 2020	R6.0 billion	R500 million
30 September 2020	R8.1 billion	R4.0 billion
31 December 2020	R8.1 billion	R6.0. billion
31 March 2021	R8.1 billion	R8.1 billion

The Board took the strategic decision to dispose of its starch and glucose operation and focus on the turnaround of its sugar operations. Accordingly, on 28 February 2020 the Company entered into an agreement to dispose of its starch business as a going concern to KLL Group Proprietary Limited ("KLL Group"), a wholly-owned subsidiary of Barloworld Limited.

The disposal of the starch business forms the anchor of the Company's debt reduction plan and contributes significantly to reducing debt levels within these milestone parameters, while positioning the Group for long-term sustainability.

As of the date of the publication of these financial statements, the Company had achieved the 30 June 2020 milestones. The signed debt reduction transactions and the expected value contributed towards this milestone (i.e. proceeds less transaction and other costs) was as follows:

Debt Reduction Transaction	Signed Debt Transaction Agreements	Debt Reduction Proceeds Received
Liquidation of legacy pension fund	R512 million	R512 million
Disposal of Namibian packing operation	R109 million	R109 million
Disposal of starch operation	R4,916 million	–
Disposal of Eswatini operations	R372 million	–
Disposal of various landholdings	R101 million	R10 million
Total achieved to date	**R6,010 million**	**R631 million**

The balance of the R8.1 billion target was anticipated to be achieved through strategic transformational partnerships within the Group's South African sugar operation and its landholdings, the liquidation of a second legacy pension fund and additional land sales. Further detail on these strategic transformation partnerships is provided in Note 34 *Events Occurring After the Reporting Period.*

Impact of starch disposal on debt reduction transactions

On the assumption that the starch proceeds will be collected, the Group has achieved three of its four milestones. Consequently, the ability of the Group to meet is R8.1 billion debt reduction target was looking increasingly likely. However, with the unanticipated COVID-19 pandemic and the resulting dispute with the purchaser of the starch business, a material level of uncertainty has been reintroduced.

BASIS OF PREPARATION CONTINUED

As a result of expected impact of the COVID-19 pandemic and the related lockdown, KLL Group formed a view in April 2020 that the profits from the starch business will decline to such an extent that the material adverse change ("MAC") clause in the sale and purchase agreement has been triggered. KLL Group issued notice of a MAC which the Company has firmly rejected. As it stands, and in terms of the agreement, an independent third party has been appointed to determine whether a MAC has been triggered and ultimately, the likely outcome of this transaction.

Management believes that a MAC has not been triggered, but there remains uncertainty as to the outcome of the independent third party's determination, which could result in the breach of the 30 September 2020 milestone related to the New SA Facilities and the debt becoming due and payable.

Renegotiated facility terms

The uncertainty regarding whether the sale of the starch business will be concluded by 30 September 2020 (the financial covenant measurement date) required the financial covenants to be redefined.

To avoid any risk of a default, ensure the availability of funding facilities for a period of 12 months following the release of the annual financial statements and in response to the matters identified above, the entities have taken the following actions:

- A waiver letter has been obtained from the SA Lenders on 31 July 2020, whereby the SA Lenders have waived their right to accelerate payment of the facilities where the original default milestones have not been met. The letter also introduces the revised milestones below.
- A credit approved short-form term sheet has been agreed to and signed by the SA Lenders and the Company to amend the Common Terms Agreement ("CTA") and other facilities agreements. The long-form agreements are currently being drafted and the key changes to the facility terms are as follows:

<table>
<tr><td>Final maturity date</td><td>• Extend the final maturity dates for Senior Facility A and Senior Facility B from 31 March 2021 to 30 September 2021.
• Extend final maturity date for Senior Facility C and Senior Facility D from 31 March 2021 to 31 March 2022 (subject to certain parameters and conditions and no re-borrowing before 31 May 2021).</td></tr>
<tr><td>Milestones</td><td>Whilst the pricing milestones as defined in the CTA have not been amended, the default milestones have been amended as follows:

In the event that the starch disposal has failed by 31 October 2020, the default milestones are extended as follows:

<table>
<tr><th>Milestone Date</th><th>Signed Debt Transaction Agreements (cumulative)</th><th>Debt Reduction Proceeds (cumulative)</th></tr>
<tr><td>30 September 2020</td><td>R1.1 billion *</td><td>R500 million</td></tr>
<tr><td>31 March 2021</td><td>R8.1 billion</td><td>R1.1. billion **</td></tr>
<tr><td>30 September 2021</td><td>R8.1 billion</td><td>R8.1 billion</td></tr>
</table>

In the event the starch disposal closes by 31 October 2020, the default milestones are extended as follows:

<table>
<tr><th>Milestone Date</th><th>Signed Debt Transaction Agreements (cumulative)</th><th>Debt Reduction Proceeds (cumulative)</th></tr>
<tr><td>31 December 2020</td><td>R6 billion</td><td>R5.5 billion</td></tr>
<tr><td>31 March 2021</td><td>R8.1 billion</td><td>R6 billion</td></tr>
<tr><td>30 June 2021</td><td>R8.1 billion</td><td>R6 billion</td></tr>
<tr><td>30 September 2021</td><td>R8.1 billion</td><td>R8.1 billion</td></tr>
</table>

* To date signed debt reduction agreements (excluding Starch) total R1.09 billion and, as such the September 2020 milestone is likely to be achieved.

** To date proceeds received total R630 million and the March 2021 milestone is dependent on the disposal of the Eswatini operation closing and the registration of the transfer of three properties.</td></tr>
<tr><td>Financial covenant</td><td>• Introduce a minimum forward-looking EBITDA and free cash flow measure for each remaining material South African business as a financial covenant (default level based on 20% headroom).
• Measurement of financial covenants for the six-month period ending on 30 September 2020, 31 March 2021 and 30 September 2021.</td></tr>
</table>

As the milestones for determining the pricing of the facilities have not changed, the failure to conclude the starch disposal and any delay in concluding other debt reduction transactions will result in the interest rate ratchet being applied. The resultant "payment-in-kind" interest is only repayable at the maturity of the facilities and does increase the level of residual borrowings required to be refinanced. Management intends to mitigate this refinance risk by focusing on resolving the MAC dispute favourably, preparing various alternate debt reduction plans in the event that the independent third-party determines that a MAC has occurred, and believes that the refinance risk could be reduced to some extent through improved operational performance of its underlying businesses.

BASIS OF PREPARATION CONTINUED

Ongoing actions to improve liquidity and solvency

- The entities continue to implement the disposal of the starch business notwithstanding that a MAC has been called by the purchaser. In the event that the starch deal is not concluded, the entities will consider relaunching the disposal process or seek a strategic partner for a portion of the business.
- The entities continue to progress a number of ongoing initiatives simultaneously in order to reduce debt to sustainable levels. The initiatives include numerous assets which could be disposed of, entirely or partially. Certain binding and non-binding expressions of interest have been obtained in respect of certain assets and businesses. If pursued, these disposals are expected to generate enough cash to reduce debt and enable the entities to reduce debt in line with the requirements of the SA Lenders. Certain of these non-binding expressions of interest have progressed well and, in some cases, due diligence processes have commenced.
- The entities continue to roll out the operational turnaround plan in order to right-size operations and implement initiatives to improve working capital. With the majority of initiatives already implemented the entities results are confirming cost savings.
- Management is in the process of implementing initiatives to reduce the Group's infrastructure obligation without infringing on the rights of customers inherent in concluded sales agreements. The initiatives include realising synergies from combining infrastructure requirements into larger procurement arrangements and negotiating higher contributions to bulk infrastructure from the relevant municipalities. Currently the Group bears the full bulk infrastructure requirements in Sibaya and Umhlanga.
- Management expects that the cash outflows relating to the infrastructure obligations to complete the various development precincts will be self-funding from future sales of sites within those precincts.
- A capital raise remains a consideration and option depending on the outcome of various other transactions.

The Mozambique entities of the Group presented a detailed debt restructuring proposal to lenders in Mozambique, on 7 May 2020, in order to facilitate the de-leveraging of the Mozambique Group through non-core asset disposals and improved cash generation from continued trade. The debt standstill agreement that was entered into with the Mozambique Group lenders on 18 December 2019 for a period of 12 months has been extended to 30 June 2021. Although it provides certainty on existing debt facilities being in place for a defined period of time, there is nevertheless uncertainty regarding the successful debt restructure and associated terms thereof. The likelihood of any cash outflow from a South African Group perspective, is considered remote due to the security in place at the Mozambique level and the principle of excursion.

The Zimbabwe Group has standalone facilities in place, which are not supported by the South African Group. It is anticipated that these facilities will remain in place in the foreseeable future. The Zimbabwe Group continues to be profitable and cash generative.

Conclusion in respect of material uncertainty relating to going concern

- The ability of the entities to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the ability to realise cash through a combination of disposals of core or non-core assets, or part thereof, and if required the successful raising of equity. The liquidity dependencies indicate that a material uncertainty exists that may cast doubt on the Company and/or the Group's ability to continue as a going concern. The Board is of the view that the actions that have been implemented and are currently underway are sufficient to mitigate the material uncertainties related to liquidity.
- The Board has no intention to cease trading, curtail operations nor liquidate the businesses, other than the orderly disposals that may be necessary to reduce debt.
- The Board remains focused on and committed to the turnaround strategy and the debt reduction plan. However, the requirement to reduce borrowings by a set quantum in a set timeframe, and the ability of the Group and Company to achieve its debt reduction plan in the current economic conditions, creates a material uncertainty. A material uncertainty is an event or condition that may cast significant doubt on the Group and Company'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, after considering the negotiated terms and mitigating action described above, has concluded that the Group and Company are able to discharge their 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.

SIGNIFICANT ACCOUNTING POLICIES

The Group and Company have consistently applied the following significant accounting policies to all periods presented in the financial statements, except if mentioned otherwise.

Principles of consolidation and equity accounting

Subsidiaries and non-controlling interests (NCI)

Subsidiaries are all entities (including structured entities) over which the Group has control and therefore consolidates. On an acquisition-by-acquisition basis, the Group recognises non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Joint arrangements

Under IFRS 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. When the Group's share of losses or reversal of unrealised gains equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

Associates are entities over which the Group has significant influence, but not control or joint control. Investments in associates are accounted for using the equity method of accounting.

Investments in subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates, and joint ventures are measured at cost less any accumulated impairment.

Foreign currencies

Transactions and balances

Foreign exchange gains and losses that relate to borrowings and lease liabilities not denominated in the functional currency of the transacting entity are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating income/expenses.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency and that are not in a hyper-inflationary economy, are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of other comprehensive income are translated at average exchange rates unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- equity items are translated at the exchange rate ruling when they arose; and
- all resulting exchange differences are classified as a foreign currency translation reserve and recognised in other comprehensive income.

The functional currency of the Group's main foreign operations are ZWL Dollar and Mozambican Metical.

With effect from 1 October 2018, the functional currency of the Group's Zimbabwean operations changed from US Dollar to ZWL Dollar. In respect of these foreign operations because of the application of hyperinflationary accounting, transactions and balances are all translated at the closing rate. For further details, please refer to the section *Application of IAS 29* and to *Critical estimates and judgements.*

On disposal of a foreign operation, the cumulative amount previously recognised in other comprehensive income relating to that foreign operation is recognised in profit and loss. The Group does not reclassify any of the foreign currency translation reserve on partial disposal of a foreign operation as there is no change in the proportionate interest of the entity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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, except for land and capital work-in-progress which is shown at cost less accumulated impairment. 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 Group 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.

The Group's cane roots are bearer plants under the definition in IAS 41 *Agriculture* and are therefore accounted for as property, plant and equipment. Costs capitalised to cane roots include all direct costs incurred during land preparation and planting up until the cane root is covered by soil, provided that such costs are directly attributable to the planting of cane roots and will result in probable future economic benefits. Therefore, irrigation and general farming costs are excluded.

Fallow land costs falling outside of the normal operating cycle are considered to be maintenance rather than improvements to the soil. Such costs would not result in future economic benefits and are expensed.

Agricultural land is recorded at historical cost. The transfer price for agricultural land sold between Group entities for development is determined with reference to a third-party valuation and is recognised on the date that legal transfer is registered in the deeds office. Any resultant unrealised profit is eliminated in the Group on consolidation.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Item	Average useful life
Agricultural land improvements	50 to 70 years
Buildings	30 to 50 years
Cane roots	6 to 12 years
Plant and equipment	4 to 40 years
Vehicles, rail trucks and locomotives	4 to 40 years
Dams, canals and irrigation	50 years
Furniture and equipment	3 to 10 years
Leased assets	Useful life of leased asset, limited to the lease term
Land	Not depreciated
Capital work-in-progress	Not depreciated until such time as the asset is available for use

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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 Group 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 Group 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.

Cane supply agreements

Cane supply arrangements acquired as part of a business combination are measured initially at fair value as these are a separately identifiable intangible assets and represent security over cane supply of an operation.

Share Cropper Agreements (SCA)

The Group enters into SCAs with farmers (share croppers) to facilitate the managing and cultivating of planted cane roots to standing cane. The costs incurred by the Group relating to the establishment of the land and the planting of seed cane as part of the arrangement, are recognised as an intangible asset. In substance, this represents the right to receive harvested cane in future from the share cropper, therefore securing the supply of cane, which meets the definition of an intangible asset.

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.

Development expenditure

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised only if and when it results in an asset that can be identified, it is probable that the asset will generate future economic benefits (i.e. the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development) and the development costs can be reliably measured.

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

Item	Useful life
Computer software	4 to 10 years
Patents and licences	4 to 20 years
Cane supply agreements	3 to 10 years
Share Cropper Agreements	10 years
Goodwill	Not amortised

Impairment of non-financial assets

Assets that have an indefinite life, including goodwill, 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. For the purposes of assessing impairment, assets are grouped into CGUs, being the lowest levels at which a Group of assets generates cash inflows that are separately identifiable. Where an impairment is determined with respect to a CGU, the impairment is allocated firstly to goodwill and then to the remaining assets in terms of their relative carrying value.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Inventories

Sugar- and maize-related raw materials, work in progress, finished goods and consumables

Inventories are stated at the lower of cost and net realisable value determined, either on the first-in-first-out and weighted average methods. Cost comprises direct materials, direct labour and an appropriate proportion of overhead expenditure based on normal operating capacity.

Land in the development cycle

Land in the development cycle comprise land at cost and development expenditure attributable to unsold properties. Development expenditure consists of township planning and servicing costs, mainly relating to the construction and installation of bulk infrastructure and basic services. Land in the development cycle is stated at the lower of cost and net realisable value.

Bulk infrastructure represents the higher order engineering services (e.g. water, electricity, sewerage, road access) that are required to be installed at a regional level (typically outside the boundary of the land to be developed) to support the development of the land. Basic services represent the supply of localised public infrastructure typically within the boundary of the land being developed. The costs associated with the installation of these services by the Group are necessary to convert agricultural land to developable land for sale. A provision for development expenditure is recognised to the extent the Group is committed to install the services and such installation is yet to commence or in progress.

Biological assets

Standing cane

Growing crops comprise standing cane and are accounted for as biological assets until the point of harvest. Biological assets are measured at fair value, determined with reference to the industry recoverable value. The recoverable value is the amount paid to growers in respect of cane delivered to a mill based on a formula that takes into consideration the quality of the cane delivered.

The cane roots are bearer plants and are therefore recognised as property, plant and equipment. Harvested cane is transferred to inventory at fair value less costs to sell when harvested.

Financial instruments

Financial instruments comprise non-current loans, certain trade and other receivables, cash and cash equivalents, borrowings, bank overdrafts, derivatives and certain trade and other payables. In the separate financial statements, financial instruments also include amounts owing by Group companies and amounts owing to Group companies.

Classification

The Group classifies financial assets and liabilities into the following categories:

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

For investments in debt instruments, classification is based on the contractual cash flow characteristics and the Group's business model for managing financial instruments. Debt instruments held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group 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.

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 rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. 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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset and if it 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.

In determining whether the restructuring or modification of an original financial liability should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability the Group considers whether the terms of the original financial liability is substantially different from the terms of the new financial liability.

The Group considers qualitative factors in determining whether the terms of the original financial liability are substantially different to those of the new financial liability. Changes to the terms of the liability might be significant, on a qualitative basis, if they significantly affect the economic risks of the liability. The following qualitative factors, amongst others, are considered:

- Whether a new agreement is entered into for new facilities
- Changes in the interest basis and margins
- Changes in covenants
- Changes in the term of the financing

Where the qualitative factors do not conclude that the terms are substantially different the Group performs a quantitative analysis to determine whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original financial liability, using the original effective interest rate in determining whether the original financial liability should be derecognised.

Impairment of financial assets

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group has the following financial assets it assesses for impairment:

- Loans at amortised cost;
- Trade receivables;
- Other receivables; and
- Cash and cash equivalents.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9. The simplified approach allows entities to recognise lifetime expected losses on all trade receivables without the need to identify significant increases in credit risk. The expected credit losses on these financial assets are estimated using a roll-rate methodology for the sugar and starch operations, and a provision matrix for other operations, both based on the Group's historical credit loss experience. The roll-rate methodology has been used to project ECLs by using historical trends in credit quality indicators, including days past due and write-off history. Trade receivables continue to be assessed for impairment individually, and a specific provision recognised where appropriate. An assessment of both the current as well as the forecast direction of conditions at the reporting date are considered and the ECL calculated based on historical credit loss experience is adjusted to take into account these conditions, where appropriate.

Based on the nature of the other receivables the Group considers the following:

a) Significant increase in credit risk

In making an assessment, the Group 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 prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group'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 Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

b) Definition of default

The Group considers information developed internally or obtained from external sources that indicate that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group). This information includes the debtor experiencing significant financial difficulty, delays in making payments when due, or it becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

c) Definition of performing

The financial asset has a low risk of default and does not have any past due amounts.

d) Definition of non-performing

The financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging non-performing criterion is more appropriate.

e) Write-off policy

The Group 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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

f) Measurement and recognition of expected credit losses

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.

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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Amounts owing to/by Group companies

Amounts owing by/to Group companies are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group 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 Group. Interest may be charged at commercial rates and collateral is not normally obtained.

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

Borrowings

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

Borrowings also include maize purchases that are financed via a mill door facility with a financial institution and the liability is recognised as a short-term borrowing, with interest recognised over the period of the obligation.

Hedge accounting

The Group applies fair value hedge accounting to its priced maize procurement contracts and the commodity futures designated to hedge these exposures. At inception of the hedge relationship, the Group documents its risk management objective and strategy for undertaking its hedge transactions, the economic relationship between hedging instruments and hedged items, as well as whether changes in the fair values of the hedging instruments are expected to offset changes in the fair values of hedged items. The Group's risk management strategy is to align the pricing of the procurement and sales contracts as much as possible to mitigate its exposure to maize price volatility. The execution of this strategy is achieved by selling the requisite number of SAFEX maize futures once procurement contracts with farmers/traders have been priced. The SAFEX futures are closed out once the underlying sales contracts with customers are priced, effectively matching the SAFEX-linked purchase and sales price elements.

The hedging instruments (SAFEX futures contracts) are recognised and subsequently measured at fair value, with gains or losses recorded in profit or loss. Fair values are determined using quoted SAFEX prices.

Provided that the hedging relationship meets the qualifying hedge effectiveness criteria, any changes in the fair value of the firm commitment being hedged (purchase of maize from the farmer) are recognised in the statement of financial position as a firm commitment asset/liability, with a corresponding entry recorded in profit or loss.

The carrying amount of the firm commitment asset/liability is recognised as an adjustment to the cost price of the hedged item (i.e. the maize inventory). If a committed transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in the firm commitment asset/liability is immediately transferred to profit or loss.

The Group has elected to continue applying the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of time value of money is material.

Provision for development expenditure

As described in the revenue accounting policy relating to the sale of township properties, to the extent that an obligation for the construction of infrastructure is unavoidable, a provision is recognised based on the estimated cost of completing servicing. The registration of transfer of ownership of the first township property sold within a precinct gives rise to this obligation both contractually and in terms of legislation. The Group cannot avoid completing the basic services and bulk infrastructure including water and sewerage reticulation, storm water drainage, electricity reticulation and road access, to the precinct as a whole.

Leases

Lessee

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

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period 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 months or less.
- Low-value leases – assets with a cost of R75 000 or less, which mainly comprise of office equipment.

The Group has applied the following practical expedient:

- To account for each lease component and any non-lease component 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 contact to the lease and non-lease components based on their relative standalone prices.

Leases related to farmland 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.

Lessor

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised for payments or contributions made to the lessee by the Group. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue

Revenue is recognised by the Group when it transfers control of a product or service to a customer. Revenue is measured based on the consideration which the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue from the following major sources:

Revenue from the sale of sugar, animal feeds, starch, glucose and other related products

The Group sells sugar, animal feeds, 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 Group 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.

Mozambique

The Group holds a 50% interest in a joint arrangement, 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 DNA shareholders agreement, all sugar is deemed to be sold to the DNA once the sugar has been placed on the warehouse floor. In respect of sugar designated for the local market, the DNA carries inventory risk and has pricing latitude to negotiate the price at which the sugar is sold to the end customer. As such local market revenue is recognised at the point the sugar is received into the Mozambique sugar operations' warehouses. In respect of sugar designated for the export market, the Group retains an obligation to repurchase this sugar from the DNA and the revenue is only recognised when the sugar is shipped to the end customer.

South Africa

At the end of the sugar season, the South African Sugar Association ("SASA") purchases all the South African sugar operations stock ("carry-over stock") designated for the local market at a notional 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 existing customers at its own negotiated prices. As and when the carry-over stock is sold to the end customer, SASA is refunded the notional price. The arrangement with SASA is reflected as a financing arrangement and revenue is recognised when the sugar is sold to the end customer.

The sugar millers within the South African sugar industry are allocated a *pro-rata* share of the local sugar market. Where a sugar miller 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 sugar miller who has underperformed with respect to their entitlement. Any receipts or payments in terms of the redistribution process are recognised as an adjustment to revenue as these represent variable consideration.

Zimbabwe

The sale of sugar and ethanol products is recognised at the point at which the product is delivered, in the required format and quality, to the customer. Any sales arrangement where there is no physical delivery of the product, the pricing of the sugar is not reflective of the type of sugar (e.g. white vs brown), the quality of the sugar (e.g. consumption vs reprocessing) or the packaging format (i.e. bulk vs bagged/packaged sugar) , or where the Zimbabwe sugar operation is appointed to act as agent on behalf of the purchaser, is reflected as a financing transaction.

Revenue from the sale of township properties and large land sales

Township property sales represent the sale of a site within a precinct where the land is in the process of being converted and developed. To obtain the full development rights and planning approvals required to effect the sale and subsequent transfer of the land to a third party, the Group may have to provide or contribute to bulk infrastructure and has a legal obligation to install the basic services. Township property sales are priced using the current market price of the bulk development rights or housing units allocated to the site sold.

Large land sales represent the sale of existing farmlands (i.e. undeveloped land) where there are no or partial development rights in place. Large land sales do not attract any obligation for the Group to put in place the bulk infrastructure or basic services. Such land is priced based on the number of hectares sold, taking into account recent land sales in the area, the value of any partial development rights in place and a portion for the development potential of the land.

While there are two types of land sale transactions, the underlying asset is effectively the same (i.e. the land) and therefore the same revenue recognition considerations are applied to both transaction types. To be specific, the revenue recognition for the sale of land is at a point in time for both types of transactions being when transfer of ownership of the property is registered. In certain instances where the contractual terms of a sale result in the Group retaining the legal title to the land solely to protect the collectability of the amount due (i.e. there is an insignificant risk of ownership), revenue may be recognised prior to the date of legal transfer provided that the customer has paid of a substantial non-refundable deposit, the customer is paying occupational rent and has been granted permission to commence construction.

For a township property sale where the basic services have not yet commenced and/or have not been completed, this represents a separate performance obligation and a portion of the contracted sales price a portion is deferred and recognised over time as the services are implemented.

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 the Group for no consideration when the planning approvals were obtained. Such sales will only be recognised once the sub-division has been approved.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recognised as income received in advance.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 grant funding was to be spent in terms of a detailed project plan. The government grant has been recognised as deferred income and released to the income statement over the same time period that the related cane roots established are expensed.

Employee benefits

Retirement funds

The Group operates defined contribution plans.

A defined contribution plan is a pension plan under which the Group 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 Group 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.

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

Provision is made for post-retirement medical aid benefits and gratuities payable on retirement and is based on the present value of those liabilities for services rendered to date as determined by independent actuaries. Service costs and the net interest expense or income is recognised in profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income and will not be reclassified to profit or loss.

Share-based payments

The Group 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.

Reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the foreign operations.

Application of 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 12 months ended 31 March 2020 in respect of its Zimbabwean operations.

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

- There was a rapid increase in official inflation rates. As at March 2019, the annual inflation rate was 67% resulting in a three-year cumulative inflation rate of 72%. The annual inflation rate through to June 2019 increased to 176% resulting in a three-year cumulative inflation rate for Zimbabwe of 185%.
- There was significant deterioration in the interbank Zimbabwe Dollar (ZWL$)1 exchange rate during the period. Trading commenced at a closing interbank rate of ZWL$ 2.5 to US$ 1 during February 2019 and weakened to a rate of ZWL$ 25 to US$ 1 at 31 Match 2020.
- 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 used 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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 0.7168 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
31 March 2020	810.4	1.000
30 September 2019	290.4	2.791
31 March 2019	104.4	7.764
1 October 2018	64.0	12.651

The average conversion factor for the 12 months to 31 March 2020 was 3.12

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.

New Standards, Amendments to Standards and Interpretations adopted 1 April 2019

The Group has applied the following standards and amendments for the first time, effective 1 April 2019:

- IFRS 16 *Leases*
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The adoption of IFRS 16 resulted in a change in accounting policy. The other amendments did not have any impact on the prior periods and the current period and are not expected to significantly impact the future periods.

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

The Group has elected not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's financial years beginning on or after 1 April 2020 or later periods:

Effective for financial year beginning after 1 April 2020

- Conceptual Framework for Financial Reporting
- IFRS 3 Definition of a Business – amendments
- IAS 1 and IAS 8 Definition of Material – amendments
- IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform – amendments
- IAS 1, Presentation of financial statements on classification of liabilities – amendments

Management is of the view that the adoption of the abovementioned standards in future periods is not expected to have a significant financial impact on the Group's financial statements. These statements, interpretations and standards will be adopted at the respective effective dates.

CRITICAL ESTIMATES AND JUDGEMENTS

The Group prepares its financial statements in accordance with IFRS, the application of which often requires management to make judgements when formulating the Group's financial position and results. 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 statements.

Nature of judgement/estimate	Description
Impairment of assets	Judgement was applied in determining the cash-generating units (CGUs) making up the sugar operations due to the integrated nature of the sugar operations and the ability of the assets making up such operations to generate cash flows independently of each other in each geographical location taking into consideration competitors in respective markets. Management makes a number of estimates in determining the recoverable amount of CGUs being tested for impairment: *General* Corporate costs and assets/liabilities are allocated to CGUs based on the previous year's contribution to Group revenue. Working capital and capital expenditure are based on forecasts. Discount rates are applied with specific references to the inclusion of specific risk premiums. *South African Sugar Operations* The estimated amount of cane is forecast taking into consideration area to be harvested, cane yields and sucrose content. The forecast recoverable value (RV) and notional prices are estimated taking into consideration forecast international sugar prices, exchange rates, local market demand and industry production/supply. Sales volumes, local market sales prices and cost saving initiatives together with the timing of implementation of these initiatives are based on forecasts. *Zimbabwe Sugar Operations* The estimated amount of cane is forecast taking into consideration area to be harvested, cane yields and sucrose content. The estimated growth in sales in the local and export market is forecast by management taking into account local market demand which influences the mix of local and export sales. *Mozambique Sugar Operations* The estimated amount of cane is forecast taking into consideration area to be harvested, cane yields and sucrose content. The estimated net recoverable value (NRV) is a factor of local market prices, export prices, total industry volumes, local market demand and Tongaat Hulett's share of the industry. As a result of COVID-19 management estimated what the impact would be on cash flow forecasts based on different scenarios.
Treatment of Share Cropper Agreements (SCA)	The Group enters into SCAs with certain farmers where the Group leases land to the farmers which they manage and cultivate for their own benefit. As part of the SCAs the Group incurs costs relating to the establishment of the land and the planting of seedcane. Management applied judgement in determining that the substance of payments in terms of SCAs are intangible assets as a right to receive harvested cane in the future. As an alternative these payments could have been recognised as bearer plants since they relate to the establishment of cane roots provided to the farmers in terms of the SCAs or as a donation to the share croppers.
Cane root cost capitalisation	Management applied judgement in determining when the cane root is available for use in the manner intended by management, being when the cane root is in the furrow and covered by soil.
Valuation of biological assets (including seed cane nursery produce)	Growing crops are required to be measured at fair value less harvesting, transport and over-the-weighbridge costs. In determining fair value management estimates the yield and recoverable value of standing cane taking into consideration hectares available for harvest adjusted by a factor to reflect the growth of the cane at 31 March (i.e. the cane growth percentage). The cane growth percentage reflects the long-term average climate industry information and agricultural conditions at each operation.
Assets classified as held for sale	Management applied the following judgements in classifying the Starch Operations as held for sale at 31 March 2020, taking into consideration the following were highly probable to occur: • The suspensive conditions will be fulfilled or waived by 30 September 2020 and the disposal will be implemented on the closing date, which is expected to be in the third quarter of 2020. • The required voting rights will be obtained from Tongaat Hulett Shareholders to vote in favour of the Special Resolution to dispose of the Starch Business at the general meeting to be held on 29 May 2020. • No material adverse change event was expected to be triggered in the interim period between signature of the sale purchase agreement and the effective date of the disposal. Refer to the subsequent events note as it relates to the disposal of the Starch Operations.

CRITICAL ESTIMATES AND JUDGEMENTS CONTINUED

Nature of judgement/estimate	Description
Provision for development expenditure	Management estimates the costs of completing basic services and bulk infrastructure in respect of township properties that have been sold. The estimates are determined with reference to estimates provided by third party service providers as part of the conditions of establishment imposed by the municipality although these may cover a number of township properties at various stages. Where the local municipality's contribution to bulk infrastructure costs has not been formalised into an agreement, management applies its judgement, based on past experience and the status of negotiations at the reporting date, to estimate this contribution. This contribution can range from 0% to 100% depending on the priority of the development to the municipality's plans. Any liability recognised in respect of such expenditure is subject to uncertainty due to the long time frames involved relating to land development as well as other factors including unforeseen events during construction and the impact of other macroeconomic factors.
Allocation of development infrastructure costs	Management applies judgement in allocating common costs, including bulk infrastructure expenditure to various precincts being developed taking into consideration the infrastructural requirements of each precinct. Management uses the Environmental Impact Assessment (EIA) carried out in respect of land to be developed to identify which precincts to allocate bulk infrastructure to. EIAs are conducted by independent consultants and include details of the bulk infrastructure requirements of a precinct in order for the land to be rezoned and developed. EIAs are required as part of the planning approval process. The method of allocating bulk infrastructure costs to precincts is done on a rational, reasonable, uniform and consistent basis, based on precincts serviced by the infrastructure and the likelihood of development of a precinct. Once the allocation of bulk infrastructure to a precinct has taken place it has to then be allocated to individual sites in the precinct. The allocation of such bulk infrastructure costs and the allocation of basic services to individual sites within a precinct also requires judgement and is based on estimated revenue each individual site is expected to generate within a precinct. This allocation is performed consistently across precincts and revenue estimates are reviewed at each reporting period. Where there is a change in the estimated cost of bulk infrastructure and/or basic services, the allocation of costs across the sites is updated in the year that such change occurs. For sites already sold within the precinct, the revised cost allocations are expensed.
Net realisable value of landholdings reflected as inventory	The net realisable value of the Group's landholdings has been determined with reference to a valuation prepared by an independent third party as at 1 June 2019. The basis of the valuation is described below. When assessing whether the value realisable from the Group's landholdings exceeds its carrying amount, the pricing use in this valuation was revised downwards by management to take into account the COVID-19 pandemic. Depending on the precinct, selling prices can decline by between 31% and 64% before a write-down of inventory would be required. The valuation of the landholdings was carried out in accordance with International Valuation Standards by a Chartered Surveyor and professional valuator in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards Manual ("the Red Book"), 2017 Edition incorporating the International Valuation Standards 2017. Market value is defined in the Red Book as: "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion." The independent third party valuation was performed in line with the market approach, which is based on comparing the subject assets with identical or similar assets for which price information is available, such as a comparison with market sales transactions in the same, or closely similar, type of asset within an appropriate time horizon. This effectively provides a "shovel-ready" value (i.e. the value of the land assuming all necessary permissions have been granted and the land is fully serviced. An appropriate adjusted is made to the "shovel-ready" valuation for the infrastructure and servicing costs required to reach "shovel-ready" status. A further adjustment of between 25% and 75% has been made for risk and the time value of money associated with the length of time between the valuation date and the date the property is expected to be developed. Special assumptions include that there is no reduction in property value owing to the financial position of the Group. The properties will be marketed in an orderly fashion so as not to flood the market and cause a decrease in value. The landholdings valued represents the equivalent 20.1 million square meters of developable floor area, which in its current state of development is valued at between R119 per square meter and R2,009 per square meter.
Extinguishment of existing borrowings	Management applied judgement in determining that the specific facts and circumstances relating to the refinancing of the debt during the current year results in the extinguishment of the existing debt. The terms of the new and existing debt were substantially different taking into consideration a number of factors including, changes in the interest basis and margins, changes in the terms of financing and the covenants put in place.

Nature of judgement/estimate	Description
Measurement of borrowings	Management has applied judgement in determining that changes in the interest rate as a result of the ratchet mechanism are linked to the credit risk of Tongaat Hulett and therefore changes in cash flows arising from increases or decreases in the interest rates due to the ratchet mechanism reflect movements in the market rate of interest. Management has applied judgement in the calculation of the adjustment to the effective interest rate arising from transaction costs related to a variable rate loan. The transaction costs are amortised by calculating a spread on the principal amount outstanding. Management has also estimated the timing and quantum of payments of the debt reduction milestones taking into consideration transactions and initiatives in place.
Revenue from the sale of large land sales and township properties	IFRS 15 *Revenue from contracts with customers* requires identification of performance obligations in respect of revenue contracts. Management applied judgement in determining that two performance obligations exist in respect of the sale of township properties, where basic services have not yet commenced or are incomplete, in determining whether the obligation is to the customer or municipality. Accordingly, management estimates the portion of revenue attributable to each of the performance obligations. Estimates are used to determine the standalone selling prices relating to the sale of land and provision of services as the Group does not sell such goods and services on a standalone basis. The amount of revenue relating to the provision of services is determined with reference to the cost to complete the basic services plus a margin representing an appropriate return for the risk assumed and the cost of capital. The land component is arrived at using the residual approach, namely the difference between the total transaction price per the sale agreement and the standalone selling price of the services. For contracts accounted over time, the stage of completion is used to determine the revenue to be recognised in the financial statements. This is calculated based on the proportion of actual costs to the total contract costs over the life of the contract. In determining the stage of completion, the Group estimates the cost of construction services and activities to be performed at the statement of financial position date.
Sugar redistributions and export sales	Management applied judgement in determining the accounting treatment for sugar redistributions and export sales in South Africa as being similar to variable consideration in respect of revenue from contracts with customers, despite payment not being made to or received from a customer (refer to Revenue Accounting Policy above).
Lease terms	Management applied judgement in considering the treatment of certain lease terms, including: • Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). • For leases of certain plant and equipment there are early termination options where it is reasonably certain the Group will not terminate the lease early, taking into consideration historical lease duration. • For certain building leases that are running on a month-to-month basis it is not reasonably certain for what period the lease will remain in place given the current restructure initiatives, in this case the lease term is less than 12 months. • The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.
Incremental borrowing rate used in respect of leases	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 in each geographical location, the collateral underpinning the lease, liquidity constraints and the lenders funding costs and margins, which management estimates with reference to current funding arrangements.

Nature of judgement/estimate	Description
Taxation	Due to the complexity of legislation and varying tax jurisdictions in which the Group operates, management estimates the provision for income taxes. The tax impact of a transaction or item can be uncertain until a conclusion is reached with the relevant tax authority. Management takes into consideration all available information. Deferred tax assets are measured to the extent it is probable that taxable income will be available in the future against which the assets can be utilised. The forecast profit and cash flows are utilised in the assessment of the recoverability of deferred tax assets. Management also exercises judgement in assessing the likelihood that the business plans will be achieved and that the deferred tax assets are recoverable. The likelihood of the disposal of the starch operations was regarded as highly probable and therefore generate sufficient taxable income to absorb unrecognised losses of the Group.
Provision for expected credit loss on loans and trade and other receivables	When measuring ECLs, the Group 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, considering 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. Details of the key assumptions and inputs used are disclosed in note 8 and 11. The impact of COVID-19 on the Group's ECLs has been assessed as limited using forward-looking information, as the Group is involved in the production, distribution and supply of food and thus operated during the lockdown, with little impact on the collectability of debtors given the industries in which the Group's customers operate. A doubling of the loss rates on performing exposures does not lead to a material change in the required ECL. See note 34 for further details.
Recognition of investment in Distribuidora Nacional de Açúcar Limitada ("DNA")	DNA is separate legal entity jointly controlled by the various sugar mills in Mozambique. DNA sells sugar obtained from the mills in Mozambique in the local market. Management applied judgement in determining whether DNA is a joint venture or joint operation as a result of the relationship between DNA and its shareholders in respect of the sale of sugar in Mozambique. DNA has been classified as a joint venture given that it is separable from the joint venture parties. Management also applied judgement in determining that the control of sugar passes to DNA before it is sold to third parties since DNA takes ownership of the sugar and sets the price at which sugar is sold to the third parties. Unrealised gains arising from sales of sugar from the Group to DNA are therefore eliminated. In determining the amount of unrealised gains arising from the sales of sugar management estimated what portion of inventory the DNA holds may be exported based on the industry's estimate as some of the sugar may not be sold by DNA locally, but returned to the Group for sale to the export market.
Accounting treatment of Uzinzo Sugar Farming (Proprietary) Limited ("Uzinzo")	During the current year Tongaat Hulett facilitated the creation of Uzinzo Sugar Farming (Proprietary) Limited ("Uzinzo") in which, it has retained a 20% interest. Uzinzo has leased certain agricultural estates from the Group. Uzinzo conducts sugar cane farming and all sugar is delivered to a Group mill. Management applied judgement in determining that the Group did not control Uzinzo taking into consideration the relevant activities and the ability of the directors of Uzinzo to control the such relevant activities (the Group is not able to appoint the majority of the directors) and the 20% interest it holds.
Determination of the functional currency of foreign subsidiaries and associates in Zimbabwe	As a result of the lack of an observable legal exchange rate from 1 October 2018 to 20 February 2019 and limited liquidity in the observable ZWL to foreign currencies to 31 March 2019 and 31 March 2020, management have applied judgement in determining which exchange rate to use as the best estimate of a market rate given the difference between the official interbank rate, exchange rates quoted in informal parallel markets and the Old Mutual Indicative Rate, which takes into consideration the premium at which Old Mutual shares trade on the Zimbabwe Stock Exchange versus the Johannesburg Stock Exchange. Management have applied the official interbank exchange rate but have disclosed a sensitivity analysis should the results of Zimbabwean operations have been translated using the two alternate rates.
Measurement of post-retirement obligations	Post-retirement benefit obligations are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare costs, inflation rates and salary increments.
Going concern	Refer to Basis of Preparation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

1. ADOPTION OF ACCOUNTING STANDARDS

1.1 Adoption of IFRS 16: *Leases*

IFRS 16: *Leases* ("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 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* ("IAS 17") and related interpretations. Consequently, the cumulative effect of adopting IFRS 16 is recognised in the opening statement of financial position as at 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 lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied on 1 April 2019 ranged from 11.83% to 12.45% in South Africa, 11.83% to 13.22% for Rand denominated leases and 14.48% to 19.90% for Metical denominated leases in Mozambique, 9.50% in Namibia and 8.41% in Zimbabwe. The associated right-of-use assets were measured at the amounts equal to the lease liabilities, adjusted by any prepaid or accrued operating lease payments relating to such leases 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-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 were only applied after that date.

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;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets of R108 million and lease obligations of R108 million were recognised at 1 April 2019, with no impact on the Group's equity. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 11.92%.

In the 30 September 2019 interim report, the Group disclosed the initial recognition of right-of-use assets and lease obligations of R115 million, however, this has been revised following a further detailed review of the underlying leases and their payment terms.

The following lease liabilities were recognised on 1 April 2019:

R million	Group	Company
Operating lease commitments as disclosed as at 31 March 2019	**54**	**51**
Inclusion of additional operating lease commitments	90	30
Restated operating lease commitments as at 31 March 2019	**144**	**81**
Discounted using the Group's incremental borrowing rate at the date of initial application	(36)	(17)
Add: Finance lease liabilities recognised as at 31 March 2019	1	1
(Less): Short-term leases recognised on a straight-line basis as expense	(47)	(47)
(Less): Low-value leases recognised on a straight-line basis as expense	(2)	(2)
Add: Adjustments as a result of a different treatment of extension and termination options	48	48
Lease liabilities recognised as at 1 April 2019	**108**	**64**
Categorised as follows:		
Current	46	22
Non-current	62	42
	108	64
The recognised right-of-use assets relate to the following types of assets:		
Land	16	13
Buildings	27	27
Plant and equipment	10	10
Cane haulage vehicles and equipment	55	14
Total right-of-use assets	**108**	**64**

1. ADOPTION OF ACCOUNTING STANDARDS CONTINUED

1.2 Adoption of IFRIC 23: *Uncertainty over Income Tax Treatments*

IFRIC 23: *Uncertainty over Income Tax Treatments* ("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.

There was no material impact arising from the first time adoption of IFRIC 23 as management had previously applied similar considerations when accounting for any uncertainties in its tax positions. Disclosure surrounding any uncertain tax positions has been enhanced. Refer to Note 26: *Taxation*.

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, the products that they market or manufacture and, in the case of the sugar operations, the geographic location of business.

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 and ethanol.**
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 and development of agricultural land for sale 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, cash flows and capital employed.

For the analysis of the Group's segmental performance below, the profits and cash flows reported represent the results of the business segment before the allocation of central administration costs, finance costs/income and taxation. Finance costs/income and taxation 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.

With the application of hyperinflation accounting for its Zimbabwe operations and the classification of the starch and glucose operation as discontinued, the CODM reviews the financial performance and position of the Group both with and without the results of these two operations. Consequently, additional subtotals have been included in the segment report. Furthermore, with an additional investment in lease incentives during the year, the definition of segment assets has been expanded to include "other non-current assets" excluding the pension fund employer surplus account.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

2. SEGMENTAL REPORTING CONTINUED

Business segments

	Continuing Operations											Discontinued Operations	
	Sugar Operations												
12 months ended 31 March 2020 R million	South Africa	Mozambique	Other SADC[1]	Total Sugar Operations – excluding Zimbabwe	Zimbabwe	Total Sugar Operations	Property	Corporate	Inter-segment[2]	Total Continuing Operations	Total Continuing Operations – excluding Zimbabwe	Starch Operations	Total – including Zimbabwe
Segment revenue	6 023	1 682	1 451	9 156	6 126	15 282	945	–	(845)	15 382	9 347	4 274	19 656
External customers	5 294	1 657	1 451	8 402	6 035	14 437	945	–	–	15 382	9 347	4 274	19 656
Inter-segment	729	25	–	754	91	845	–	–	(845)	–	–	–	–
Operating (loss)/profit	(130)	124	134	128	2 882	3 010	658	(411)	–	3 257	375	616	3 873
Depreciation and amortisation	171	241	10	422	205	627	2	1	–	630	425	113	743
EBITDA[3]	41	365	144	550	3 087	3 637	660	(410)	–	3 887	800	729	4 616
Non-trading items – loss/(profit)[4]	9	4	(1)	12	–	12	–	–	–	12	12	–	12
Fair value adjustments to biological assets	14	(84)	(13)	(83)	(806)	(889)	–	–	–	(889)	(83)	–	(889)
Adjusted EBITDA[5]	64	285	130	479	2 281	2 760	660	(410)	–	3 010	729	729	3 739
Segment assets[6]	2 930	3 404	509	6 843	5 386	12 229	1 615	65	–	13 909	8 523	1 973	15 882
Segment cash flows[7]	1	155	146	302	1 826	2 128	(180)	(329)	–	1 619	(207)	579	2 198
Capital expenditure[8]	(55)	(54)	(10)	(119)	(376)	(495)	(1)	(9)	–	(505)	(129)	(43)	(548)
Expansion – Property, plant and equipment	–	(44)	–	(44)	(278)	(322)	–	–	–	(322)	(44)	–	(322)
Expansion – Cane roots	–	–	–	–	(31)	(31)	–	–	–	(31)	–	–	(31)
Ongoing – Property, plant and equipment	(44)	(3)	(6)	(53)	(10)	(63)	(1)	(9)	–	(73)	(63)	(43)	(116)
Ongoing – Cane roots	(1)	(7)	(4)	(12)	(57)	(69)	–	–	–	(69)	(12)	–	(69)
Intangibles	(10)	–	–	(10)	–	(10)	–	–	–	(10)	(10)	–	(10)

2. SEGMENTAL REPORTING CONTINUED

Business segments continued

12 months ended 31 March 2019	Continuing Operations											Dis-continued Operations	
	Sugar Operations												
R million	South Africa	Mozambique	Other SADC[1]	Total Sugar Operations – excluding Zimbabwe	Zimbabwe	Total Sugar Operations	Property	Corporate	Inter-segment[2]	Total Continuing Operations	Total Continuing Operations – excluding Zimbabwe	Starch Operations	Total – including Zimbabwe
Segment revenue	5 679	1 362	1 320	8 361	4 469	12 830	940	–	(709)	13 061	8 699	4 008	17 069
External customers	5 077	1 362	1 320	7 759	4 362	12 121	940	–	–	13 061	8 699	4 008	17 069
Inter-segment	602	–	–	602	107	709	–	–	(709)	–	–	–	–
Operating (loss)/profit	(482)	(471)	98	(855)	1 201	346	273	(68)	–	551	(650)	656	1 207
Depreciation and amortisation	186	96	16	298	228	526	6	1	–	532	304	121	653
EBITDA[3]	(296)	(375)	144	(557)	1 429	872	279	(68)	–	1 083	(346)	777	1 860
Non-trading items – loss/(profit)[4]	21	219	–	240	(247)	(7)	–	–	–	(7)	240	–	(7)
Fair value adjustments to biological assets	(46)	120	(8)	66	(536)	(470)	–	–	–	(470)	66	–	(470)
Adjusted EBITDA[5]	(321)	(36)	106	(251)	646	395	279	(68)	–	606	(40)	777	1 383
Segment assets[6]	3 092	2 706	451	6 249	3 175	9 424	1 747	65	–	11 191	8 016	1 901	13 092
Segment cash flows[7]	(364)	(263)	(14)	(631)	184	(447)	730	(88)	–	195	11	1 026	1 221
Capital expenditure[8]	237	632	12	881	201	1 082	–	–	–	1082	881	–	1 082
Expansion	112	496	–	608	–	608	–	–	–	608	608	–	608
Replacement and ongoing	97	127	12	236	201	437	–	–	–	437	236	–	437
Intangibles	28	9	–	37	–	37	–	–	–	37	37	–	37

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

2 *The inter-segment column eliminates the results of any trading between two business segments. When determining the revenue for total continuing operations excluding the Zimbabwe segment, the elimination of the sales between Zimbabwe and the Other SADC segment of R91 million (2019: R107 million) is disregarded from the sub-total.*

3 *EBITDA (a non-IFRS measure) is defined as profit from operations adjusted to exclude depreciation of property, plant and equipment and amortisation of intangible assets.*

4 *In the context of the Group, non-trading items is defined as any impairment of assets in terms of IAS 36: Impairment of Assets, any profit/loss on disposal of immovable property (not forming part of the land portfolio), the loss on derecognition of any item of property, plant and equipment or intangible asset that arises from events outside of the Group's normal business activities (e.g. expropriation).*

5 *Adjusted EBITDA (a non-IFRS measure) is defined as EBITDA adjusted to exclude any non-trading items as well as any fair value adjustments related to biological assets.*

6 *Segment assets represent total assets, adjusted to exclude deferred tax assets, current tax assets, cash and cash equivalents and derivative financial instruments. Segment assets specifically includes assets classified as held for sale, with the same definition and exclusions.*

7 *Segmental cash flows (a non-IFRS measure) is defined as the total of cash flows from operating and investing activities excluding taxation paid, expansion capital expenditure, finance income and proceeds received pursuant to the Group's debt reduction plan. In the current year, these proceeds include R538 million received on liquidation of a legacy pension fund. Of the total proceeds received, R512 million was applied to reduce the Group's South African debt facilities while R26 million was used to settle a loan from that pension fund.*

8 *Capital expenditure comprises additions to property, plant and equipment (including cane roots) as well as intangible assets.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

2. SEGMENTAL REPORTING CONTINUED

Reconciliation of segmental assets

R million	31 March 2020	31 March 2019
Segment assets	**15 882**	13 092
Add: Excluded items	**2 266**	1 941
Deferred tax assets	**593**	123
Pension Fund Employer Surplus Account	**277**	763
Current tax assets	**124**	72
Derivative instruments	**–**	12
Held-for-sale (Cash, Deferred Tax & Derivatives)	**30**	9
Cash and cash equivalents	**1 242**	962
Total assets	**18 148**	15 033

Reconciliation of segmental cash flows

R million	31 March 2020	31 March 2019
Segment cash flows	**2 198**	1 221
Add: Excluded items	**(169)**	(1 664)
Taxation paid	**(239)**	(408)
Finance income	**23**	90
New capital – expansion	**(322)**	(608)
Establishing new cane roots	**(31)**	(15)
Proceeds on liquidation of pension fund	**538**	–
Net cash outflow from financing activities including net finance costs and dividends	**(138)**	(723)
Net increase in cash and cash equivalents	**2 029**	(443)

Geographical segments

The information below is based on the location of the customers.

R million	South Africa	Mozambique	Zimbabwe	Rest of Africa	North America	Europe and Middle East	Asia – Pacific	Dis-continued operations	Total
Revenue									
– 2020	**8 602**	**1 123**	**5 234**	**3 139**	**362**	**372**	**824**	**(4 274)**	**15 382**
– 2019	8 369	658	3 641	2 601	278	542	980	(4 008)	13 061

3. PROPERTY, PLANT AND EQUIPMENT

R million	Group							
	Land and Buildings	Cane Roots	Plant and Machinery	Transport and Vehicles	Irrigation Infra-structure and Equipment	Capital Work-in-Progress	Other Fixed Assets	Total
Balance at 1 April 2019	834	385	3 162	162	477	607	82	5 709
Additions	14	100	36	5	13	366	4	538
New expansion capital	–	31	–	–	7	315	–	353
Replacement and core capital	14	69	36	5	6	51	4	185
Disposals and scrapping	(14)	(5)	(6)	(6)	(4)	(3)	–	(38)
Transfer of assets held for sale	(145)	–	(662)	(2)	–	(24)	(35)	(868)
Net reclassification (to)/from other assets	–	(1)	–	–	–	(4)	–	(5)
Current year depreciation charge	(30)	(130)	(339)	(29)	(35)	–	(20)	(583)
Transfers by asset category in/(out)	141	(1)	479	(11)	2	(638)	28	–
Reversal of impairments/(impairments)	(3)	(7)	(6)	1	(1)	12	–	(4)
Foreign currency translation, including the effect of hyperinflation	270	182	440	80	223	64	5	1 264
Net carrying amount as at 31 March 2020	1 067	523	3 104	200	675	380	64	6 013
Made up as follows:								
Cost	2 180	2 623	5 601	862	1 775	380	213	13 634
Accumulated depreciation and impairment	(1 113)	(2 100)	(2 497)	(662)	(1 100)	–	(149)	(7 621)
Net carrying amount	1 067	523	3 104	200	675	380	64	6 013

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Company							
R million	Land and Buildings	Cane Roots	Plant and Machinery	Transport and Vehicles	Irrigation Infra-structure and Equipment	Capital Work-in-Progress	Other Fixed Assets	Total
Balance at 1 April 2019	466	42	1 931	25	27	32	53	2 576
Additions	9	1	24	3	1	60	1	99
New expansion capital	–	–	–	–	–	–	–	–
Replacement and core capital	9	1	24	3	1	60	1	99
Disposals and scrapping	(5)	(5)	(8)	(2)	(3)	(1)	–	(24)
Transfer of assets held for sale	(145)	–	(662)	(2)	–	(24)	(35)	(868)
Net reclassification (to)/from other assets	–	(1)	–	–	–	(4)	–	(5)
Current year depreciation charge	(9)	(4)	(200)	(2)	(1)	–	(11)	(227)
Transfers by asset category in/(out)	1	–	33	(1)	(1)	(31)	(1)	–
Net carrying amount as at 31 March 2020	317	33	1 118	21	23	32	7	1 551
Made up as follows:								
Cost	500	475	2 107	63	64	32	72	3 313
Accumulated depreciation and impairment	(183)	(442)	(989)	(42)	(41)	–	(65)	(1 762)
Net carrying amount	317	33	1 118	21	23	32	7	1 551

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Group							
R million	**Land and Buildings**	**Cane Roots**	**Plant and Machinery**	**Transport and Vehicles**	**Irrigation Infra-structure and Equipment**	**Capital Work-in-Progress**	**Other Fixed Assets**	**Total**
Balance at 1 April 2018	1 188	654	3 123	239	598	428	87	6 317
Cost	2 535	2 493	6 769	1 014	1 577	504	341	15 233
Accumulated depreciation and impairment	(1 347)	(1 839)	(3 646)	(775)	(979)	(76)	(254)	(8 916)
Additions	43	344	326	38	13	309	17	1 090
New expansion capital	10	15	132	18	2	295	9	481
Replacement and core capital	33	329	194	20	11	14	8	609
Disposals and scrapping	–	(65)	(8)	(12)	–	(19)	(1)	(105)
Transfer of assets held for sale	(1)	–	(3)	(1)	–	–	(1)	(6)
Net reclassification (to)/from other assets	–	–	(2)	–	–	–	–	(2)
Current year depreciation charge	(43)	(183)	(298)	(35)	(18)	–	(19)	(596)
Transfers by asset category in/(out)	21	–	63	2	67	(167)	14	–
Reversal of impairments/(impairments)	(4)	(80)	61	21	12	63	2	75
Foreign currency translation	(370)	(285)	(100)	(90)	(195)	(7)	(17)	(1 064)
Net carrying amount as at 31 March 2019	834	385	3 162	162	477	607	82	5 709
Made up as follows:								
Cost	1 815	2 123	6 595	713	1 400	625	339	13 610
Accumulated depreciation and impairment	(981)	(1 738)	(3 433)	(551)	(923)	(18)	(257)	(7 901)
Net carrying amount	834	385	3 162	162	477	607	82	5 709

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Company							
R million	**Land and Buildings**	**Cane Roots**	**Plant and Machinery**	**Transport and Vehicles**	**Irrigation Infra-structure and Equipment**	**Capital Work-in-Progress**	**Other Fixed Assets**	**Total**
Balance at 1 April 2018	465	41	1 825	27	27	185	50	2 620
Cost	735	628	4 137	159	112	188	224	6 183
Accumulated depreciation and impairment	(270)	(587)	(2 312)	(132)	(85)	(3)	(174)	(3 563)
Additions	11	44	265	5	3	(79)	5	254
New expansion capital	1	15	118	1	–	(76)	3	62
Replacement and core capital	10	29	147	4	3	(3)	2	192
Disposals and scrapping	–	(7)	(8)	(2)	–	(3)	(3)	(23)
Current year depreciation charge	(10)	(28)	(206)	(6)	(2)	–	(13)	(265)
Transfers by asset category in/(out)	1	–	55	1	–	(71)	14	–
Impairments	(1)	(8)	–	–	(1)	–	–	(10)
Net carrying amount as at 31 March 2019	466	42	1 931	25	27	32	53	2 576
Made up as follows:								
Cost	746	640	4 378	156	114	33	238	6 305
Accumulated depreciation and impairment	(280)	(598)	(2 447)	(131)	(87)	(1)	(185)	(3 729)
Net carrying amount	466	42	1 931	25	27	32	53	2 576

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Further information

Land

South Africa

The Group actively farms 14 649 hectares of cane land (2019: 28 787 hectares), only 937 hectares of which are Company-owned (2019: 8 083 hectares) and the balance being leased as both freehold and communal land. As part of the turnaround initiative, the Group discontinued farming its own land and leased these out to third-party growers who are required to supply the sugarcane to one of the Group's sugar mills, as well as exiting sub-optimal lease agreements with third parties. In South Africa, the Company-owned land is farmed for a dual purpose, namely to support the cane supply to the mills while some of the land awaits potential future development and sale to third parties.

Zimbabwe

In 2005, the Zimbabwean Government expropriated land owned by Tongaat Hulett Zimbabwe, with no compensation. Upon expropriation, the land automatically became state-owned land but continued to be farmed by the Group. In February 2019, in order to secure its assets and provide certainty of tenure, the Group applied for a 99 year lease on the designated agricultural land under their use. The lease application covered the Group's entire historical titled land area, inclusive of areas that had been allocated to third-party beneficiaries under the Government's land reform programme. Following engagement, the Group has been advised to resubmit a lease application excluding these areas. The revised lease application was submitted in July 2020.

Cane roots

The area under cane roots is per the table below:

Hectares	31 March 2020	31 March 2019
South Africa	**22 911**	29 588
Zimbabwe	**25 355**	25 002
Mozambique	**19 078**	19 455
Swaziland	**3 810**	3 837
Total	**71 154**	77 882

Encumbrance

South Africa

As part of the debt restructure concluded with the lenders to the Company and its South African subsidiaries, property, plant and equipment with a net carrying amount of R2.413 billion (2019: R nil) have been pledged as security for the Company's borrowings. Mortgage bonds have registered over the Company's land and buildings, and a general notarial bond has been registered over the Company's movable assets, including its starch and sugar mills. Prior to the debt restructure, none of these assets were encumbered.

Mozambique

Houses and certain items of milling equipment of Tongaat Hulett Acucareira de Moçambique S.A. ("Mafambisse") with a book value of R13 million (2019: R11 million) are encumbered as security for a working capital loan of R92 million (2019: R60 million). Certain immovable assets of Tongaat Hulett Acucareira de Xinavane S.A. ("Xinavane"), comprising of a mill, a refinery and related building assets, with a book value of R1 912 million (2019: R1 652 million) have been pledged as security for a term-loan of R602 million (2019: R503 million). A security pool is required to be set up, to the benefit of all lenders, as a condition subsequent to the debt standstill agreement entered into with the lenders to the Group's Mozambican subsidiaries. The security pool is likely to consist of certain immovable assets in the Group's Mozambican subsidiaries (with any currently encumbered assets being released for the benefit of all lenders) together with third-party receivables, and related collection accounts.

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.

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairment and reversal of impairment

In testing for impairment, the Group tests assets on an individual basis, unless they cannot generate cash inflows independently of other assets. Therefore, the Group has identified a number of cash-generating units ("CGUs") to which it has allocated its assets for impairment testing. The Botswana Sugar CGU is the only CGU to which goodwill is allocated. There has been no change in the CGUs since the prior year.

The Group recognised/(reversed) impairments in respect of the following CGUs, which were determined based on business operation and geographical area:

		31 March 2020			31 March 2019		
Cash-generating unit (CGU)	**Segment**	**Property, plant and equipment**	**Goodwill and other intangibles**	**Total**	**Property, plant and equipment**	**Goodwill and other intangibles**	**Total**
Botswana Sugar	Sugar – Botswana	–	–	–	–	–	–
South African Sugar – Agricultural Operations	Sugar – South Africa	–	–	–	10	–	10
Zimbabwe Sugar – Hippo Valley Operations	Sugar – Zimbabwe	–	–	–	(195)	–	(195)
Zimbabwe Sugar – Triangle Operations	Sugar – Zimbabwe	–	–	–	(110)	–	(110)
Mozambique Sugar – Xinavane Operations	Sugar – Mozambique	–	–	–	125	–	125
Mozambique Sugar – Mafambisse Operations	Sugar – Mozambique	–	–	–	53	–	53
Impairment of individual assets *		4	–	4	42	10	52
Total net impairment loss/(reversal)		4	–	4	(75)	10	(65)

* *Impairment of individual asset in 2020 relates to a write-down of agricultural assets in Mozambique. In 2019, the impairment is in respect of a game lodge in Mozambique.*

COVID-19 considerations

In light of the COVID-19 global pandemic, the Group undertook an analysis of the current economic conditions faced by each of the countries in which the Group operates, before COVID-19, and considered the potential impact that COVID-19 and related lockdowns may have on future economic conditions. As a result, a number of impairment triggers were identified in respect of the Group's CGUs. No impairment triggers were identified in respect of the starch business, the sugarcane estate in Eswatini and the sugar distribution operation in Namibia, as there is substantial headroom between the selling price and the carrying amounts of these CGUs.

Impairment tests were performed using an expected cash flow approach which considered multiple probability-weighted scenarios to capture the increased uncertainty and risk arising from the pandemic in the cash flows rather than in an adjusted discount rate. Three scenarios were developed for each of the affected CGUs (i.e. a "best case", a "medium case" and a "worst case") which focussed on the expected impact of COVID-19 on the key profit and cash flow drivers and any mitigations, as set out below:

- Production volumes and the ability to catch-up any operational downtime at the end of the sugar season;
- Local market demand with any mitigation of a volume decline through reduced pricing;
- Lower world and export market pricing, factoring weaker exchange rates where applicable;
- Deferral of discretionary capital expenditure to mitigate a decline in cash flows, to the extent necessary;
- Reduced operating expenditure as a result of various lockdown measures adopted by each government (e.g. travel) and deferral of non-essential costs; and
- Additional expenditure to be incurred in response to the pandemic (e.g. personal protective equipment).

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

South African Sugar

Impairment indicators, other than those related to COVID-19, included that the South African economy was in a technical economic recession prior to the Government-imposed lockdown, and had reported its largest fiscal deficit since 1990. The continued impact of the structural change in industrial demand for sugar arising from the introduction of the Health Promotion Levy ("HPL") has resulted in local market demand reducing from 1.60 million tons to 1.25 million tons. The sugar industry has sought relief from Government which was the catalyst for the development of the Masterplan for the South African Sugarcane Value-Chain, which has been drafted but not yet implemented. In 2019, the impact of the HPL on local market demand and substantial operating losses were impairment indicators.

The South African Agricultural CGU sustained significant impairment losses in previous years, resulting in the various asset classes within the CGU being written down to fair value based on an expected financial outcome in the event the CGU was liquidated. In the current year, the carrying amount of the CGU continues to exceed the estimated recoverable amount. However, as the carrying amount of the CGU was already reduced to its residual value, no further impairment has been recognised. The results of the impairment testing did not result in any impairment of the milling, refining and animal feeds CGUs.

In response to low capacity utilisation and high production costs, the Group mothballed the Darnall sugar mill ahead of the 2020/21 season. The Darnall sugar mill has a carrying amount of R109 million (of which R7 million comprises land and buildings) and was first tested for impairment at the individual asset level. In terms of the assets, an independent third-party valuation determined the fair value of the land to be R27 million. The recoverable value of the other assets was determined with reference to an unsolicited expression of interest of R90 million and a third-party assessment of the replacement value of the mill's plant and machinery in its current condition of R792 million. No impairment of the individual assets was identified and the carrying amount of the Darnall sugar mill has been included in the impairment testing of the South African Sugar – Milling Operations CGU.

Zimbabwe Sugar

Aside from COVID-19 considerations, a number of impairment indicators have been identified for the Zimbabwe sugar operations. The Zimbabwe economy has experienced considerable hardship with declining GDP estimates, shortages of foreign currency, and persistent drought conditions. Furthermore, the hyperinflationary environment has eroded disposal incomes which has constrained the demand for sugar in domestic markets. As a result of the uncertainty and volatility in the economy, together with rapidly changing economic policies, cash flow forecasts have been prepared in real terms. In 2019, Zimbabwe's weak economy and the introduction of its own currency were impairment indicators. Despite these indicators, no impairment of the individual assets or the CGU was identified, largely as the local demand for sugar remains high and the operation has good access to regional export markets.

As a result of hyperinflation, the impairment test for the Zimbabwe operations was conducted using cash flows forecasts that were prepared in US Dollars. As the US Dollar was previously the functional currency of the Zimbabwe operations, the availability of reliable historical financial information provided a more stable basis on which to prepare long-term cash forecasts. The US Dollar denominated recoverable amount was converted to Zimbabwe Dollars (ZWL) using a composite exchange rate (i.e. not the official interbank rate) that was considered to be more reflective of the underlying economic conditions.

Mozambique Sugar

Growth estimates for the Mozambique economy, with its heavy reliance on agriculture, continued to decline over the financial year as it struggled to recover from the effects of Cyclone Idai. The country remains one of the poorest in the world with very low sugar consumption of approximately eight kilograms per capita. Further impairment indicators include continued operating losses from agricultural activities, and the introduction of VAT on sugar sales with effect from January 2020 which will increase consumer prices by 17% and may reduce sales volumes. In 2019, the impact of Cyclone *Idai* on the Mozambique operations was identified as an impairment indicator. The benefit of the turnaround at Mafambisse has increased the recoverable amount and averted the need for any further impairment in the current year. While the recoverable amount of the Xinavane CGU was only marginally higher that its carrying amount, no impairment loss has been recognised on the basis that the EV/EBITDA multiple of 3.3 implied by the impairment test indicates a more conservative valuation approach has been followed.

Botswana Sugar

While there were no impairment indicators for the operation, the Botswana operation is required to be tested annually as it has an allocation of goodwill of R53 million (2019: R48 million).

Key assumptions utilised in the impairment testing

In respect of 31 March 2020 and 31 March 2019, the recoverable amount of the CGUs (with the exception of Botswana Sugar) was determined based on the fair value less costs of disposal ("FVLCD") taking into consideration the debt reduction plan. The recoverable amount of Botswana Sugar was determined based on its value-in-use ("VIU"). The calculations use cash flow projections for a five-year period, based on financial budgets approved by management and taking into account the COVID-19 considerations described above. The cash flow beyond year five (i.e. the terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins at year five levels, with the growth beyond year five resulting solely from price inflation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

		Sugar – South Africa				Sugar – Zimbabwe[2]		Sugar – Mozambique		Other SADC
31 March 2020		**Agriculture[1]**	**Mills**	**Refinery**	**Animal Feeds**	**Triangle**	**Hippo Valley**	**Xinavane**	**Mafambisse**	**Botswana**
Basis of determining recoverable value		**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**FVLCD**	**VIU**
Recoverable value (R million)		**276**	**996**	**1 034**	**1 046**	**2 367**	**2 521**	**2 076**	**98**	**974**
Carrying amount (R million)		**360**	**779**	**389**	**67**	**1 418**	**1 268**	**2 066**	**46**	**185**
Fair value hierarchy		**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**
Valuation technique		**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**	**Discounted cash flow model**
Key assumptions:										
Discount rate – FVLCD (post-tax nominal)	(%)	**16.0 – 16.5**	**16.0 – 16.5**	**16.0 – 16.5**	**14.5 – 15.0**	**18.8 – 19.3**	**18.8 – 19.3**	**21.8 – 22.4**	**21.8 – 22.4**	**–**
Discount rate – VIU (pre-tax nominal)	(%)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10.6 – 11.4**
Perpetuity growth rate	(%)	**4.8**	**4.8**	**4.8**	**4.8**	**0.0**	**0.0**	**6.3**	**6.3**	**2.9**
Period (years)		**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Key assumption sensitivities (R million)										
Impact on calculation of recoverable amount:										
Decrease in discount rate of 1% (increase in value)		**27**	**102**	**111**	**123**	**144**	**149**	**164**	**25**	**83**
Increase in discount rate of 1% (decrease in value)		**(23)**	**(85)**	**(93)**	**(100)**	**(130)**	**(134)**	**(144)**	**(22)**	**(61)**
Decrease in terminal growth rate of 0.5% (decrease in value)		**(9)**	**(39)**	**(35)**	**(41)**	**(28)**	**(33)**	**(98)**	**(20)**	**(30)**
Increase in terminal growth rate of 0.5% (increase in value)		**10**	**43**	**38**	**45**	**30**	**34**	**105**	**21**	**35**

At 31 March 2020, there was no indication that any previously recognised impairment losses should be reversed.

[1] *The carrying amount of the assets making up the South African Agricultural CGU remains lower than their individual fair value and no further impairment loss has been recognised.*

[2] *The US Dollar recoverable amount was converted to Zimbabwe Dollars (ZWL) using a composite exchange rate of ZWL 42: USD 1 (i.e. ZWL 2.3438: ZAR 1).*

		Sugar – South Africa				Sugar – Zimbabwe		Sugar – Mozambique	
31 March 2019		**Agriculture**	**Mills**	**Refinery**	**Animal Feeds**	**Triangle**	**Hippo Valley**	**Xinavane**	**Mafambisse**
Basis of determining recoverable value		FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD	FVLCD
Recoverable value (R million)		350	1 672	309	974	1 630	1 410	2 206	Limited to nil
Fair value hierarchy		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3
Valuation technique		Discounted cash flow model	Discounted cash flow model	Discounted cash flow model	Discounted cash flow model	Discounted cash flow model	Discounted cash flow model	Discounted cash flow model	Discounted cash flow model
Key assumptions:									
Discount rate – FVLCD (post-tax nominal)	(%)	16.0 – 16.5	16.0 – 16.5	16.0 – 16.5	12.1 – 12.6	18.6 – 19.2	18.6 – 19.2	21.5 – 22.1	21.5 – 22.1
Perpetuity growth rate	(%)	4.8	4.8	4.8	4.8	1.9	1.9	6.0	6.0
Period (years)		5	5	5	5	5	5	5	5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

RIGHT-OF-USE ASSETS

	Group				
R million	**Land**	**Buildings**	**Plant and machinery**	**Cane haulage vehicles and equipment**	**Total**
First time adoption of IFRS 16 – 1 April 2019	16	27	10	55	108
Additions	–	4	–	303	307
New expansion capital	–	–	–	–	–
Replacement and ongoing capital[1]	–	4	–	303	307
Assets classified as held for sale	–	(21)	(3)	–	(24)
Current year depreciation charge	(3)	(6)	(4)	(90)	(103)
Translation of foreign operations	1	–	–	51	52
Net carrying amount as at 31 March 2020	14	4	3	319	340
Made up as follows:					
Cost	17	5	6	421	449
Accumulated depreciation and impairment	(3)	(1)	(3)	(102)	(109)
Net carrying amount	14	4	3	319	340

[1] *New cane haulage agreements in Mozambique were entered into with effect from 1 April 2019.*

	Company				
R million	**Land**	**Buildings**	**Plant and machinery**	**Cane haulage vehicles and equipment**	**Total**
First time adoption of IFRS 16 – 1 April 2019	13	27	10	14	64
Assets classified as held for sale	–	(21)	(3)	–	(24)
Current year depreciation charge	(3)	(6)	(3)	(6)	(18)
Net carrying amount as at 31 March 2020	10	–	4	8	22
Made up as follows:					
Cost	13	1	6	14	34
Accumulated depreciation and impairment	(3)	(1)	(2)	(6)	(12)
Net carrying amount	10	–	4	8	22

LEASE LIABILITIES

The movements of the lease liabilities for the current year are as below:

	Group	Company
R million	**31 March 2020**	**31 March 2020**
First time adoption of IFRS 16 – 1 April 2019	(108)	(64)
New IFRS 16 leases recognised during the year	(307)	–
Gain on foreign currency denominated leases	49	–
Lease payments during the year	131	22
Interest during the year	(48)	(7)
Liabilities attributable to assets held for sale	27	27
Translation of foreign operations	(49)	–
Total lease liabilities at the end of the year	(305)	(22)
Categorised as follows:		
Current	(78)	(10)
Non-current	(227)	(12)
	(305)	(22)
In respect of:		
Land	(14)	(10)
Buildings	(3)	–
Plant and machinery	(5)	(5)
Cane haulage vehicles and equipment	(283)	(8)
	(305)	(23)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

5. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group									
	31 March 2020					31 March 2019				
R million	Goodwill	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total	Goodwill	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total
Net carrying amount at 1 April	**48**	**265**	**–**	**123**	**436**	50	339	–	119	508
Additions	**–**	**–**	**4**	**6**	**10**	–	5	10	22	37
Disposals and scrapping	**–**	**–**	**–**	**(4)**	**(4)**	–	(9)	–	–	(9)
Net reclassification from other assets	**–**	**4**	**–**	**1**	**5**	–	3	–	–	3
Current year amortisation charge	**–**	**(36)**	**–**	**(21)**	**(57)**	–	(39)	–	(18)	(57)
Impairments and write downs	**–**	**–**	**–**	**–**	**–**	–	–	(10)	–	(10)
Translation of foreign operations	**5**	**36**	**–**	**–**	**41**	4	(34)	–	–	(30)
Transfer of assets held for sale	**–**	**(41)**	**–**	**–**	**(41)**	(6)	–	–	–	(6)
Net carrying amount at end of year	**53**	**228**	**4**	**105**	**390**	48	265	–	123	436
Made up as follows:										
Cost	**89**	**371**	**15**	**180**	**655**	84	386	48	179	697
Accumulated amortisation and impairment	**(36)**	**(143)**	**(11)**	**(75)**	**(265)**	(36)	(121)	(48)	(56)	(261)
Net carrying amount	**53**	**228**	**4**	**105**	**390**	48	265	–	123	436

5. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

	Company							
	31 March 2020				31 March 2019			
R million	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total	Computer software	Patents, trademarks, licences and capital work-in-progress	Sharecropper and cane supply agreements	Total
Net carrying amount at 1 April	**157**	**–**	**123**	**280**	183	–	119	302
Additions	**–**	**4**	**6**	**10**	–	10	17	27
Disposals and scrapping	**–**	**–**	**(4)**	**(4)**	–	–	–	–
Net reclassification from other assets	**4**	**–**	**1**	**5**	2	–	–	2
Current year amortisation charge	**(19)**	**–**	**(21)**	**(40)**	(28)	–	(13)	(41)
Impairments and write downs	**–**	**–**	**–**	**–**	–	(10)	–	(10)
Transfer of assets held for sale	**(41)**	**–**	**–**	**(41)**	–	–	–	–
Net carrying amount at end of year	**101**	**4**	**105**	**210**	157	–	123	280
Made up as follows:								
Cost	**202**	**15**	**180**	**397**	260	38	179	477
Accumulated amortisation and impairment	**(101)**	**(11)**	**(75)**	**(187)**	(103)	(38)	(56)	(197)
Net carrying amount	**101**	**4**	**105**	**210**	157	–	123	280

Computer software

Computer software relates to the SAP asset, the implementation of which was complete between 2016 and 2018. The expected useful life is 10 years and thus the remaining amortisation period is between six and eight years.

Research and development costs

The Group incurred research and development costs of R18.3 million (2019: R1.1 million) which are included in administration costs in the statement of profit or loss.

Goodwill

The carrying amount of goodwill relates to the sugar distribution operation in Botswana. The annual impairment test for goodwill did not result in an impairment being recognised. Refer to Note 3: *Property, Plant and Equipment* for key assumptions.

Encumbrance

The intellectual property of the South African businesses, the full value of which is not reflected in the Group's statement of financial position, has been pledged as security for the Group's borrowings.

Impairments

Refer to Note 3: *Property, Plant and Equipment* for key assumptions relating to impairment testing of CGUs, which includes the carrying amount of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

6. INVESTMENTS IN SUBSIDIARIES AND JOINT OPERATIONS

The Group's effective interest in the major subsidiaries are listed below:

				Company (R million)					
				Shares at Cost		Amounts Owing to Group Companies		Amounts Owing to Group Companies	
Name of Entity	**Country of Incorporation and Operation**	**Effective Ownership Interest Held by the Group %[1]**	**Principal Activity**	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
The Tongaat Group Limited	South Africa	100	Dormant company	**54**	54	**–**	–	**(59)**	(59)
Tongaat Hulett Starch Proprietary Limited[2, 3, 4]	South Africa	100	Agency for the Group's wet maize milling starch and glucose manufacturing division	**–**	15	**34**	65	**–**	(15)
Tongaat Hulett Estates Proprietary Limited[2, 4]	South Africa	100	Holding company for land conversion and development activities	**–**	–	**–**	–	**(266)**	(736)
Tongaat Hulett Developments Proprietary Limited[2, 4]	South Africa	100	Land conversion and development activities	**–**	–	**20**	9	**–**	–
Natal Estates Limited[4, 5]	South Africa	100	Property holding company	**6**	6	**–**	–	**(6)**	(6)
Ohlanga Development Company Proprietary Limited[4, 5]	South Africa	100	Property holding company	**–**	–	**–**	–	**–**	–
Voermol Feeds Proprietary Limited[2, 4]	South Africa	100	Agency for the Group's animal feeds division	**1**	1	**–**	–	**–**	–
Hulett Refineries Limited[5]	South Africa	100	Dormant company	**1**	1	**–**	–	**–**	–
Tongaat Hulett Mills and Estates Limited[5]	South Africa	100	Dormant company	**1**	1	**–**	–	**–**	–
Tongaat Hulett Sugar South Africa Limited[2, 4]	South Africa	100	Agency for the Groups' agriculture, raw and refined sugar production, and speciality sugar division	**–**	–	**–**	–	**(3)**	(5)
Tongaat Hulett Açucareira de Moçambique, S.A.	Mozambique	85.0	Raw and refined sugar production	**416**	416	**145**	131	**–**	–
Sociedade de Assistência à Agricultura e Indústria, S.A.	Portugal	100	Holding company for Mozambique investment	**731**	731	**148**	145	**–**	–
Tongaat Hulett Açucareira de Xinavane, S.A.	Mozambique	88.0	Raw and refined sugar production	**–**	–	**405**	290	**–**	–
Tongaat Hulett Açúcar, Limitada	Mozambique	100	Agricultural estate	**3 010**	3 010	**–**	–	**(131)**	(127)
Triangle Sugar Corporation Limited	Zimbabwe	100	Holding company for Zimbabwe investments	**263**	263	**40**	58	**–**	–
Triangle Limited	Zimbabwe	100	Agriculture, raw and refined sugar production, and ethanol production	**–**		**–**	–	**–**	–
Hippo Valley Estates Limited	Zimbabwe	50.3	Agriculture and raw sugar production	**–**		**26**	75	**–**	(7)
Tongaat Hulett (Botswana) Proprietary Limited	Botswana	50.1	Sugar packaging and distribution	**54**	54	**5**	14	**–**	–
Tongaat Hulett (Namibia) Proprietary Limited[3]	Namibia	51.0	Sugar packaging and distribution	**3**	3	**2**	27	**–**	–
Tambankulu Estates Limited[7]	Eswatini	100	Agricultural estate	**182**	182	**–**	6	**(226)**	(411)
Sub-total				**4 722**	4 737	**825**	820	**(691)**	(1 366)
Provision for impairment[6]				**(3 426)**	(3 426)	**(721)**	(633)	**–**	–
Total				**1 296**	1 311	**104**	187	**(691)**	(1 366)

A full list of all subsidiaries and joint operations is available from the Company Secretary on request.

[1] *There has been no change in the ownership interest held by the Group.*
[2] *The subsidiary is a guarantor for the Company's South African borrowing facilities.*
[3] *Refer to Note 14: Discontinued Operations and Assets Classified As Held For Sale*
[4] *The subsidiary has provided security to the Company's South African borrowing facilities.*
[5] *The Company's shares in the subsidiary, and any inter-group claims, have been pledged as security for its South African borrowing facilities.*
[6] *Impairment testing and an assessment of expected credit losses has been performed in respect of investments in subsidiaries*
[7] *The loan is repayable on 30 September 2021. However it is management's intention to settle the balance within the financial year as a dividend in specie.*

6. INVESTMENTS IN SUBSIDIARIES AND JOINT OPERATIONS CONTINUED

Further information

With the exception of the loan from Tambankulu Estates Limited, loans between the Company and its subsidiaries are unsecured, have no fixed repayment terms and do not bear interest. The loan from Tambankulu Estates Limited bears interest at variable, market-related interest rates and must be settled in full by 30 September 2021.

The Company has recognised an allowance of R687 million (2019: R633 million) for specific credit losses on amounts owing by the Company's subsidiaries in Mozambique and Zimbabwe, the balance of the impairment relates to amounts owing by Tongaat Hulett Starch (Proprietary) Limited. As part of the debt standstill arrangement in Mozambique, the amounts owing to the Company are unlikely to be repaid until the subsidiaries have reduced their external borrowings sufficiently. Despite the Zimbabwe subsidiaries holding cash balances at 31 March 2020 of R317 million (2019: 731 million), the ability to repay amounts owing to the Company is constrained by a shortage in foreign currency liquidity.

The Lowveld Sugarcane Development Trust was established to expand the sugarcane growing area surrounding the Zimbabwe operations by some 4 000 hectares, an initiative named "Project Kilimanjaro". The initiative followed engagements with the Ministry of Lands, Agriculture, Water and Rural Resettlement whereby it was agreed that the Group develops, on a full cost recovery basis, new sugarcane farm land to which private farmers occupying the Group's developed sugarcane farm would be relocated. The beneficiaries, being these private farmers and other community members, have not been formally identified or engaged. While the beneficiaries remain undefined and the Group, through its Zimbabwe operations, controls the Board of Trustees and directs all the expansion activities, the trust has been consolidated into the Group's results. While the Group does not benefit directly from the profit from the additional cane supply, it does benefit from the additional sugar produced.

Material partly-owned subsidiaries

The information below discloses interests in subsidiaries material to the financial position of the Group. The information is based on amounts before inter-company eliminations.

	Hippo Valley Estates Limited		Tongaat Hulett Açucareira de Xinavane, S.A.	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Summarised statement of financial position				
Non-current assets	**1 109**	654	**2 475**	1 947
Current assets	**1 480**	1 028	**240**	269
Non-current liabilities	**(519)**	(574)	**(552)**	(1 062)
Current liabilities	**(309)**	(240)	**(1 206)**	(455)
Equity	**1 761**	868	**957**	699
– attributable to Tongaat Hulett Limited	**886**	419	**842**	615
– attributable to non-controlling shareholders	**875**	449	**115**	84
Summarised statement of profit or loss and other comprehensive income				
Revenue	**2 632**	2 132	**1 368**	1 043
Profit/(loss) for the year	**544**	445	**109**	(84)
– attributable to Tongaat Hulett Limited	**274**	224	**96**	(74)
– attributable to non-controlling interests	**270**	221	**13**	(10)
Other comprehensive income/(loss) for the year	**374**	(824)	**149**	113
– attributable to Tongaat Hulett Limited	**188**	(415)	**131**	99
– attributable to non-controlling interests	**186**	(409)	**18**	14
Total comprehensive income/(loss) for the year	**918**	(379)	**258**	29
– attributable to Tongaat Hulett Limited	**462**	(191)	**227**	25
– attributable to non-controlling interests	**456**	(188)	**31**	4
Summarised cash flow information				
Net cash inflow from operating activities	**239**	113	**39**	(90)
Net cash outflow from investing activities	**(32)**	(89)	**(49)**	(609)
Net cash (outflow)/inflow from financing activities	**(229)**	25	**(27)**	513
Net cash (outflow)/inflow for the year	**(22)**	49	**(37)**	(186)

Joint operations

The Group has a 33.26% interest in Effingham Development Joint Venture which was formed with the objective of developing and marketing serviced sites of the Riverhorse Valley Business Estate and Bridge City in KwaZulu-Natal, South Africa. This investment is accounted for as a joint operation. The Group's proportionate share of the assets, liabilities and post-acquisition reserves of this joint operation is included in the consolidated financial statements.

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Set out below is the financial information relating to the Group's associates and joint ventures. There is no quoted market value for the investments in the joint ventures and associates.

Name of Entity	Type	Country of Incor-poration and Operation	Ownership Interest Held by the Group %	Principal Activity	Mea-surement Method	Financial Year End	Carrying Amount (R million) 31 March 2020	31 March 2019
National Chemical Products Distillers Zimbabwe (Private) Limited ("NCP")	Associate	Zimbabwe	49.0	Conversion of molasses into alcohol	Equity method	31 December	**17**	6
Distribuidora Nacional de Açúcar, Limitada ("DNA")	Joint Venture	Mozambique	50.0	Sales and distribution of sugar	Equity method	31 March	**–**	–
Uzinzo Sugar Farming Proprietary Limited ("Uzinzo")	Associate	South Africa	20.0	Sugar cane farming	Equity method	31 March	**3**	–
Sociedade Terminal de Açúcar de Maputo, Limitada ("STAM")	Associate	Mozambique	21.0	Warehousing of bulk sugar for export	Equity method	31 March	**15**	–
							35	6

Further information

While the Group has a 25% voting interest in STAM, a not-for-profit entity, the ratio in which retained profits are distributed is to be agreed between the parties at the time of distribution. The Group estimated that, in applying the equity method of accounting, it would share in 21% of STAM's profits. The estimate is based on both the Group's usage of the sugar terminal and its contribution of the total costs.

The functional currency of Uzinzo and NCP is the South African Rand and Zimbabwe Dollar ("ZWL") respectively. On 1 October 2018, the functional currency of NCP changed from the US Dollar to the ZWL. The functional currency of STAM and DNA is the Mozambique Metical ("MZN"). The table below summarises the exchange rates at which the results of NCP, STAM and DNA have been translated into South African Rand.

Financial period	Functional currency	Average rate	Closing rate
1 April 2019 to 31 March 2020	ZWL	**1,5373**	**0,7168**
1 October 2018 to 31 March 2019	ZWL	**5,5583**	**4,7908**
1 April 2018 to 30 September 2018	USD	**13,3854**	**N/A**
1 April 2019 to 31 March 2020	MZN	**4,2166**	**3,6830**
1 April 2018 to 31 March 2019	MZN	**4,3966**	**4,3863**

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURES CONTINUED

Reconciliation of investment in associates and joint ventures

R million	NCP	DNA	Uzinzo	STAM	Total
Balance at 31 March 2018	12	–	–	–	12
Share of profit of associate after tax	2	–	–	–	2
Foreign currency translation	(8)	–	–	–	(8)
Balance at 31 March 2019	**6**	**–**	**–**	**–**	**6**
Share of profit of associate after tax	**9**	**–**	**3**	**–**	**12**
Additional investment	**–**	**–**	**–**	**13**	**13**
Foreign currency translation	**2**	**–**	**–**	**2**	**4**
Balance at 31 March 2020	**17**	**–**	**3**	**15**	**35**

The summarised financial information in respect of the associate companies and joint ventures are set out below:

	NCP		DNA		Uzinzo	STAM
R million	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2020
Summarised statement of financial position						
Non-current assets	**6**	5	**8**	7	**7**	68
Current assets	**60**	17	**458**	709	**13**	50
Non-current liabilities	**(1)**	(1)	**–**	–	**–**	(23)
Current liabilities[1]	**(29)**	(7)	**(459)**	(711)	**(6)**	(24)
Net assets	**36**	15	**7**	5	**14**	71
Group's share of net assets of associate companies	**17**	6	**–**	–	**3**	15
Summarised statement of profit or loss and other comprehensive income						
Total revenue	**125**	61	**3 335**	2 806	**83**	93
Total profit for the year[2]	**18**	4	**–**	–	**15**	2
Group's share of after tax profit of associate company	**9**	2	**–**	–	**3**	–
Dividends received from associates	**–**	–	**–**	–	**–**	–

[1] *For DNA, includes a short-term trade finance facility that is secured with the sugar stocks reflected as current assets in the disclosure above.*

[2] *DNA and STAM operate on a cost recovery basis.*

8. OTHER NON-CURRENT ASSETS

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Pension fund employer surplus account				
Various investments	**169**	651	**169**	651
Cash and deposits	**131**	599	**131**	599
Bonds and debentures	**38**	52	**38**	52
Loan receivable: Tongaat Hulett Limited	**108**	112	**108**	112
	277	763	**277**	763
Less: current portion included in trade and other receivables	**(53)**	–	**(53)**	–
Sub-total	**224**	763	**224**	763
Other investments measured at fair value through profit or loss				
Listed equity investment – Zeder Investments Limited	**–**	8	**–**	–
Sub-total	**–**	8	**–**	–
Other loans at amortised cost				
Deferred purchase consideration	**124**	112	**–**	–
Star Africa Corporation Limited	**4**	55	**–**	–
Grower and other loans	**27**	30	**19**	30
Other	**3**	–	**–**	–
	158	197	**19**	30
Less: allowance for expected credit losses on other loans at amortised cost	**(126)**	(108)	**(1)**	(3)
Sub-total	**32**	89	**18**	27
Lease incentives				
Lease incentive – Uzinzo	**55**	–	**55**	–
Lease incentive – Other growers	**37**	–	**37**	–
Sub-total	**92**	–	**92**	–
Total non-current assets	**348**	860	**334**	790

Pension fund employer surplus account

The Tongaat Hulett pension fund employer surplus account relates to the allocations made in terms of the previous defined benefit arrangements. The Group directs the use of these funds within the parameters of the permitted uses as prescribed by the Pension Fund Act. The balance is largely invested in government bonds and short-dated money market assets. The employer surplus account is measured at fair value at the reporting date. Fair value is determined by reference to published price quotations in an active market.

A portion of the employer surplus account was transferred in terms of Section 15E of the Pension Funds Act from the Tongaat Hulett Defined Benefit Pension Fund as part of the conversion to defined contribution and transfer of in-service members to the fund. It was agreed that this portion of the employer surplus account in the fund would continue to be invested (as it had been in the Tongaat Hulett Defined Benefit Pension Fund) by way of an interest-bearing loan to the participating employer, such loan being repayable to the fund on demand. The interest-bearing loan is included under short-term borrowings in Note 17. The financial asset and the loan have not been eliminated as, other than in the event of the liquidation of the previous defined benefit pension fund, there is no legally enforceable right that would allow the offset of the employer surplus account and the loan from the previous defined benefit pension fund.

Star Africa Corporation Limited

Star Africa Corporation Limited ("Star Africa") is a company listed on the Zimbabwe Stock Exchange. The Group was party to a Scheme of Arrangement which granted Star Africa, a customer, a moratorium on capital and interest payments owing until they were able to restructure their debt and dispose of their non-core assets, the proceeds of which is expected to be applied to settling amounts owing to lenders and creditors, including the Group. Interest accrues at a fixed rate of 7% per annum. While the amount was expected to be settled by 31 October 2021, the impact of hyperinflation has eroded the value of the financial asset and allowed Star Africa to accelerate its repayment terms. A monetary loss of R37 million was recognised in the financial statements (2019: R80 million foreign currency translation loss). The amount owing was settled in May 2020.

Grower loans

Grower loans bear interest at varying rates and have various terms of repayments. Loans are repaid through the delivery of cane under cane supply agreements, with a portion of the proceeds deducted to repay the grower loans. See Note 29.2 for further details.

8. OTHER NON-CURRENT ASSETS CONTINUED

Deferred purchase consideration

The deferred purchase consideration arose from the sale of shares in Tongaat Hulett-Zimbali Resorts Proprietary Limited ("THZR") to its joint venture partner which was concluded in January 2017. The deferred portion of the purchase consideration is payable by way of instalments determined by reference to the sale of the land held by THZR (9.6% of the price realised from each site sold) and must be paid for in full by 31 March 2022. Interest is charged on the outstanding balance at the South African prime lending rate. The shares of THZR have been pledged as security for the payment of the purchase consideration. The balance outstanding is currently under dispute between the partners, causing a significant increase in credit risk and an appropriate allowance has been made for the lifetime expected credit loss.

Lease incentives

During the 31 March 2020 financial year, the Group took the strategic decision to exit its South African sugarcane farming operations. The Group leased its freehold farmland to third-party growers to farm on its behalf and supply the harvested sugarcane to one of its sugar mills. In the process, Uzinzo was established being the first broad-based agricultural company to feature amongst the largest ten sugarcane farmers in KwaZulu-Natal. As a lease incentive the Group contributed the value of sugarcane growing on the land, together with any cash profits received from the farm between 1 April 2019 (i.e. the start of the crushing season) and the effective date of the lease. The lease incentive is amortised on a straight-line basis over the term of the lease. The lease incentive is thus recovered via the performance of the growers and the delivery of cane under the supply agreements.

The following table details the risk profile of "other loans at amortised cost":

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Gross other loans at amortised cost	**158**	197	**20**	30
Performing	**26**	83	**19**	29
Non-performing	**132**	114	**–**	1
In default	**–**	–	**–**	–
Less: allowance for expected credit losses	**(126)**	(108)	**(1)**	(3)
Performing – 12 month expected credit losses	**(1)**	(2)	**(1)**	(2)
Non-performing – lifetime expected credit losses	**(125)**	(106)	**–**	(1)
In default – lifetime expected credit losses	**–**	–	**–**	–
Net other loans at amortised cost	**32**	89	**18**	27

The following table shows the movement in lifetime ECLs that have been recognised in accordance with the general approach set out in IFRS 9: *Financial Instruments* in "other loans at amortised cost":

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Balance at beginning of the year	**108**	92	**3**	5
Transfer to credit impaired	**20**	18	**–**	–
Transfer from credit impaired	**(1)**	(2)	**(1)**	(2)
Amounts written off as uncollectible	**(1)**	–	**(1)**	–
Balance at end of the year	**126**	108	**1**	3

The movement in the gross exposure is primarily driven by reduction in the Star Africa balance in the year ended 31 March 2020, whereas the change in the ECLs is driven by the higher allowance on the deferred purchase consideration.

9. INVENTORIES

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Raw materials	**49**	240	**25**	199
Work in progress	**–**	15	**–**	15
Finished goods	**989**	892	**446**	645
Consumables	**584**	681	**96**	213
Land in the development cycle	**1 691**	1 861		
Planning expenditure	**154**	155		
Development expenditure	**1 357**	1 524		
Land	**180**	182		
Inventory before allowance	**3 313**	3 689	**567**	1 072
Less: allowance for inventory write-downs	**(32)**	(16)	**–**	(7)
Net inventories	**3 281**	3 673	**567**	1 065
Carrying amount of inventory that has been written down to net realisable value	**105**	11	**–**	–

Further information

Certain land in the development cycle serves a dual purpose, namely to support the cane supply to the mills while the land awaits future development and sale to third parties.

Land in the development cycle includes property, with an extent of 20,6 hectares and a market value of between R117 million (based on existing planning rights only) and R379 million (including achievable potential planning rights), which is held in legal title in the name of purchaser and for which no consideration was received by the Group. The property is subject to a "take back arrangement" and cannot be developed owing to a non-user servitude. Once the outstanding sub-divisions have been received, the process to transfer the property back to the Group will commence.

COVID-19 considerations

The Group's land conversion and development business is potentially the most vulnerable to any economic downturn caused by the pandemic. To address the resultant risk that the carrying amount of the Group's landholding inventory may exceed its net realisable value, extensive testing was performed whereby inventory balances (representing the costs incurred or to be incurred in respect of unsold sites) were compared to the property prices per independent third-party valuations. The assumptions were stress tested by reducing the property prices to the point that the future revenues from the redevelopment precinct equated to the carrying amount of the inventory allocated to that same precinct. Depending on the precinct, selling prices can decline by between 31% and 64% before a write-down of inventory would be required.

9. INVENTORIES CONTINUED

Encumbrances

Details of the encumbrances provided below include those related to the starch operation that has been classified as held for sale (refer to Note 14: *Discontinued Operations and Assets Classified As Held For Sale*). The starch operation's inventory balances at 31 March 2020 for the Group and the Company are R482 million and R447 million respectively.

The Company's inventory and the Group's landholdings with a total carrying amount of R2 705 million (including R447 million disclosed as held for sale) have been provided as security for the South African borrowing facilities, the maize financing facilities and the trade finance facilities provided by the South African Sugar Association.

In South Africa, sugar stocks with a carrying amount of R447 million (2019: R514 million) have been provided as security for the season-end trade finance provided by the South African Sugar Association.

Mortgage bonds have been registered over the Group's South African land holdings as security for the Company's South African borrowing facilities. These landholdings have been independently valued at R11.1 billion and the valuation methodology has been disclosed under *Critical Estimates and Judgements* in the *Basis of Preparation*. Prior to the debt restructure, none of the Group's landholdings were encumbered.

The balance of the Company's inventory has been provided as security for its borrowings in terms of the general notarial bond that has been registered over the Company's movable assets. These general notarial bonds were registered during the current year.

The starch business (classified as held for sale) utilises 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. Consequently, 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. At 31 March 2020, raw materials includes an amount of R120 million (2019: R128 million) related to the maize being financed.

Reconciliation of the allowance for inventory write-downs

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
At beginning of the year	**16**	12	**7**	9
Additional write-down	**20**	11	**–**	–
Reversals	**(2)**	(2)	**–**	(2)
Transfer of assets held for sale	**(7)**	–	**(7)**	–
Foreign currency translation, including the effect of hyperinflation	**5**	(5)	**–**	–
At end of the year	**32**	16	**–**	7

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

10. BIOLOGICAL ASSETS

R million	Group					
	31 March 2020			31 March 2019		
	Livestock and Orchards	Standing cane	Total	Livestock and Orchards	Standing cane	Total
Reconciliation of the carrying amount of biological assets:						
Carrying amount at beginning of the year	**33**	**1 519**	**1 552**	53	1 551	1 604
Changes in fair value:						
Gain/(loss) arising from physical growth	**–**	**146**	**146**	13	(68)	(55)
Gain arising from price changes	**–**	**661**	**661**	–	628	628
Gain/(loss) arising from changes in area actively farmed	**–**	**68**	**68**	–	(103)	(103)
Other movements in fair value	**14**	**–**	**14**	–	–	–
Foreign currency translation, including the effect of hyperinflation	**5**	**212**	**217**	(33)	(489)	(522)
Transfer to other assets	**–**	**(86)**	**(86)**	–	–	–
Carrying amount at end of the year	**52**	**2 520**	**2 572**	33	1 519	1 552

R million	Company	
	Total standing cane	
	31 March 2020	31 March 2019
Reconciliation of the carrying amount of biological assets:		
Carrying amount at beginning of the year	**234**	188
Changes in fair value:		
Gain arising from physical growth	**12**	–
Gain arising from price changes	**11**	45
(Loss)/gain arising from changes in area actively farmed	**(36)**	1
Transfer to other assets	**(86)**	–
Carrying amount at end of the year	**135**	234

Further information

The Group's growing crops consist overwhelmingly of standing cane (i.e. sugarcane that is growing in the field) and the cane roots (i.e. bearer plant) from which the standing cane grows is disclosed in Note 3: *Property, Plant and Equipment*. Incidental to its core operations, the Zimbabwe operation has a cattle ranching business with a livestock population of approximately 6 000 heads. In addition, the Zimbabwe operation has a small citrus fruit business. The fair value livestock is determined with deference to prevailing market prices and on 31 March 2020 had a carrying amount of R49 million (2019: R32 million). At 31 March 2020, the fruit orchards had a carrying amount of R3 million (2019: R1 million).

In South Africa, the strategic decision to downscale the extent of its farming operations and lease the Company's land to third-party sugarcane farmers has resulted in a reduction in the assumption of the hectares to be harvested.

The Group's capital commitment in terms of the project, in partnership with the Government of Zimbabwe, to expand the area under sugarcane by some 4 000 hectares has been disclosed in Note 30: *Commitments and Contingencies*.

Encumbrances

Biological assets in South Africa with a carrying value of R135 million have been provided as security for its South African debt facilities in terms of the general notarial bonds and mortgage bonds registered over the Company's South African assets. Prior to the debt restructure, none of the Group's biological assets were encumbered.

Standing cane

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 R889 million (2019: R470 million) being recognised in profit or loss in the current year. The key unobservable inputs used in determining fair value and a reconciliation of the change in fair value for the year are shown below.

10. BIOLOGICAL ASSETS CONTINUED

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

	South Africa		Eswatini		Zimbabwe		Mozambique	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Hectares for harvest	**13 509**	26 159	**3 810**	3 725	**23 776**	24 268	**19 078**	19 455
Standing cane value (Rand per hectare)	**9 990**	8 937	**32 034**	29 212	**78 551**	38 196	**20 710**	12 863
Yield (tons cane per hectare)	**58**	56	**112**	125	**107**	105	**75**	76,9
Average maturity of cane as at 31 March (%)	**55**	61	**67**	63	**65**	57	**66**	61,5
Sugarcane tons (equivalent)	**432 712**	897 893	**284 461**	294 700	**1 664 558**	1 448 335	**942 732**	920 657
Sugarcane price per ton (Rand)	**312**	260	**429**	369	**1 122**	640	**419**	272
Sucrose price per ton (Rand)	**4 391**	4 200	**3 892**	3 456	**8 929**	5 062	**4 611**	2 296
Carrying amount as at 31 March (R million)	**135**	234	**122**	109	**1 868**	927	**395**	250
Changes in fair value (R million)	**(13)**	46	**13**	8	**791**	536	**85**	(120)

* *The prior year disclosed inputs into the growing crop fair value model have been restated to correct a typographical error. The fair value disclosed in the statement of financial position and the associated fair value gains/losses have not been impacted by the restatement of the inputs disclosed.*

Sensitivity analysis

The valuation of standing cane is most sensitive to the sucrose price per ton (i.e. price) and the yield (i.e. volume) assumptions. The sensitivity analysis below has been determined on the basis that the sucrose price per ton and yield assumptions for the 2020/21 season, which are inputs into the valuation model for standing cane at 31 March 2021, are replaced with the actual sucrose price per ton and actual yield achieved for the 2019/20 season. As a result of hyperinflation in Zimbabwe, the sucrose price per ton assumed in the valuation model is the same as the actual price achieve in the 2019/20 season.

	South Africa		Eswatini		Zimbabwe		Mozambique	
	%	**Impact (R million)**	**%**	**Impact (R million)**	**%**	**Impact (R million)**	**%**	**Impact (R million)**
Sensitivity to yield assumption[1]	1.8%	2.1	0.3%	0.3	2.1%	39.0	(4.0%)	(15.8)
Sensitivity to sucrose price assumption[2]	(4.0%)	(9.2)	(0.4%)	0.0	0.0%	0.0	(17.3%)	(68.2)

1 *A positive number indicates that the actual yield achieved in the 2019/20 season is higher than the assumed yield for the 2020/21 season. In this case, if standing cane was valued using the actual 2019/20 yield, it would reflect a higher carrying amount than what is reflected on the statement of financial position. For a negative number, the opposite is true.*

2 *A positive number indicates that the actual sucrose price achieved in the 2019/20 season is higher than the assumed sucrose price for the 2020/21 season. In this case, if the standing cane was valued using the actual 2019/20 price, it would reflect a higher carrying amount than what is reflected on the statement of financial position. For a negative number, the opposite is true.*

At 31 March 2020, as the new sugar milling season had not yet commenced, all standing cane has not yet attained the appropriate age for harvesting (determined in months). In South Africa, the harvesting age of sugarcane ranges from 12 months to 24 months depending on the variety of sugarcane grown and the climatic conditions where the farm is located. In Zimbabwe and Mozambique, the harvesting age is 12 months. If sugarcane is harvested earlier or later than its harvesting age, it can reduce the sucrose content extracted from the sugarcane and ultimately reduce overall sugar production. To manage the risk of a decline in the fair value of its standing cane, the Group has implemented precision farming techniques and practices good agricultural husbandry to ensure that the sugarcane can be harvested in the condition intended.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
R million	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Trade receivables				
Trade receivables from contracts with customers relating to:	**493**	965	**243**	627
– sale of sugar and other related products	**476**	923	**243**	627
– sale of land	**17**	42	**–**	–
Less: allowance for expected credit losses	**(35)**	(55)	**(5)**	(7)
Net trade receivables	**458**	910	**238**	620
Other receivables subject to expected credit losses				
VAT receivable	**127**	185	**16**	2
Infrastructure cost recovery	**77**	11	**–**	–
Pension fund employer surplus account	**53**	–	**53**	–
Overpayment of cane growers in Mozambique	**42**	50	**–**	–
Other receivables[1]	**179**	201	**68**	83
	478	447	**137**	85
Less: allowance for expected credit losses	**(70)**	(108)	**(4)**	(4)
Net other receivables subject to expected credit losses	**408**	339	**133**	81
Other receivables not subject to expected credit losses				
Prepayments	**193**	279	**68**	73
Lease incentives	**12**	–	**12**	–
Total	**1 071**	1 528	**451**	774

[1] *"Other receivables" is comprised of numerous lower value items.*

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 impairment considerations below incorporate the starch operation that has been classified as held for sale (refer to Note 14: *Discontinued Operations and Assets Classified As Held For Sale*). The starch operation's trade and other receivables balances at 31 March 2020 for the Group and the Company are R564 million and R528 million respectively.

The Group applies the IFRS 9: *Financial Instruments* ("IFRS 9") simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance ("ECL") for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. See Note 29.2: *Financial Risk Management* for further details. 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 credit insurance that the Group has taken out which is specific to each customer and reduces the ECL requirement where relevant. The expected credit loss reflects the risk that the insurer will default on payment of claims for losses incurred from any defaults by customers.

The loss rates applied are as follows:

Percentage	South African Sugar Operations	Starch Operations (Held for sale)	Zimbabwe Sugar Operations
Not past due	0.1%	0.0%	1.0 – 10.0%
Less than 1 month past due	1.3%	0.1%	2.0 – 30.0%
Between 1 to 2 months past due	12.0%	0.8%	2.0 – 50.0%
Between 2 to 3 months past due	28.2%	1.6%	3.0 – 100.0%
Greater than 3 months past due	50.5 – 73.7%	2.1% – 3.1%	3.0 – 100.0%

11. TRADE AND OTHER RECEIVABLES CONTINUED

For the Mozambique sugar operations, sales are usually made to the DNA which pays the balance owing (less a retention amount) one week after the sugar is produced regardless of when the sugar is delivered to the end-customer. The remaining trade debtors are assessed and allowance for ECL made individually due to the low number of customers.

For other receivables, the Group recognises a lifetime ECL allowance when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL allowance. The measurement of expected credit losses is a function of the probability of default, the 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, this is represented by the assets' gross carrying amount at the reporting date.

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, the debtor has failed to engage in a repayment plan with the Group, or has failed to make contractual payments within a specified period.

The following table details the risk profile of trade receivables:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Past due:	**252**	263	**30**	215
Less than 1 month	**157**	196	**16**	170
Between 1 to 2 months	**11**	39	**3**	30
Between 2 to 3 months	**5**	4	**–**	3
Greater than 3 months	**79**	24	**11**	12
Not past due	**241**	702	**213**	412
Gross trade receivables	**493**	965	**243**	627
Less: allowance for expected credit losses	**(35)**	(55)	**(5)**	(7)
Net trade receivables	**458**	910	**238**	620

The following table details the risk profile of "other receivables subject to expected credit losses":

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Gross "other receivables subject to expected credit losses"	**478**	447	**137**	85
Performing	**394**	368	**123**	74
Non-performing	**41**	14	**14**	11
In default	**43**	65	**–**	–
Less: allowance for expected credit losses	**(70)**	(108)	**(4)**	(4)
Performing	**(9)**	(45)	**–**	–
Non-performing	**(19)**	–	**(4)**	(4)
In default	**(42)**	(63)	**–**	–
Net "other receivables subject to expected credit losses"	**408**	339	**133**	81

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. See note 29.2 for further details on the payment terms for the Group's customers.

11. TRADE AND OTHER RECEIVABLES CONTINUED

The following tables show the movement in the allowance for ECLs that have been recognised for trade and other receivables in accordance with IFRS 9.

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Analysis of movement in loss allowance on trade receivables:				
Balance at beginning of the year	**55**	63	**7**	5
Increase in loss allowance recognised in profit or loss during the year	**11**	24	**–**	2
Reclassification to other receivables	**(8)**	–	**–**	–
Amounts written off as uncollectible	**(3)**	(1)	**(1)**	–
Amounts recovered during the year	**(1)**	–	**(1)**	–
Foreign currency translation, including the effect of hyperinflation	**(19)**	(31)	**–**	–
Balance at end of the year	**35**	55	**5**	7
Analysis of movement in loss allowance on "other receivables subject to expected credit losses":				
Balance at beginning of the year	**108**	111	**4**	1
Increase in loss allowance recognised in profit or loss during the year	**32**	58	**–**	3
Reclassification to trade receivables	**8**	–	**–**	–
Amounts written off as uncollectible	**(40)**	–	**–**	–
Foreign currency translation, including the effect of hyperinflation	**(38)**	(61)	**–**	–
Balance at end of the year	**70**	108	**4**	4

COVID-19 considerations

In the context of the COVID-19 pandemic and the economic disruption resulting from the lockdown, the Group has further tightened its already robust credit process to ensure its financial assets are appropriately safeguarded. The Group's credit risk is inherently low as with the short credit terms available to customers, it is able to identify any risks early and limit any further exposure. In South Africa, credit terms are being strictly adhered to and where the customer is not covered by credit insurance, either an upfront cash payment or a guarantee from a financial institution is required to continue trading. Proactive monitoring of debtors is being carried out with the support of a third-party service provider, to flag any perceived change to any of its customers credit profiles that may indicate an increased level of credit risk. With the exception of the alcoholic beverage manufacturers, and certain confectionary manufacturers, the Group's customers have been able to operate during the lockdown which has provided a further level of assurance on the recoverability of outstanding financial assets.

In determining the ECL allowance for 31 March 2020, the Group has used a higher probability of default, particularly in its Zimbabwe operations, where economic conditions are toughest, and adjusted the potential loss to account for a reduction in the insured percentage communicated by the credit insurer as part of it's own risk management processes. Overall, the Group is well-positioned to withstand the impact of the COVID-19 pandemic and management does not anticipate a material increase in the Group's ECL allowance.

Encumbrances

South Africa

Trade and other receivables of the Company and its South African subsidiaries, other than those related to the starch operation, have been pledged as security for the Company's borrowings. The trade and other receivables of the starch business have been reserved as security for its specific working capital facilities.

Mozambique

The DNA receivable has been ceded as security for the payment of the short-term liquidity facility.

12. DERIVATIVE FINANCIAL INSTRUMENTS

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
The fair value of derivative instruments at year end was:				
Forward exchange contracts – not hedge accounted	–	1	–	1
Futures contracts – hedge accounted	–	11	–	11
Total	–	12	–	12
Categorised as follows:				
Derivative assets	–	12	–	12
Derivative liabilities	–	–	–	–

For further information pertaining to derivative financial instruments, refer to Note 29: *Financial risk management*.

13. CASH AND CASH EQUIVALENTS

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Cash at banks and on hand	**147**	63	**53**	2
Cash at banks – available for debt reduction	**707**	–	**707**	–
Cash at banks – Zimbabwe dollars	**192**	682	**–**	–
Short-term deposits	**56**	71	**–**	–
Foreign currency cash balances	**140**	146	**2**	18
Cash and cash equivalents in the statement of financial position and cash flows	**1 242**	962	**762**	20

Further information

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate.

As part of the South African debt restructuring, the Company lost access to its previous cash management solutions and its ability to transfer positive cash balances against short-term borrowings without notice. Consequently, at year end the Company had cash balances totalling R707 million that were available to reduce borrowings, but which had not been applied against the revolving credit facility due to a requirement to give five days' notice of such repayments.

Short-term deposits generally comprise deposits placed on money markets for periods of up to three months which earn interest at a short-term deposit rate. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of the instruments.

Foreign currency cash balances are predominantly held by the Zimbabwean subsidiaries. These foreign currency cash balances are held for the maximum permissible time as a mechanism to protect against the devaluation of the local currency, and during this time act as an economic hedge of its foreign currency borrowings.

Encumbrances

In the prior year, short-term deposits of R38 million had been pledged as collateral for the borrowing facility of a purchaser that was raised to acquire a portion of the Group's landholdings. The cash was released from the security arrangement to the extent that the purchaser had on-sold a site to a third-party and used the proceeds to repay a portion of its loan. The arrangement was unwound during the current year and the balance of the cash was released from the security arrangement.

A short-term deposit of R33 million was held in a "debt service reserve account" and pledged as security for the Group's borrowings in Mozambique. In the current year, the cash in this account was applied in full and final settlement of the loan.

Bank balances of the Company and its South African subsidiaries, with a carrying amount of R762 million at 31 March 2020, have been pledged as security for the Company's South African borrowing facilities.

Repatriation of cash balances from Zimbabwean subsidiaries

Cash balances held by the Zimbabwean subsidiaries and denominated in Zimbabwe Dollars totalled R192 million (2019: R682 million). Due to shortages in foreign currency within Zimbabwe, the Group's ability to repatriate these cash balances within the requirements of the Reserve Bank of Zimbabwe is constrained.

14. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2020, the Company entered into a sale and purchase agreement to dispose of its starch and glucose business ("starch business") to KLL Group Proprietary Limited ("KLL Group"), a wholly-owned subsidiary of Barloworld Limited. The Starch business is the largest wet miller in Sub-Saharan Africa, operating four wet milling plants located at Germiston, Kliprivier and Meyerton in Gauteng, and Bellville in the Western Cape. The disposal was undertaken to reduce the Group's debt to more sustainable and manageable levels in line with its debt reduction strategy. The business is sold as a going concern for a purchase consideration of R5.35 billion with adjustments to be made for borrowings, normalised working capital and post-retirement benefits (to be retained by the Company). The purchase consideration will not exceed R5.35 billion and will be paid in cash, with R450 million held in an escrow account for 12 months after closing. The disposal is subject to a number of suspensive conditions, one of which is that no material adverse change ("MAC") has occurred. In May 2020, KLL Group issued a MAC notice which is currently the subject of a dispute between the two parties. Further details are provided in Note 34: *Events Occurring After The Reporting Period*. The long-stop date for the transaction to close is 31 October 2020. Since the MAC notice was provided after the reporting date, this is considered a non-adjusting event. Consequently, the Starch business continues to be classified as held for sale and is disclosed as a discontinued operation at 31 March 2020.

On 19 November 2019, the Group disposed of the entire sugar packaging and distribution business of Tongaat Hulett (Namibia) (Proprietary) Limited ("THN") to Bokomo Namibia (Proprietary) Limited. The Group's effective shareholding in THN is 51%. At 31 March 2020, the disposal remained subject to the approval of the Namibian Competition Commission, which was received subsequent to the financial year-end. The business was transferred to the purchaser on 1 July 2020 and further details have been provided in Note 34: *Events Occurring After The Reporting Period*. The Group's share of the purchase consideration was R112 million, prior to any adjustment arising from the final working capital levels. THN has been disclosed as an asset held for sale since 31 March 2019. As THN does not represent a separate major line of business or major geographical area, it has not been disclosed as a discontinued operation. The contribution of THN to profit from operations for the 12 months ended 31 March 2020 was R39 million (31 March 2019: R43 million).

The following table presents details of the assets and liabilities that have been classified as held for sale as at 31 March 2020 and 31 March 2019.

	Group				Company
	31 March 2020			31 March 2019	31 March 2020
R million	**Starch Business (Starch Segment)**	**TH Namibia (Other SADC Segment)**	**Total**	**Total TH Namibia (Other SADC Segment)**	**Starch Business (Starch Segment)**
Assets classified as held for sale					
Property, plant and equipment	868	6	874	7	868
Right-of-use assets	24	1	25	–	24
Goodwill	–	6	6	6	–
Intangible assets	41	–	41	–	41
Investments in subsidiaries and joint operations	–	–	–	–	15
Amounts owing by Group companies	–	–	–	–	42
Deferred tax assets	1	–	1	–	–
Inventories	482	82	564	36	447
Trade and other receivables	564	35	599	42	528
Derivative financial instruments	23	4	27	–	23
Cash and cash equivalents	–	2	2	9	–
Total assets of disposal groups classified as held for sale	2 003	136	2 139	100	1 988
Liabilities directly associated with assets classified as held for sale					
Deferred tax liabilities	174	2	176	1	163
Lease liabilities	26	1	27	–	27
Amounts owing to Group companies	–	–	–	–	16
Borrowings	227	34	261	–	227
Trade and other payables	418	43	461	19	414
Derivative financial instruments	3	–	3	–	3
Current tax liabilities	5	2	7	–	–
Total liabilities of disposal groups classified as held for sale	853	82	935	20	850
Net assets	1 150	54	1 204	80	1 138

14. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE CONTINUED

Discontinued operations – financial performance and cash flow information

The financial performance of the Starch business for the 12 months ended 31 March 2020 and 31 March 2019 is as follows:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Revenue	**4 274**	4 008	**4 226**	3 949
Cost of sales	**(3 329)**	(3 053)	**(3 305)**	(3 021)
Gross profit	**945**	955	**921**	928
Marketing and selling expenses	**(49)**	(56)	**(45)**	(49)
Administrative and other expenses	**(287)**	(252)	**(312)**	(221)
Other operating income	**7**	9	**7**	8
Profit from operations	**616**	656	**571**	666
Net finance costs	**(57)**	(30)	**(27)**	(30)
Profit before tax	**559**	626	**544**	636
Taxation	**(166)**	(181)	**(154)**	(179)
Profit from discontinued operations	**393**	445	**390**	457
Other comprehensive income for the year, net of tax	**–**	1	**–**	1
Total comprehensive income for the year from discontinued operations	**393**	446	**390**	458

The cash flow of the Starch business for the 12 months ended 31 March 2020 and 31 March 2019 is as follows:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Net cash inflow generated from operating activities	**481**	883	**479**	863
Net cash outflow from investing activities	**(43)**	(39)	**(43)**	(39)
Net cash outflow from financing activities	**(49)**	(221)	**(49)**	(221)
Net increase in cash and cash equivalents	**389**	623	**387**	603

15. SHARE CAPITAL AND PREMIUM

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Ordinary Share Capital				
Authorised:				
150 000 000 (2019: 150 000 000) ordinary shares of R1,00 each	**150**	150	**150**	150
Issued and fully paid:				
135 112 506 (2019: 135 112 506) ordinary shares of R1,00 each	**135**	135	**135**	135
Treasury shares:				
298 621 (2019: 313 706) ordinary shares of R1,00 each	**–**	–	**–**	–
Share premium:	**1 544**	1 544	**1 544**	1 544
Total issued share capital and premium	**1 679**	1 679	**1 679**	1 679

In terms of the shareholder authority provided on 24 January 2020, unissued ordinary shares not exceeding 6 755 625 (i.e. representing 5% of the ordinary shares in issue) have been placed under the control of the directors to allot and issue at their discretion. This authority shall not extend beyond 24 April 2021 and is subject to the restrictions imposed by the JSE Listings Requirements and the Companies Act, 71 of 2008.

Treasury shares are held for the purpose of fulfilling the share awards outstanding in terms of the Group's employee share ownership plans. Further details on these share ownership plans are provided in Note 25: *Share-Based Payments*.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2020

16. DEFERRED TAX

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
The movement in net deferred tax liabilities during the year is as follows:				
Balance at beginning of the year	**537**	613	**–**	–
Tax expense during the period recognised in profit or loss	**(21)**	306	**(316)**	(15)
– Current year	**190**	(176)	**(199)**	(206)
– Prior year under/(over) provision	**39**	16	**(4)**	(5)
– Change in tax rate	**(37)**	–	**–**	–
– Current year tax losses not recognised	**59**	466	**–**	196
– Previously unrecognised deferred tax asset on tax losses	**(272)**	–	**(113)**	–
Tax (relief)/charge recognised in profit or loss – discontinued operations	**(10)**	23	**(20)**	–
– Current year	**(10)**	23	**(20)**	–
Tax (relief)/charge recognised in other comprehensive income	**(59)**	(8)	**25**	15
– Employee benefit plans	**(59)**	(8)	**25**	15
Transfer to assets held for sale (net movement)	**(174)**	(1)	**(163)**	–
Foreign currency translation, including the effect of hyperinflation	**257**	(396)	**–**	–
Balance at end of the year	**530**	537	**(474)**	–
Comprising:				
Deferred tax assets	**(593)**	(123)	**(474)**	–
Deferred tax liabilities	**1 123**	660	**–**	–
	530	537	**(474)**	–
The balance comprises temporary differences attributable to:*				
Property, plant and equipment and intangible assets	**856**	931	**330**	520
Cane roots	**151**	119	**34**	43
Biological assets	**544**	342	**38**	65
Right-of-use assets (net of lease liabilities)	**12**	–	**(1)**	–
Employee benefit provisions and accruals	**(180)**	(217)	**(128)**	(157)
Pension fund employer surplus account	**77**	214	**77**	214
Accruals, other provisions and allowances	**(97)**	(60)	**(39)**	(14)
Inventory and prepayments	**(5)**	37	**18**	23
Contract liabilities and income received in advance	**(4)**	(254)	**–**	–
Provision for development expenditure	**21**	268	**–**	–
Farming capital development expenditure carried forward	**(145)**	(145)	**(145)**	(145)
Tax losses recognised and carried forward	**(653)**	(594)	**(593)**	(475)
Financial instruments, discounting and unrealised exchange rate differences	**(60)**	(41)	**–**	8
Other	**13**	(63)	**(65)**	(82)
Balance at end of the year	**530**	537	**(474)**	–

* *Please note the basis of analysis of temporary differences has been enhanced in the current year and the comparative allocation revised to ensure comparability. There has been no change to the carrying amounts nor the charge to the income statement.*

At the reporting date, the Group has estimated tax losses of R4.984 million (2019: R5.097 million) that can be set off against future taxable income, of which R653 million (2019: R594 million) has been applied to the deferred taxation balance. The Group's tax losses are summarised below.

16. DEFERRED TAX CONTINUED

The Group's estimated tax losses at the end of year are:

R million	31 March 2020 Estimated tax loss	 Estimated tax loss – tax effect	 Recognised in deferred tax	 Not recognised in deferred tax
Tongaat Hulett Limited (South Africa)	**3 802**	**1 065**	**593**	**472**
Tongaat Hulett Açúcar, Limitada (Mozambique)	**657**	**210**	**–**	**210**
Tongaat Hulett Açucareira de Moçambique, S.A. (Mozambique)	**287**	**92**	**–**	**92**
Tongaat Hulett Açucareira de Xinavane, S.A. (Mozambique)	**151**	**48**	**48**	**–**
Masintonto Ecoturismo, Limitada (Mozambique)	**24**	**8**	**–**	**8**
Lowveld Sugarcane Development Trust (Zimbabwe)	**63**	**16**	**12**	**4**
	4 984	**1 439**	**653**	**786**

R million	31 March 2019 Estimated tax loss	 Estimated tax loss – tax effect	 Recognised in deferred tax	 Not recognised in deferred tax
Tongaat Hulett Limited (South Africa)	3 784	1 060	475	585
Tongaat Hulett Developments Proprietary Limited (South Africa)	567	159	–	159
Tongaat Hulett Açúcar, Limitada (Mozambique)	375	120	72	48
Tongaat Hulett Açucareira de Moçambique, S.A. (Mozambique)	240	77	5	72
Tongaat Hulett Açucareira de Xinavane, S.A. (Mozambique)	131	42	42	–
	5 097	1 458	594	864

In Mozambique, tax losses expire after five years with R29 million and R35 million due to expire at the end of the financial years ending 31 March 2021 and 2022 respectively. In respect of all the other tax losses, provided the business continues to trade, there is no expiry date or limit of carry forward.

The Company, with its history of losses, has previously only recognised deferred tax on its estimated tax loss to the extent that it had taxable temporary differences. However, in the current year, the Company recognised a deferred tax asset of R311 million (2019: R nil) based on an estimate of taxable income for the financial year ending 31 March 2021. This estimate includes a significant taxable capital gain arising from the disposal of the starch business which, if not concluded, could result in the deferred tax asset being reversed. The tax implications of other potential asset disposals has not been included in this estimate of taxable income given the tax structure of these disposal is less certain.

For Tongaat Hulett Developments Proprietary Limited, a deferred tax asset of R118 million (2019: R76 million) has been recognised in respect of land sale transactions where the tax has accrued but revenue has not been recognised. In light of COVID-19, where there is a possibility that the transaction will not be concluded, a deferred tax asset was not recognised. In the current financial year, the tax allowance for future infrastructure expenditure was limited to taxable income resulting in there being no tax loss to carry forward.

In Mozambique, Xinavane realised a taxable profit in the current financial year and is expected to generate sufficient taxable profits in future years to fully utilise its estimated tax loss before it expires. Consequently, deferred tax has been recognised on the tax loss to reduce its deferred tax liability in respect of taxable temporary differences. As the other three Mozambican subsidiaries have a history of tax losses, deferred tax on the estimated tax losses has only been recognised to the extent that there are taxable temporary differences available. In the current year, there were no taxable temporary differences and no deferred tax has been recognised on these tax losses.

17. BORROWINGS

The Group's borrowings are summarised in the table below:

R million	Currency	Interest Rate %	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Borrowings in functional currency						
Secured borrowings at amortised cost						
Senior term loan	ZAR	1 month JIBAR plus 4.60%	**8 592**	–	**8 592**	–
Senior revolving credit loan	ZAR	1 month JIBAR plus 5.13%	**1 550**	–	**1 550**	–
Term loan	MZN	Lower of MZ prime rate less 2.0% and 16.0%	**602**	503	**–**	–
Other short-term	MZN	16.00% – 19.50%	**93**	135	**–**	–
Short-term liquidity	MZN	MZ prime rate less 0.5%	**182**	–	**–**	–
Trade finance – Maize	ZAR	7.00% – 8.75%	**–**	268	**–**	268
Trade finance – Sugar	ZAR	None	**775**	717	**775**	717
Project finance	ZWL	33.00% – 38.00%	**95**	–	**–**	–
Unsecured borrowings at amortised cost						
Term loans	ZAR	3 month JIBAR plus 2.00% – 3.05%	**–**	3 230	**–**	3 230
Bonds	ZAR	3 month JIBAR plus 2.60% – 2.85%	**–**	1 100	**–**	1 100
Development finance	ZAR	3 month JIBAR plus 0.50% – 2.70%	**–**	662	**–**	662
General short-term	ZAR	8.00% – 9.75%	**–**	3 798	**–**	3 798
Other short-term	MZN	12.50% – 17.50%	**467**	518	**–**	–
General short-term	ZWL	30.00% – 33.00%	**14**	91	**–**	–
Tongaat Hulett Pension Fund	ZAR	9.46%	**108**	112	**108**	112
			12 478	11 134	**11 025**	9 887
Borrowings not in functional currency						
Secured borrowings at amortised cost						
Term loan	ZAR	3 month JIBAR plus 3.3%	**–**	58	**–**	–
Unsecured borrowings at amortised cost						
Term loans (Zimbabwe)	USD	3 month US LIBOR plus 4.5%	**121**	245	**–**	–
General short-term	USD	3 month US LIBOR plus 5.5%	**85**	–	**–**	–
			206	303	**–**	–
Finance lease liabilities			**–**	1	**–**	1
Unamortised transaction costs relating to the New SA Facilities			**(88)**	–	**(88)**	–
Total borrowings			**12 596**	11 438	**10 937**	9 888
Categorised as follows:						
Current			**12 439**	11 438	**10 937**	9 888
Non-current			**157**	–	**–**	–
			12 596	11 438	**10 937**	9 888

South Africa

The Group had a wide range of borrowings across its operations at 31 March 2019. The majority of these borrowings (the "Existing SA Facilities"), R8.9 billion of a total of R11.4 billion, were financed through various financial institutions in South Africa (the "SA Lenders"). In May 2019, a covenant waiver agreement was concluded with the SA Lenders in respect of a financial covenant breach relating to debt outstanding at 31 March 2019. In terms of the waiver agreement the Group had to provide certain indemnities in connection with the Existing SA Facilities and other facilities the SA Lenders might make available from time to time and provide certain assets as security in respect of such indemnities, such as mortgage bonds over immovable properties owned by the Group. Subsequently, the debt was restructured through agreements signed on 9 December 2019.

As part of its restructured debt, the Group entered into new senior term loan facilities, senior revolving credit facilities and overdraft facilities (the "New SA Facilities") on new commercial terms, which include the provision of security. The New SA Facilities were used to primarily refinance amounts owing to the SA Lenders under the Existing SA Facilities with the balance being used to fund general Corporate and working capital requirements. The financial covenant waiver remained in place until the refinancing became effective as there were suspensive conditions that needed to be met.

On 10 March 2020, all the suspensive conditions related to the refinancing agreements were either fulfilled or waived and the refinancing agreements came into effect. The Group received proceeds of R10,142 million from the New SA Facilities which were applied to the repayment of the outstanding capital balance of the Existing SA Facilities which at the time totalled R10,582 million. The remaining capital balance of R440 million and unpaid interest of R101 million were settled from accumulated cash resources.

17. BORROWINGS CONTINUED

New SA Facilities

The New SA Facilities are governed by a Common Terms Agreement ("CTA") concluded between the Group and the ten respective lenders ("the SA Lender Group") 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 SA Lender Group is bound by an inter-creditor agreement that governs their relationship.

The details of the New SA Facilities are as below.

Detail	Facility A	Facility B	Facility C	Facility D
Facility amount	R9,092 million[1]	R2,200 million	R553 million	R47 million
Utilised as at 31 March 2020	R8,592 million	R1,550 million	R nil	R nil
Type	Senior Term Loan Facility	Senior Revolving Credit Facility	Seasonal Senior Revolving Credit Facility	Seasonal Senior Term Loan Facility
Purpose	To refinance the financial indebtedness under the Existing SA Facilities.	To refinance any residual financial indebtedness following application under the Existing SA Facilities, and, thereafter, Facility B may be used for general Corporate and working capital purposes.	To finance the working capital requirements of the South African sugar business, specifically during the peak of the seasonal sugar working capital cycle, until the trade finance from the South African Sugar Association ("SASA") is received.	
Interest rate	Margin (as applicable) + JIBAR (either 1 month or 3 month at the election of the Company).			
Margin per facility agreements	5.73% per annum	6.42% per annum	6.07% per annum[3]	4.40% per annum
Margin applicable at 31 March 2020[2]	4.60% per annum	5.13% per annum	5.11% per annum	3.55% per annum
Interest settlement	Interest is to be settled at the end of the Interest Period (1 month or 3 month as elected) from cash from operations. The interest settled in cash is the aggregate of JIBAR (1 month or 3 month as elected) plus a margin of 2.7%. The difference between the facility interest rate and the cash-settled interest is "rolled up" and is settled from the proceeds of debt reduction transactions and must be paid in full on 31 March 2021.			
Payment-In-Kind ("PIK") interest	PIK interest is calculated on each predetermined debt reduction milestone measurement date in accordance with a margin ratchet mechanism. PIK interest steps up or down depending on how many cumulative predetermined milestones have been met or missed on the measurement date. If all debt reduction milestones are met in line with the debt reduction strategy, the cumulative interest rate effectively ratchets down from the current applicable margin to an investment grade margin (that ranges between 2.60% and 3.51% depending on the facility) by 31 March 2021. Conversely, if all debt reduction milestones are missed, the cumulative interest rate effectively ratchets up from the current applicable margin to a margin that is reflective of an equity-type margin (that ranges between 13.75% and 14.84%). The PIK interest accrues from the test date used to determine whether a milestone has been achieved or missed. If a previously met milestone subsequently fails (e.g. a deal is cancelled) the PIK interest is applied retrospectively as if the milestone was never achieved. The PIK interest is only repayable on the maturity of the facilities and effectively increases the residual level of borrowings required to be refinanced. The approximate step down and step up in interest related to each of the facilities is indicated below depending on the achievement of the milestones.			
	Step Down 0.38%	Step Down 0.43%	Step Down 0.32%	Step Down 0.28%
	Step Up 1.00%	Step Up 1.04%	Step Up 1.10%	Step Up 0.98%
Final repayment date	31 March 2021	31 March 2021	Initially 31 March 2020 and extended to 16 April 2020, with a further extension to 31 March 2021 agreed after the year-end cut-off.	
Conversion or redemption rights	None	None	None	None
Commitment fee	N/A	0.35% of the Margin (plus VAT thereon) on the unutilised and uncancelled amount of Facility B, Facility C and Facility D, as applicable.		

1 *A facility of R9,092 million was originally made available which was reduced to R8,592 million as the proceeds received in January 2020 in respect of the liquidation of the Pension Fund were used to repay the original facility.*

2 *The margin applicable at 31 March 2020 represents the margin per the facility agreement adjusted for the three interest rate step downs achieved to date (as discussed under PIK interest below).*

3 *The margin applicable to Facility C was increased from 4.79% to 6.07% following the extension of the repayment date from 31 March 2020 to 31 March 2021.*

17. BORROWINGS CONTINUED

***New SA Facilities** continued*

Detail	Facility A	Facility B	Facility C	Facility D
Debt reduction strategy and milestones	In terms of the CTA, the Group is required to reduce the level of debt by a minimum of R8,100 million by 31 March 2021, a significant portion of which is required to be repaid by 30 September 2020. Numerous initiatives are in progress to achieve the repayment milestones as follows:			

Item	Milestone Date	Signed Debt Reduction Transaction Agreements (cumulative R 'million)	Debt Reduction Proceeds Received (cumulative R million)
1	30 November 2019	500	nil
2	31 March 2020	4 000	nil
3	30 June 2020	6 000	500
4	30 September 2020	8 100	4 000
5	31 December 2020	8 100	6 000
6	31 March 2021	8 100	8 100

Debt reduction proceeds to be applied as follows:

- **first**, towards the payment of all costs, expenses, losses, taxes and/or breakage costs then payable to the lenders;
- **second**, towards the payment 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 prepayments are first applied to the Facility A loan to the extent it remains outstanding;
- **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 and/or prepayment of all amounts owing under the ancillary facilities (excluding asset-backed facilities or derivative facilities not subject to an ISDA master agreement) and the overdraft facilities, and the *pro tanto* cancellation of the overdraft facility commitments;
- **sixth**, towards paying accrued unpaid PIK Interest;
- **seventh**, towards prepayment of facilities provided to the Starch business; and
- **eighth**, towards the prepayment and/or repayment of asset-based ancillary facilities or derivative facilities no subject to an ISDA master agreement.

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.

17. BORROWINGS CONTINUED

***New SA Facilities** continued*

Detail	Facility A	Facility B	Facility C	Facility D
Financial covenants	**Discussion Covenant (Remedial Meeting)** If the leverage ratio covenants measured on 30 September 2020 (set out below) are not achieved, the Group and the SA Lender Group shall meet promptly to discuss and agree remedial action to further reduce debt. • The ratio of total debt to EBITDA for the period of 12 months ending on 30 September 2020 ("historical leverage ratio") shall be equal to or less than 3x; and • The of total debt to EBITDA for the period of 12 months commencing on 30 September 2020 ("forecast leverage ratio") shall be equal to or less than 2.5x. The leverage ratio is calculated for the aggregate of the Group's South African businesses and represents the ratio of total debt to earnings before interest, tax, depreciation, amortisation, fair value movements on biological assets and other once-off items ("EBITDA"). Total debt is reduced by the value of any signed debt reduction transactions for which proceeds have not yet been received. **Default Covenant** The following will constitute an event of default under the New SA Facilities: • The parties fail to reach an agreement regarding the remedial action within 14 days of the meeting, or if the Group fails to comply with the agreed remedial action within 14 days of the agreement. • The historic or forecast leverage ratio of total debt exceeds 3.5x.			
Security	Mortgage bonds registered (or to be registered) over immovable properties owned by the Company'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 the Company's South African businesses. Cession and pledge over all shares, claims, insurances, intellectual property, bank accounts and investments of the Company's South African businesses, excluding any of the assets provided in respect of the Starch Facilities (these are separate facilities for the purchase of maize by the starch business). 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 SA Lender group 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.			

Starch facilities

A condition of the Group's debt restructure was that the two existing Starch Facilities, used to fund maize purchases and working capital, be restructured to formalise the security arrangements inherent in the "Existing SA Facilities". The restructured Starch facilities operate as follows:

- All maize is funded through one facility with a limit of R1 billion and the Starch business continues 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 Group's current hedging strategy. The maize required for operations will be repurchased by the Group prior to delivery to the mills, at which point ownership for the maize will transfer to the Group. This first facility will become 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 and is secured by a cession over the Company's trade receivables. At 31 March 2020, the Group had utilised R227 million of this facility.

South African Sugar Association trade finance

At the end of the sugar season (i.e. end of March), the South African Sugar Association advances funds to each of the sugar millers in respect of their "carry-over" sugar stocks (i.e. sugar that has been designated for sale into the local market in the next sugar season). This trade finance does not bear interest, is repayable as and when the "carry-over" sugar stocks are sold to customers and is typically settled in full within three months of the start of the financial year.

Tongaat Hulett Pension Fund

The Tongaat Hulett Pension Fund 2010, a defined contribution plan, advanced a portion of the employer surplus account to the Company as an interest-bearing loan. The loan bears interest at a floating rate of the Investec money market fund rate plus 0.75% and is repayable on demand. In terms of Section 19(5) of the Pension Funds Act 1956, the amount invested by a fund in the participating employer cannot exceed 5% of the fund's assets. During the year, the pension fund's assets declined as a result of voluntary retrenchments and market volatility, resulting in the Company repaying R14 million of the loan to ensure the limit was adhered to. Further details are provided in Note 8: *Other non-current assets*.

17. BORROWINGS CONTINUED

Ancillary facilities

Certain facilities already provided to the Group were not impacted by the refinancing and continued to operate on a bilateral basis with the respective lenders. The facilities relate to guarantees, vehicle and asset finance and the potential future exposure on derivative products (including forward exchange contracts), amongst others. Total facilities of R963 million are available, of which R473 million was utilised as at 31 March 2020.

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.

Mozambique

In Mozambique, a standstill agreement in respect of debt owed to the lenders of the Mozambique operations was concluded on 18 December 2019. The standstill covers the period to 15 December 2020, however this has been extended to 30 June 2021 by an addendum signed, post 31 March 2020. Please refer to Note 34: *Events Occurring After the Reporting Period* for further details. In terms of the agreement, the Group delivered a debt reduction proposal to the lenders before 31 March 2020, and a security package consisting of both currently encumbered and unencumbered assets of the Mozambique operations is being pledged as collateral. In addition to the standstill agreement, a USD10 million equivalent MZN short term facility was advanced to the Group on 24 March 2020, by one of the lenders into the Group, to cover the shortfall on existing facilities expected during the shutdown period between the two sugar seasons when cash inflows are lean.

Encumbrances

Buildings, plant and machinery of the Mozambique subsidiaries with a book value of R1 925 million (2019: R1 663 billion) are encumbered as security for the long-term borrowings and certain short-term borrowings totalling R694 million (2019: 563 million). The short-term liquidity facility of R182 million is secured by a trade receivable from the sugar industry. In the prior year, a loan of R57m was secured by cash of R33 million (refer to Note 13 *Cash and Cash Equivalents*).

Zimbabwe

At 31 March 2020, the Group's borrowings in Zimbabwe totalled R230 million (2019: R336 million), as set out below:

- Term loans denominated in USD totalled R121 million (2019: R245 million). While the loans are repayable by March 2022, the Group has prepaid USD 10 million of the facility from its export proceeds in order to reduce the exposure to foreign exchange risk. The loans bear interest at a floating rate of 3-month US LIBOR plus 4.5%. There are two financial covenant ratios associated with these loans. Firstly, the ratio of foreign currency revenue to total revenue should not fall below 10% in any financial year. Secondly, foreign currency denominated free cash flows shall exceed 1.5x the foreign debt service amounts (i.e. capital repayments and interest costs).
- Hippo Valley Estates Limited has an amount of R14 million owing on overdraft facilities (2019: R91 million) that are renewable annually and bear interest at fixed rates of between 30% and 33% (2019: 6.5% and 7.5%).
- The Lowveld Sugarcane Development Trust raised term loans totalling R95 million to partially fund a 4,000 hectare expansion of the area under cane that supplies the Group's two sugar mills. The loans are repayable by 31 March 2024 and bear interest at fixed rates of between 33% and 38%.

Encumbrances

The Group's borrowings in Zimbabwe are unsecured and consequently none of the assets of the Zimbabwean subsidiaries are encumbered.

Further information

On 9 January 2020, the Company's shareholders approved the adoption of a new Memorandum of Incorporation ("MOI") that removed the borrowing restrictions contained in the previous MOI. The borrowing restrictions were removed to enable the Company to enter into, and borrow funds, under the New SA Facilities.

18. POST-RETIREMENT BENEFITS

Pension and Provident Fund Schemes

The Group contributes towards retirement benefits for substantially all permanent employees who, depending on preference or local legislation, are required to be members of either a Tongaat Hulett scheme or a designated industry or state schemes. The Tongaat Hulett schemes are defined contribution schemes and are governed by the relevant retirement fund legislation. The scheme assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and, with the exception of any employer surplus account, are held separately from those of the Group. The schemes are administered by boards of trustees, each of which includes both employer and elected employee representatives.

The latest audited financial statements of the Group's defined contribution schemes reflect a satisfactory state of affairs. Contributions of R139 million were expensed during the year (2019: R117 million). The Group has no further payment obligation once the contributions have been paid.

In December 2020, the Group received approval from the Financial Sector Conduct Authority for the voluntary dissolution of the Tongaat Hulett Defined Benefit Pension Fund, a legacy defined benefit scheme with no members, and the fund was liquidated. The Tongaat-Hulett Pension Fund, a second legacy defined benefit scheme with no remaining defined benefit obligations, is in the process of applying for voluntary dissolution.

Post-Retirement Medical Aid Benefits

In the South African operations, the obligation to pay medical aid contributions after retirement is no longer part of the conditions of employment for employees engaged after 30 June 1996. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit for these current employees is dependent upon the employee remaining in service until retirement. The Zimbabwean operations subsidise 100% of the medical service costs incurred by a pensioner and/or a pensioner's dependents, provided the services are obtained from the operation's medical facilities. In Mozambique, Tongaat Hulett Açucareira de Xinavane, S.A. subsidises the medical contributions in respect of its pensioners.

Retirement Gratuities

The South African and Zimbabwean operations have historically made payments on retirement to eligible employees who have remained in service until retirement and completed a minimum service period of ten years.

In 2019, the eligibility for this benefit in the South African operations changed and was restricted to employees who, on 1 April 2019, were over the age of 55 years and had completed at least ten years of continuous service. In 2020, the retrenchment of employees in the South African operations was treated as a further curtailment of retirement gratuity benefit. The effect of curtailing this benefit resulted in a reduction in the retirement gratuity provision of R16 million (2019: R62 million).

In Zimbabwe, the impact of hyperinflation on actual salary increases was larger than what was assumed in the March 2019 valuation, contributing to a remeasurement of R250 million. The resultant increase in the provision was offset by a monetary gain of R225 million.

18. POST-RETIREMENT BENEFITS CONTINUED

An actuarial valuation of all post retirement obligations is performed annually. The movements in the post-retirement benefits is as follows:

	Group					
	31 March 2020			31 March 2019		
R million	Post Retirement Medical Aid Benefits	Retirement Gratuities	Total	Post Retirement Medical Aid Benefits	Retirement Gratuities	Total
Balance at beginning of the year	**540**	**103**	**643**	576	215	791
Net income statement charge	**48**	**(7)**	**41**	47	(38)	9
Current service costs	**4**	**3**	**7**	5	10	15
Curtailment gain	**–**	**(16)**	**(16)**	–	(62)	(62)
Interest cost	**44**	**6**	**50**	42	14	56
Employer contributions	**(43)**	**(11)**	**(54)**	(44)	(18)	(62)
Remeasurement of net defined benefit obligations	**32**	**253**	**285**	33	(8)	25
From changes in financial assumptions	**(39)**	**–**	**(39)**	(35)	(8)	(43)
From changes in demographic assumptions	**(4)**	**–**	**(4)**	–	–	–
From changes in experience items	**75**	**253**	**328**	68	–	68
Monetary gain	**(163)**	**(225)**	**(388)**	–	–	–
Exchange rate translation	**20**	**8**	**28**	(72)	(48)	(120)
Balance at end of the year	**434**	**121**	**555**	540	103	643
Analysed as follows:						
Non-current	**392**	**112**	**504**	497	88	585
Current	**42**	**9**	**51**	43	15	58
	434	**121**	**555**	540	103	643

	Company					
	31 March 2020			31 March 2019		
R million	Post Retirement Medical Aid Benefits	Retirement Gratuities	Total	Post Retirement Medical Aid Benefits	Retirement Gratuities	Total
Balance at beginning of the year	**420**	**53**	**473**	442	135	577
Net income statement charge	**41**	**(10)**	**31**	41	(42)	(1)
Current service costs	**2**	**2**	**4**	3	8	11
Curtailment gain	**–**	**(16)**	**(16)**	–	(62)	(62)
Interest cost	**39**	**4**	**43**	38	12	50
Employer contributions	**(36)**	**(9)**	**(45)**	(34)	(16)	(50)
Remeasurement of net defined benefit obligations	**(45)**	**(1)**	**(46)**	(29)	(24)	(53)
From changes in financial assumptions	**(39)**	**–**	**(39)**	(35)	(11)	(46)
From changes in demographic assumptions	**(3)**	**–**	**(3)**	–	–	–
From changes in experience items	**(3)**	**(1)**	**(4)**	6	(13)	(7)
Balance at end of the year	**380**	**33**	**413**	420	53	473
Analysed as follows:						
Non-current	**342**	**24**	**366**	384	43	427
Current	**38**	**9**	**47**	36	10	46
	380	**33**	**413**	420	53	473

18. POST-RETIREMENT BENEFITS CONTINUED

The assumptions utilised in the valuation of the post-retirement benefits are as follows:

R million		South Africa		Zimbabwe		Mozambique	
		2020	2019	2020	2019	2020	2019
Post-Retirement Medical Aid Benefits							
Discount rate	(%)	**11.80**	9.60	**54.50**	6.90	**8.37**	8.84
Healthcare cost inflation rate	(%)	**8.20**	7.25	**52.25**	5.40	**5.96**	6.97
Weighted average duration of the obligation	(years)	**8.50**	9.50	**18.00**	16.10	**6.20**	6.30
Retirement Gratuities							
Discount rate	(%)	**8.80**	9.60	**54.50**	6.90		
Salary inflation rate	(%)	**6.20**	7.00	**51.00**	4.90		
Weighted average duration of the obligation	(years)	**4.00**	4.50	**8.70**	10.90		

Sensitivity analysis

The sensitivity analysis below has been provided by the local actuaries based on changes in the assumptions occurring at the end of the year, assuming that all other assumptions are held constant and the effect of the interrelationships is excluded. The effect on the obligation is as follows:

R million	Change in assumption	2020 Increase	2020 Decrease	2019 Increase	2019 Decrease
Post-Retirement Medical Aid Benefits					
GROUP					
Discount rate	1%	**(31)**	**36**	(49)	59
Healthcare cost inflation rate	1%	**37**	**(33)**	59	(50)
COMPANY					
Discount rate	1%	**(27)**	**31**	(34)	40
Healthcare cost inflation rate	1%	**32**	**(28)**	40	(35)
Retirement Gratuity					
GROUP					
Discount rate	1%	**(8)**	**9**	(7)	8
Salary inflation rate	1%	**8**	**(7)**	8	(7)
COMPANY					
Discount rate	1%	**(1)**	**1**	(2)	2
Salary inflation rate	1%	**1**	**(1)**	2	(2)

Key risks associated with post-retirement obligations:

Post-Retirement Medical Aid Benefits:

- Higher than expected price inflation (to which medical cost/contribution increases are related).
- "Real" future medical aid cost/contribution inflation (i.e. the increase above price inflation) turns out higher than assumed.
- Members/pensioners changing medical aid plans to more expensive plans subject to maximum in terms of policy.
- Longevity – pensioners (and their dependants) living longer than expected in retirement.

Retirement Gratuities

- Higher than expected price inflation (to which medical cost/contribution increases are related).
- "Real" salary increases (i.e. the increase above price inflation) turn out higher than assumed.
- Large number of early retirements (normal or ill health) bringing forward gratuity payments.
- Fewer exits prior to retirement than expected (i.e. more people reach retirement than allowed for in terms of current demographic assumptions).

19. DEFERRED INCOME

	Group					
	31 March 2020			31 March 2019		
R million	Contract Liabilities	Government Grants	Total	Contract Liabilities	Government Grants	Total
Balance at beginning of the year	**194**	**108**	**302**	110	127	237
Additional liability recognised	**100**	**–**	**100**	292	–	292
Income recognised in the statement of profit or loss	**(100)**	**(20)**	**(120)**	(208)	(19)	(227)
Balance at end of the year	**194**	**88**	**282**	194	108	302
Analysed as follows:						
Non-current	**47**	**68**	**115**	85	88	173
Current	**147**	**20**	**167**	109	20	129
	194	**88**	**282**	194	108	302

	Company	
R million	31 March 2020	31 March 2019
Balance at beginning of the year	**108**	127
Income recognised in the statement of profit or loss	**(20)**	(19)
Balance at end of the year	**88**	108
Deferred income is comprised of only "government grants" for the Company		
Analysed as follows:		
Non-current	**68**	88
Current	**20**	20
	88	108

Further information

Contract liabilities

Contract liabilities represent the portion of the purchase consideration received from customers in respect of township property sales that is attributable to certain performance obligations inherent in the sales agreement which are yet to be satisfied. These performance obligations primarily relate to the installation of basic services (e.g. electricity, water, sewerage) to the specific sites sold. To the extent that the basic services are installed, and the performance obligations fulfilled, revenue is recognised with a corresponding decrease in the liability.

It is anticipated that 76% (R147 million) of the purchase consideration allocated to unsatisfied performance obligations as at 31 March 2020 will be recognised as revenue during the next reporting period. The remaining 24% (R47 million) will be recognised in the 2022 financial year and beyond. The extent to which revenue is recognised is dependent on the progress made on installing the basic services and therefore could be adversely impacted by delays caused by COVID-19 and any related suspension of economic activities by Government. A six-month delay in the installation programme would reduce the revenue expected to be recognised in the next financial year to R84 million.

Government grants

In March 2014, the Group secured R150 million from the Jobs Fund (managed by the Department of National Treasury of South Africa) in the form of a grant to develop cane in rural areas surrounding Tongaat Hulett sugar mills in South Africa. The grant required the Group to match the funding, including an additional "in-kind" contribution and facilitated the planning of a further 10 971 hectares of sugarcane and creating 3 074 jobs in rural communities. As it relates to assets, the income will be released to the income statement over the useful life of the related assets which is estimated to between seven and eight years.

20. PROVISIONS

	Group					
	31 March 2020			31 March 2019		
R million	**Provision for Development Expenditure**	**Other Provisions**	**Total**	**Provision for Development Expenditure**	**Other Provisions**	**Total**
Balance at beginning of the year	**1 335**	**8**	**1 343**	1 092	8	1 100
Additional provision recognised	**14**	**–**	**14**	375	–	375
Utilised during the year	**(72)**	**–**	**(72)**	(125)	–	(125)
Unwinding of discount	**130**	**–**	**130**	(7)	–	(7)
Changes in the discount rate						
– Charged to profit and loss	**(13)**	**–**	**(13)**	–	–	–
– Charged to inventory	**(24)**	**–**	**(24)**	–	–	–
Balance at end of the year	**1 370**	**8**	**1 378**	1 335	8	1 343
Analysed as follows:						
Non-current	**682**	**8**	**690**	1 033	8	1 041
Current	**688**	**–**	**688**	302	–	302
	1 370	**8**	**1 378**	1 335	8	1 343

	Company	
R million	**31 March 2020**	**31 March 2019**
Balance at beginning of the year	**8**	8
Additional provision recognised	**–**	–
Utilised during the year	**–**	–
Unwinding of discount	**–**	–
Balance at end of the year	**8**	8

Further information

Provision for development expenditure

The Group sells township properties for which it is responsible, both contractually and in terms of legislation, for development costs. Development costs include the provision of water, sewerage, electricity, municipal roads, internal roads and stormwater drainage. These development costs are incurred within the boundaries of the land to be developed (i.e. basic services), outside the boundaries of the land to be developed (i.e. bulk infrastructure) or may be common to multiple precincts under development (i.e. common costs). The liability for the development costs represents the estimated remaining construction costs to complete the precincts that are under development and where township property sales have commenced. Development costs are funded from the proceeds received from township properties already concluded, as well as future township property sales within the precinct. The basis of estimating the provision for development expenditure is disclosed under *Critical estimates and judgements*.

It is anticipated that 50.2% (R688 million) of the provision as at 31 March 2020 will be utilised during the next reporting period with the remaining 49.8% (R682 million) being incurred in the 2022 financial year and beyond. The extent to which the provision is utilised is dependent on the progress made on obtaining the relevant planning rights and installing the basic services and therefore could be adversely impacted by delays caused by COVID-19 and any related suspension of economic activities by Government. A six-month delay in obtaining the planning approvals and/or the installation programme would result in a reduction in the total provision of R40 million (i.e. due to discounting), while current portion of the provision would reduce from R688 million to R361 million.

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:

	2020		2019	
R million	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
1% increase in discount rate	**10.7%**	**(17)**	9.6%	(25)
1% decrease in discount rate	**10.7%**	**17**	9.6%	26
10% increase in Group's contribution to bulk infrastructure	**56%**	**77**	71%	72

Other provisions

Other provisions include an obligation for site restoration and other environmental remediation relating to the closure of the Sorbitol plant by the starch operation in 2018.

21. TRADE AND OTHER PAYABLES

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Trade payables	**922**	1 204	**373**	570
Accruals	**708**	644	**401**	220
Total trade payables	**1 630**	1 848	**774**	790
Income received in advance	**302**	898	**36**	41
Developments	**230**	802	**13**	–
Sugar operations	**72**	96	**23**	41
Other payables	**404**	567	**212**	339
Accrual for leave pay	**83**	149	**43**	87
Utilities	**61**	95	**2**	65
Payroll related deductions	**53**	58	**30**	35
Interest accrual	**69**	47	**69**	47
Sundry[1]	**138**	218	**68**	105
Value added tax	**157**	240	**133**	215
Total	**2 493**	3 553	**1 155**	1 385

[1] *Sundry is comprised of numerous lower value items.*

Further information

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. At 31 March 2019, trade payables included an amount of R312 million owing to suppliers to the property business for infrastructure and development costs where extended payment terms of up to 28 months had been agreed at an interest cost of the South African prime lending rate plus 2.0%. All such arrangements were unwound during the current year.

The carrying amount approximates fair value because of the short period to settlement of these obligations.

Income received in advance

In respect of land sales, this represents deposits received from customers in terms of land sale agreements and land sale proceeds received directly by the Group (i.e. not through a conveyancing attorney) ahead of the transfer of the property to the purchaser and the related revenue recognition. During the year, R558 million was released upon the transfer of the properties to the customer, R31 million was refunded to customers where the property transaction could not be concluded and an additional R17 million was received in respect of property transactions that will be recognised in revenue in future years.

In respect of the sugar operations, it relates to advance payments for sales not yet recognised of molasses in South Africa and sugar in Zimbabwe.

22. 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:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Revenue from contracts with customers is disaggregated below:				
Sugar operations				
South Africa	**5 294**	5 077	**6 023**	5 680
Sugar sales – local market	**3 029**	2 959	**3 029**	2 960
Sugar sales – export market	**1 296**	1 108	**2 025**	1 710
Molasses	**169**	189	**169**	189
Animal feeds	**800**	821	**800**	821
Zimbabwe	**6 035**	4 362	**–**	–
Sugar sales – local market	**4 726**	3 385	**–**	–
Sugar sales – export market	**801**	742	**–**	–
Ethanol	**366**	169	**–**	–
Molasses	**83**	45	**–**	–
Livestock and other	**59**	21	**–**	–
Mozambique	**1 657**	1 362	**–**	–
Sugar sales – local market	**935**	599	**–**	–
Sugar sales – export market	**559**	704	**–**	–
Refining fee	**77**	3	**–**	–
Molasses	**86**	56	**–**	–
Other SADC	**1 451**	1 320	**–**	–
Sugar sales – local market	**1 217**	1 103	**–**	–
Sugarcane sales	**232**	216	**–**	–
Livestock and other	**2**	1	**–**	–
Sub-total sugar operations	**14 437**	12 121	**6 023**	5 680
Land conversion and development	**945**	940	**–**	–
Township properties	**529**	732	**–**	–
Large land sales	**316**	–	**–**	–
Installation of basic services	**100**	208	**–**	–
Starch operations	**4 274**	4 008	**4 226**	3 949
Starch and glucose – local markets	**3 036**	2 784	**3 036**	2 784
Starch and glucose – export markets	**493**	542	**445**	483
Co-products	**745**	682	**745**	682
Total revenue	**19 656**	17 069	**10 249**	9 629
Less: revenue from discontinued operations	**(4 274)**	(4 008)	**(4 226)**	(3 949)
Total revenue from continuing operations	**15 382**	13 061	**6 023**	5 680
Timing of revenue recognition				
At a point in time	**15 282**	12 853	**6 023**	5 680
Over time	**100**	208	**–**	–
	15 382	13 061	**6 023**	5 680

To enhance disclosures, revenue has been further disaggregated to depict revenue from township property transactions, large land transactions, ethanol, starch co-products and export sales as separate categories. Accordingly, revenue for the year ended 31 March 2019 has been reclassified. The reclassification includes a breakdown of "Other SADC" revenue which was previously reported together with "Mozambique".

Details of unfulfilled performance obligations in respect of the installation of basic services are disclosed under contract liabilities in Note 19: *Deferred Income*.

Revenue from contracts with customers has been further disaggregated into geographical regions. Refer to Note 2: *Segmental Reporting.*

23. PROFIT FROM OPERATION

Profit from operations is arrived at after taking into account, among other items, those detailed below:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Depreciation of property, plant and equipment	**583**	596	**227**	265
Continuing operations	**482**	484	**126**	153
Discontinued operations	**101**	112	**101**	112
Depreciation of right-of-use assets	**103**	–	**18**	–
Continuing operations	**96**	–	**11**	–
Discontinued operations	**7**	–	**7**	–
Amortisation of intangible assets	**57**	57	**40**	41
Continuing operations	**52**	48	**35**	32
Discontinued operations	**5**	9	**5**	9
Employee costs	**3 465**	3 266	**1 804**	1 678
Continuing operations – Zimbabwe	**918**	834	**–**	–
Continuing operations – Other	**2 061**	1 971	**1 323**	1 224
Discontinued operations	**486**	461	**481**	454
Employee costs	**3 465**	3 266	**1 804**	1 678
Salaries and wages	**2 522**	2 665	**1 230**	1 374
Medical, risk and other employment benefits	**217**	244	**126**	141
Retrenchment and retirement costs	**277**	52	**180**	42
Annual and incentive bonus	**329**	130	**202**	66
Share-based payment expense	**16**	41	**13**	30
Contributions to post-retirement funds	**164**	219	**123**	135
Movement on employee benefit obligations	**(60)**	(85)	**(70)**	(110)
External auditors' remuneration	**88**	30	**48**	11
Continuing operations – Zimbabwe	**23**	10	**–**	–
Continuing operations – Other	**59**	17	**43**	9
Discontinued operations	**6**	3	**5**	2
External auditors' remuneration (excluding Zimbabwe operations)	**65**	20	**48**	11
Fee for current year audit	**26**	15	**17**	9
Fee in respect of prior year audit (approved in current year)	**26**	–	**22**	–
Other services	**10**	4	**7**	2
Disbursements	**3**	1	**2**	–
External auditors' remuneration in respect of Zimbabwe operations	**23**	10		
Fee for current year audit	**7**	8	**–**	–
Fee in respect of prior year audit (approved in current year)	**12**	–	**–**	–
Other services	**–**	1	**–**	–
Disbursements	**4**	1	**–**	–
Operating lease charges in respect of IAS 17	**–**	136	**–**	126
Continuing operations	**–**	124	**–**	114
Discontinued operations	**–**	12	**–**	12
Charges for leases not capitalised in terms of IFRS 16	**187**		**113**	
Continuing operations	**184**	–	**110**	–
Discontinued operations	**3**	–	**3**	–
Charges for leases not capitalised in terms of IFRS 16	**187**		**113**	
Short-term leases not recognised in lease liabilities	**54**	–	**54**	–
Leases of low-value assets not included in short-term leases	**3**	–	**3**	–
Variable lease payment expenses not included in lease liabilities	**130**	–	**56**	–

23. PROFIT FROM OPERATION CONTINUED

	Group		Company	
R million	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Consulting fees	**183**	24	**179**	19
Continuing operations	**161**	6	**157**	1
Discontinued operations	**22**	18	**22**	18
Consulting fees	**183**	24	**179**	19
Technical services	**24**	18	**22**	18
Forensic investigation	**59**	–	**59**	–
Turnaround initiatives (i.e. debt restructuring, asset disposals)	**97**	–	**97**	–
Administrative and other services	**3**	6	**1**	1
Net foreign exchange losses/(gains)	**403**	83	**(6)**	67
Continuing operations – Zimbabwe	**354**	47	**–**	–
Continuing operations – Other	**–**	23	**(4)**	76
Discontinued operations	**49**	13	**(2)**	(9)
Income from subsidiaries	**–**	–	**(225)**	(652)
Dividend received	**–**	–	**(223)**	(523)
Management fees	**–**	–	**(2)**	(129)
(Decrease)/increase in the ECL allowance on "trade and other receivables"	**(58)**	(11)	**(2)**	5
Research and developments costs	**18**	14	**1**	2
Continuing operations	**17**	13	**–**	1
Discontinued operations	**1**	1	**1**	1
(Profit)/loss on disposal of plant, equipment and intangibles	**(10)**	39	**(10)**	16
Continuing operations	**(10)**	35	**(10)**	12
Discontinued operations	**–**	4	**–**	4
Fair valuation adjustments:				
Biological assets – (gain)/loss	**(889)**	(470)	**13**	(46)
Fair value hedges:				
net losses on the hedged item	**(16)**	(20)	**(16)**	(20)
net gains on the hedged item	**16**	20	**16**	20
Non-trading items				
Loss/(profit) on disposal of land, buildings and cane roots	**4**	(1)	**5**	(1)
Profit on disposal of land between group entities			**(334)**	(23)
Loss on derecognition of cane roots and sharecropper arrangements	**4**	58	**4**	–
Allowance for impaired intercompany receivables:				
Mozambique operations	**–**	–	**117**	441
Zimbabwe operations	**–**	–	**4**	–
	8	57	**(204)**	417
Net impairment/(reversal)				
Impairment/(reversal of impairment) of property, plant and equipment:				
SA Sugar operations	**–**	10	**–**	10
Mozambique operations	**4**	220	**–**	–
Zimbabwe operations	**–**	(305)	**–**	–
Impairment of other intangible assets:				
SA Sugar operations	**–**	10	**–**	10
	4	(65)	**–**	20

24. NET FINANCE COSTS

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Net finance costs comprise:				
Finance costs relating to financial instruments measured at amortised cost:				
Interest on borrowings and bank overdrafts	**1 275**	1 118	**1 046**	935
Interest on loans from Group companies	**–**	–	**68**	55
Interest on lease liabilities	**45**	–	**3**	–
Exchange losses on foreign currency borrowings and lease liabilities	**333**	107	**–**	–
Unwinding of discount on provisions	**180**	164	**43**	50
Other finance costs	**47**	89	**18**	18
Total finance costs	**1 880**	1 478	**1 178**	1 058
Finance income relating to financial instruments measured at amortised cost:				
Interest income on bank deposits	**(21)**	(50)	**(1)**	(2)
Interest income on pension fund employer surplus	**(57)**	(58)	**(57)**	(58)
Exchange gains on foreign currency borrowings and lease liabilities	**(164)**	–	**–**	–
Other finance income	**(18)**	(39)	**(2)**	(10)
Total finance income	**(260)**	(147)	**(60)**	(70)
Total net finance costs	**1 620**	1 331	**1 118**	988

25. SHARE-BASED PAYMENTS

On 24 January 2020, shareholders approved a new equity-settled share-based payment plan, namely the Tongaat Hulett 2019 Conditional Share Plan which replaces the following share plans:

- Share Appreciation Right Scheme 2005
- 2010 Tongaat Hulett Long-term Incentive Plan, comprising a performance and retention element
- Deferred Bonus Plan 2005

The Group's two Black Economic Empowerment ("BEE") Share Ownership Plans continue to operate to a limited extent after the majority of grants made on 1 August 2007 vested on 1 August 2012.

The total share-based payment expense recognised in respect of the various employee share plans was R16 million (2019: R40 million).

The share awards were made and exercised at various times and the average closing share price for the year was R12,90 (2019: R67,55).

Tongaat Hulett 2019 Conditional Share Plan ("CSP")

The CSP is a long-term incentive structure for executive management and senior management. The purpose of the CSP is to ensure alignment of participants and shareholders by incentivising participants to enhance the performance of the Group, providing an opportunity for participants to share in the improved performance, and motivating participants to remain in the employ of the Group. Participation in the CSP is not a condition of employment and the remuneration committee has absolute discretion on making an award to a participant. CSP awards that vest may be settled by way of market purchases of shares for delivery to the participant, use of existing treasury shares, and the new issue of shares. While settlement in cash is permissible where it is not practical or possible to settle in shares, this will not be standard practice and the Group intends to settle all CSP awards by way of market purchases. Consequently, the Group will account for the CSP as an equity-settled transaction in terms of IFRS 2: *Share-based Payment*. Awards are forfeited in the case of voluntary resignation, early retirement and dismissal with certain vesting conditions remaining in the case of normal retirement, sale of business, disability, retrenchment and death. Awards under the CSP will not exceed 5% of the number of ordinary shares in issue, with an individual participant limit of 1%.

The CSP makes provision for the following types of awards:

– Performance shares:	Annual awards that vest based on the satisfaction of predetermined, forward-looking performance conditions and continued employment for the duration of the three-year vesting period. Performance conditions include headline earnings growth, relative total shareholder return, and return on invested capital.
– Bonus shares:	Awards determined as a percentage of the annual short-term incentive and subject to the same three-year employment condition and vesting period.
– Retention shares:	*Ad hoc* awards made in specific instances with the intention of retaining key talent identified as instrumental to delivering the Group's business strategy. Retention awards are subject to four-year employment condition and vesting period.

There were no CSP awards were made during the 2020 financial year.

25. SHARE-BASED PAYMENTS CONTINUED

Share Appreciation Right Scheme 2005 ("SARS")

The SARS is a long-term incentive for executive management, senior management and qualifying professional employees. Under the SARS, participating employees are awarded the right to receive shares equal to the difference between the exercise price and the grant price, less income tax payable on such difference. The employee therefore participates in the share price appreciation in the Company.

The exercise price and grant price are determined with respect to the volume weighted average price of the share on the exercise date and grant date. The number of awards expected to vest is conditional on the achievement of certain performance conditions. Once vested, the rights must be exercised by the 7th anniversary of the grant date to receive shares. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death.

There were no SARS awards during the 2020 financial year and no further awards will be made under the SARS.

				Outstanding rights					Vested and exercisable
Grant Date	**Financial year of grant**	**Grant price (Rand)**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Exercised**	**Lapsed/ forfeited**	**31 March 2020**	**31 March 2020**
29 May 2012	2013	R110,21	R21,73	**751 144**	**–**	**–**	**(751 144)**	**–**	**–**
6 June 2016	2017	R113,41	R28,06	**1 401 844**	**–**	**–**	**(1 401 844)**	**–**	**–**
29 May 2017	2018	R115,85	R25,28	**1 363 373**	**–**	**–**	**(206 618)**	**1 156 755**	**–**
20 September 2018	2019	R74,08	R16,97	**1 541 152**	**–**	**–**	**(413 997)**	**1 127 155**	**–**
Total				**5 057 513**	**–**	**–**	**(2 773 603)**	**2 283 910**	**–**

				Outstanding rights					Vested and exercisable
Grant Date	**Financial year of grant**	**Grant price (Rand)**	**Fair value on grant date (Rand)**	**31 March 2018**	**Granted**	**Exercised**	**Lapsed/ forfeited**	**31 March 2019**	**31 March 2019**
31 May 2011	2012	R90,42	R17,50	391 958	–	(4 735)	(387 223)	–	–
29 May 2012	2013	R110,21	R21,73	784 750	–	–	(33 606)	751 144	751 144
28 May 2015	2016	R128,54	R23,68	1 642 604	–	–	(1 642 604)	–	–
6 June 2016	2017	R113,41	R28,06	1 494 271	–	–	(92 427)	1 401 844	–
29 May 2017	2018	R115,85	R25,28	1 451 314	–	–	(87 941)	1 363 373	–
20 September 2018	2019	R74,08	R16,97	–	1 559 054	–	(17 902)	1 541 152	–
Total				5 764 897	1 559 054	(4 735)	(2 261 703)	5 057 513	751 144

The fair value of awards granted in 2019 and 2018 was determined using the binomial tree valuation model, based on the following significant inputs:

Strike price	The grant price, as noted above.
Contractual option life	84 months
Expected option life	80 months (assume contractual plus a leaving percentage of 5%).
Risk-free interest rate	2019 grant: 8.69%, 2018 grant: 7.63%
Expected volatility	Expected volatility of 25% (used for both the 2019 and 2018 grants) is based on historical volatility determined by the statistical analysis of daily share price movements over the past three years.
Expected dividends	The measurement of the fair value of the share appreciation rights did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 2.6% was used for both the 2019 and 2018 grants.
Expected early exercise	Early exercise is taken into account on an expectation basis.
Time constraints	Three years from grant date.
Performance (vesting) conditions	An increase in headline earnings per ordinary share as determined by the remuneration committee. Retesting of the performance condition is not allowed.
Non-market performance conditions	Growth in headline earnings per share.
Market performance conditions	No market conditions.
Remaining option life:	
– Expected	2019 grant: 62 months, 2018: grant: 46 months
– Contractual	2019 grant: 66 months, 2018: grant: 50 months

25. SHARE-BASED PAYMENTS CONTINUED

Long-Term Incentive Plan 2005 ("LTIP")

The LTIP is a long-term incentive for executive management, senior management and qualifying professional employees. Under the LTIP, participating employees are granted conditional awards. These awards are converted into shares on the achievement of performance conditions over a performance period. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death. There were no LTIP awards during the 2020 financial year and no further awards will be made under the LTIP.

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Settled**	**Lapsed/ forfeited**	**31 March 2020**
6 June 2016	2017	R60,28	**509 063**	**–**	**–**	**(509 063)**	**–**
29 May 2017	2018	R63,39	**664 568**	**–**	**–**	**(100 713)**	**563 855**
20 September 2018	2019	R33,53	**851 906**	**–**	**–**	**(228 538)**	**623 368**
Total			**2 025 537**	**–**	**–**	**(838 314)**	**1 187 223**

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2018**	**Granted**	**Settled***	**Lapsed/ forfeited**	**31 March 2019**
28 May 2015	2016	R57,82	528 890	–	(142 959)	(385 931)	–
6 June 2016	2017	R60,28	545 630	–	–	(36 567)	509 063
29 May 2017	2018	R63,39	707 434	–	–	(42 866)	664 568
20 September 2018	2019	R33,53	–	861 788	–	(9 882)	851 906
Total			1 781 954	861 788	(142 959)	(475 246)	2 025 537

* *The weighted average share price related to shares issued to settle was R79,62*

The fair value of awards granted in 2019 and 2018 was determined using the Monte Carlo Simulation model, based on the following significant inputs:

Contractual option life	36 months
Expected option life	34 months (assume contractual plus a leaving percentage of 5%).
Expected dividends	The measurement of the fair value of the conditional share awards did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 2.6% was used for both the 2019 and 2018 grants.
Time constraints	Three years from grant date.
Performance (vesting) conditions	2019 grant: 25% of the award will be subject to the Total Shareholder Return ("TSR") condition, 25% to the Return on Capital Employed ("ROCE"), 25% to a sugar production condition and 25% to the operating cash flow condition. No retesting of the performance conditions are allowed. 2018 grant: 40% of the award will be subject to the TSR condition, 40% to the ROCE condition and 20% to a sugar production condition. No retesting of the performance conditions are allowed.
Non-market performance conditions	ROCE and sugar production, with the large land sale condition used in earlier grants
Market performance conditions	TSR
Remaining option life:	
– Expected	2019 grant: 16 months, 2018: grant: 0 months
– Contractual	2019 grant: 18 months, 2018: grant: 2 months

Long-term Incentive Plan 2005 – Retention awards ("RLTIP")

The RLTIP is a long-term incentive for executive management, senior management and qualifying professional employees, but targeted at key and high potential employees for retention. Under the RLTIP, participating employees are granted conditional awards which are converted into shares after a required service period is completed. Awards are forfeited in the case of voluntary resignation and dismissal with certain vesting conditions remaining in the case of retirement, disability, retrenchment and death. RTLIP shares granted in 2016 to executives named in the findings of the PWC Investigation published by the Company have been withheld pending legal action. There were no RLTIP awards during the 2020 financial year and no further awards will be made under the RLTIP.

25. SHARE-BASED PAYMENTS CONTINUED

Long-term Incentive Plan 2005 – Retention awards ("RLTIP") continued

Grant Date	Financial year of grant	Vesting period (Years)	Fair value on grant date (Rand)	Outstanding rights				
				31 March 2019	Granted	Settled*	Lapsed/ forfeited	31 March 2020
28 May 2015	2016	4	R94,23	**143 598**	**–**	**(112 811)**	**(3 234)**	**27 553**
6 June 2016	2017	4	R102,07	**127 586**	**–**	**–**	**(19 878)**	**107 708**
29 May 2017	2018	4	R104,26	**232 200**	**–**	**–**	**(42 687)**	**189 513**
2 January 2018	2018	4	R102,27	**15 000**	**–**	**–**	**–**	**15 000**
20 September 2018	2019	4	R66,67	**232 700**	**–**	**–**	**(59 627)**	**173 073**
2 January 2018	2018	5	R99,61	**15 000**	**–**	**–**	**–**	**15 000**
20 September 2018	2019	5	R61,69	**15 000**	**–**	**–**	**(15 000)**	**–**
Total				**781 084**	**–**	**(112 811)**	**(140 426)**	**527 847**

* *The weighted average share price related to shares issued to settle was R2,95*

Grant Date	Financial year of grant	Vesting period (Years)	Fair value on grant date (Rand)	Outstanding rights				
				31 March 2018	Granted	Settled*	Lapsed/ forfeited	31 March 2019
26 May 2014	2015	4	R89,38	130 406	–	(126 021)	(4 385)	–
28 May 2015	2016	4	R94,23	164 459	–	–	(20 861)	143 598
6 June 2016	2017	4	R102,07	133 407	–	–	(5 821)	127 586
29 May 2017	2018	4	R104,26	239 700	–	–	(7 500)	232 200
2 January 2018	2018	4	R102,27	15 000	–	–	–	15 000
20 September 2018	2019	4	R66,67	–	232 700	–	–	232 700
22 September 2017	2018	5	R95,01	15 000	–	–	(15 000)	–
2 January 2018	2018	5	R99,61	15 000	–	–	–	15 000
20 September 2018	2019	5	R61,69	–	15 000	–	–	15 000
Total				712 972	247 700	(126 021)	(53 567)	781 084

* *The weighted average share price related to shares issued to settle was R78,79*

The fair value of awards granted in 2019 and 2018 was determined using the Monte Carlo Simulation model, based on the following significant inputs:

Contractual option life	4-year grant – 48 months 5-year grant – 60 months
Expected option life	4-year grant – 46 months (assume contractual plus a leaving percentage of 5%). 5-year grant – 57 months (assume contractual plus a leaving percentage of 5%).
Expected dividends	The measurement of the fair value of the conditional share awards did not take into account dividends, as no dividend payment was expected. A continuous dividend yield of 2.6% was used for all grants.
Time constraints	Either four or five years from grant date
Performance (vesting) conditions	There are no performance (vesting) conditions other than the passage of time.
Non-market performance conditions	No non-market conditions.
Market performance conditions	No market conditions.
Remaining option life:	
– Expected – 4-year grant	2019 grant: 28 months, 2018 grants: 20 months (January 2018) and 13 months (May 2017); 2017 grant: 1 month, 2016 grant: 0 months
– Contractual – 4-year grant	2019 grant: 30 months, 2018 grants: 22 months (January 2018) and 15 months (May 2017); 2017 grant: 3 months, 2016 grant: 0 months
– Expected – 5-year grant	2019 grant: 39 months, 2018 grants: 31 months (January 2018) and 27 months (September 2017)
– Contractual – 5-year grant	2019 grant: 42 months, 2018 grants: 34 months (January 2018) and 30 months (September 2017)

25. SHARE-BASED PAYMENTS CONTINUED

Deferred Bonus Plan 2005 ("DBP")

The DBP is a long-term incentive for selected executives. Under the DBP, participating employees purchase shares in the Company with a portion of their after-tax bonus. These pledged shares are held in trust by a third-party administrator for a qualifying three-year period. Provided the employee has not resigned, after three years the pledged shares are released from the trust and the employee is awarded with a matching number shares in the Company. DBP shares granted in 2017 to executives named in the findings of the PWC Investigation published by the Company have been withheld pending legal action.

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Settled***	**Lapsed/ forfeited**	**31 March 2020**
30 May 2016	2017	R104,47	**40 793**	**–**	**(18 910)**	**–**	**21 883**
29 May 2017	2018	R107,05	**83 617**	**–**	**–**	**(14 567)**	**69 050**
Total			**124 410**	**–**	**(18 910)**	**(14 567)**	**90 933**

* *The weighted average share price related to shares issued to settle was R2,89*

			Outstanding and unvested conditional awards				
Grant Date	**Financial year of grant**	**Fair value on grant date (Rand)**	**31 March 2019**	**Granted**	**Settled***	**Lapsed/ forfeited**	**31 March 2020**
25 May 2015	2016	R103,99	60 909	–	(60 909)	–	–
30 May 2016	2017	R104,47	44 464	–	–	(3 671)	40 793
29 May 2017	2018	R107,05	94 000	–	–	(10 383)	83 617
Total			199 373	–	(60 909)	(14 054)	124 410

* *The weighted average share price related to shares issued to settle was R79,03.*

The fair value of awards granted in 2018 and 2017 was determined based on the following significant inputs:

Contractual option life:	36 months
Expected option life:	34 months (assume contractual plus a leaving percentage of 5%).
Performance (vesting) conditions	There are no performance (vesting) conditions other than the passage of time.
Non-market performance conditions	No non-market conditions.
Market performance conditions	No market conditions.
Remaining option life:	
– Expected	2018 grant: 0 months, 2017 grant: 0 months
– Contractual	2018 grant: 2 months, 2017 grant: 0 months

BEE Share Ownership Plans

Employee Share Ownership Plan ("ESOP")

The ESOP was established to allow all permanent employees up to middle management based in South Africa to participate in the Company's 2007 BEE transaction. The majority of the shares vested in August 2012 and were transferred to the respective employees. The shares are held in the Tongaat Hulett Employee Share Ownership Trust. At 31 March 2020, the trust held 32,008 unallocated ordinary shares (2019: 32,008 shares). There was no share-based payment expense in respect of the years ended 31 March 2019 or 31 March 2020.

Management Share Ownership Plan ("MSOP")

The MSOP was established to allow permanent South African historically disadvantaged senior management to participate in the Company's 2007 BEE transaction. The majority of the shares vested in August 2012 and were transferred to the respective employees. The shares are held in the Tongaat Hulett Management Share Ownership Trust. Unallocated shares held by the trust may be granted to qualifying management subject to a five-year vesting period. No new shares are issued to the plan. Allocated shares that are forfeited prior to vesting become available for reallocation. At 31 March 2020, the trust held 156,117 unallocated ordinary shares (2019: 98,915 shares). The share-based payment expense in respect of the year ended 31 March 20202 was R1 million (2019: R2 million). In summary, the shares held by the trust consisted of the following:

Item	**31 March 2019**	**Granted***	**Released**	**Forfeited**	**31 March 2020**
Unvested shares allocated (number of shares)	**182 783**	**–**	**(30 819)**	**(57 464)**	**94 500**
Unallocated shares (number of shares)	**98 915**	**–**	**(262)**	**57 464**	**156 117**
Total	**281 698**	**–**	**(31 081)**	**–**	**250 617**

* *The weighted average exercise price of the released shares was R2,37.*

Item	**31 March 2018**	**Granted***	**Released**	**Forfeited**	**31 March 2019**
Unvested shares allocated (number of shares)	208 885	35 000	–	(61 102)	182 783
Unallocated shares (number of shares)	72 813	(35 000)	–	61 102	98 915
Total	281 698	–	–	–	281 698

* *The fair value of shares granted was R79,73 on the grant date.*

26. 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.

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Current tax				
South African				
– Current year	**1**	1	**–**	–
– Prior year over provision	**(46)**	–	**–**	–
Foreign				
– Current year	**447**	230	**–**	–
– Prior year under provision	**–**	57	**–**	–
Sub-total	**402**	288	**–**	–
Deferred tax				
South African				
– Current year	**(140)**	(162)	**(219)**	(206)
– Prior year under/(over) provision	**32**	(4)	**(4)**	(5)
– Current year tax losses not recognised	**–**	355	**–**	196
– Previously unrecognised deferred tax asset on tax losses	**(272)**	–	**(113)**	–
Foreign				
– Current year	**320**	9	**–**	–
– Prior year under provision	**7**	20	**–**	–
– Change in tax rate	**(37)**	–	**–**	–
– Current year tax losses not recognised	**59**	111	**–**	–
Sub-total	**(31)**	329	**(336)**	(15)
Withholding/non-resident tax	**23**	23	**23**	19
Taxation charge/(relief) for the year	**394**	640	**(313)**	4
Attributable to profit/(losses) from:				
Continuing operations	**228**	459	**(467)**	(175)
Discontinued operations	**166**	181	**154**	179
	394	640	**(313)**	4

26. TAXATION CONTINUED

Reconciliation of effective taxation rate:

The Group has elected to present a reconciliation between the product of the accounting profit multiplied by the South African tax rate and the total taxation charge/(relief) for the year, as well as a reconciliation between the South African statutory tax rate and the Group's effective tax rate.

	Group				Company			
	31 March 2020		31 March 2019		31 March 2020		31 March 2019	
R million	**%**	**R**	**%**	**R**	**%**	**R**	**%**	**R**
Profit/(loss) before taxation – continuing and discontinued operations		**924**		**(152)**		(681)		(903)
Tax using the South African statutory tax rate	**28.0**	**259**	**28.0**	**(43)**	28.0%	(191)	28.0%	(253)
Differences in statutory tax rates in foreign jurisdictions								
Zimbabwe[1]	**(3.1)**	**(29)**	**16.4**	**(25)**	–	–	–	–
Other[2]	**(0.6)**	**(6)**	**(1.3)**	**2**	–	–	–	–
Aggregate statutory base tax rate	**24.3**	**224**	**43.1**	**(66)**	28.0	(191)	28.0	(253)
Adjusted for:								
Disallowed finance costs	**9.5**	**88**	**(50.7)**	**77**	(12.9)	88	(8.5)	77
Non-deductible administrative penalties	**2.2**	**20**	**–**	**–**	(1.6)	11	–	–
Dividends received from subsidiaries	**–**	**–**	**–**	**–**	9,3	(63)	16,2	(146)
Reduction of statutory tax rate in Zimbabwe[1]	**(4.0)**	**(37)**	**–**	**–**	–	–	–	–
Exempt government grant income	**(0.6)**	**(6)**	**3.9**	**(6)**	–	–	0.7	(6)
Impairment of assets and Group investments	**–**	**–**	**(38,8)**	**59**	–	–	(14,0)	126
Net monetary loss arising from hyperinflation	**36.1**	**334**	**–**	**–**	(2.3)	16	–	–
Miscellaneous non-deductible expenditure[3]	**4.0**	**38**	**(20.1)**	**31**	10.9	(74)	(0.4)	3
Portion of capital gain/loss not subject to tax	**(7.6)**	**(70)**	**11.2**	**(17)**	0.6	(4)	0.8	(7)
Prior year (over)/under provision	**(0.8)**	**(7)**	**(48.0)**	**73**	–	–	0.6	(5)
Current year tax losses not recognised	**6.4**	**59**	**(306.6)**	**466**	–	–	(21.7)	196
Previously unrecognised deferred tax asset on tax losses	**(29.4)**	**(272)**	**–**		16.6	(113)	–	
Withholding/non-resident tax	**2.5**	**23**	**(15.1)**	**23**	–	–	(2.1)	19
Tax using the effective rate of taxation	**42.6**	**394**	**(421.1)**	**640**	48.6	(330)	(0.4)	4

1 *In Zimbabwe the statutory tax rate is 25.75%. The Zimbabwe operations contributed to a reduction in the Group's effective tax rate of 3.1%. The Group's tax rate was further reduced by 4.0% as a result of a revision to the deferred tax balances following the announcement of a lower tax rate (24.72%) that is effective from 1 April 2020.*

2 *The statutory tax rates of the other jurisdictions in which the Group's operations are located: Mozambique 32%, Eswatini 27.5%, Botswana 22%, Namibia 32%, Australia 30%, and Portugal (holding company) 21%. In total, these operations reduced the Group's effective tax rate by 0.6%. The movement year-on-year is dependent on the contribution of each entities' profits to the overall Group. In addition, the existence of losses within certain entities can further impact the year-on-year movement.*

3 *Miscellaneous non-deductible expenditure includes capital expenses and other expenses not incurred in the production of income, including legal costs, professional fees, donations, entertainment and various employee allowances.*

26. TAXATION CONTINUED

The Group has considered IFRIC 23 when assessing its tax obligations in respect of the following uncertain tax positions:

Zimbabwe

The Group's operations in Zimbabwe have a number of disputed or unresolved tax issues with the Zimbabwe Revenue Authority ("ZIMRA"). The total tax exposure on all disputed and unresolved tax matters totals R63 million (including penalties and interest) of which R28 million has been paid to ZIMRA while the dispute processes are progressed. As the Group's objections to ZIMRA's assessments have been rejected, the matters are to be resolved through the Zimbabwe courts. Once a dispute reaches the court process, the Group recognises the tax liability for the full value of the tax under dispute. In the event that the court finds in favour of the Group, the liability is derecognised. At 31 March 2020, a tax liability of R54 million has been recognised in respect of these disputed and uncertain tax positions.

A summary of the material tax disputes is as follows:

- ZIMRA contends that the Group provides a milling service on behalf of third-party farmers on which VAT should be levied. The Group maintains that it purchased the sugarcane from third-party farmers in terms of a cane purchase agreement, an activity that does not attract VAT (i.e. sugar is a zero-rated supply). The matter is pending a hearing at the Fiscal Court of Appeals.
- The Group's subsidiary, Zimbabwe Sugar Sales (Private) Limited ("ZSS"), operates as the sales agent for the two sugar mills on a cost recovery basis, with all income being taxed in the hands of the two sugar mills and third-party growers. ZIMRA deemed that ZSS should have earned a notional 5% commission and has raised an assessment on the entity. ZIMRA's decision was recently upheld by the Fiscal Court of Appeals and plans are underway for an application to the Supreme Court.

Mozambique

The Mozambique Tax Authority raised a tax assessment of R665 million whereby it disallowed certain capital expenditure related to the 2009 expansion of the sugar mill owned by the Group's subsidiary, Tongaat Hulett Açucareira de Xinavane, S.A. ("Xinavane"), due to its alleged failure to provide documentary evidence in support thereof. The Company submitted documentation in October 2017 and has yet to receive a response. Following the reversal of various costs capitalised to this project as part of the restatement of the 31 March 2018 Annual Financial Statements, the Group considers it probable that there will be a resultant reduction in this tax exposure and that any further supporting documentation can be provided. No tax liability has been raised for the tax dispute.

South Africa

Although there are no potential tax exposures in South Africa, both the Company and its subsidiary (Tongaat Hulett Developments Proprietary Limited ("THD")) have filed applications via the South African Revenue Service's Voluntary Disclosure Program ("VDP") to regularise the tax obligations for the 2016, 2017 and 2018 years of assessment. If both VDP applications are accepted by SARS, there will be no tax liability for THD, however, the Company's assessed loss will decrease by approximately R1.2 billion from the original 2018 assessment. The impact of the VDP was the tax loss was accounted in the Annual Financial Statements for the year ended 31 March 2018 as part of the restatements.

Group

As a result of the substantial prior period errors corrected in the Annual Financial Statements for the year ended 31 March 2019, an element of uncertainty on the various revenue authorities' response thereto has created uncertain tax positions. Management considered the possible tax implications of these adjustments as part of the restatements and continue to engage with the relevant tax authorities.

The Board has considered a range of possible financial outcomes and has deemed it appropriate to recognise a deferred tax liability of R100 million (2019: R100 million).

27. DIVIDENDS

R million	Group 31 March 2020	Group 31 March 2019	Company 31 March 2020	Company 31 March 2019
Ordinary share capital				
Final for previous year, nil (2019: 60 cents, paid 28 June 2018)	–	81	–	81
Interim for current year, nil (2019: nil)	–	–	–	–
Less: dividends relating to BEE SPV consolidation shares	–	(15)	–	–
Total	–	66	–	81

In view of the Group's current financial status, the Board has determined that no dividend should be declared for the 2020 financial year (2019: R nil). It is also envisaged that no further dividends will be declared until the Company has sufficiently reduced its borrowings in line with the debt reduction milestones agreed as part of its debt restructuring.

28. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated based on the net profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.

Headline earnings/(loss) per share is calculated based on the headline earnings/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares in issue. The JSE Listings Requirements require the calculation of headline earnings/(loss) and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings/(loss) per share. Headline earnings/(loss) is not an IFRS measurement or disclosure requirement. The calculation of headline earnings/(loss) is detailed in Circular 1/2019 issued by the South African Institute of Chartered Accountants Accounting Practices committee.

Reconciliation of earnings/(loss) used in the calculation of earnings per share

	Group					
	31 March 2020			31 March 2019		
R million	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
The calculation of basic and headline earnings per share is based on:						
Net profit/(loss) attributable to owners of Tongaat Hulett	**(286)**	**406**	**120**	(1 518)	455	(1 063)
Adjusted for:						
Loss on disposal of land, cane roots and buildings	**4**	**–**	**4**	1	–	1
Tax effect of loss on disposal of land, cane roots and buildings	**(1)**	**–**	**(1)**	3	–	3
(Profit)/loss on disposal of property, plant and equipment	**(14)**	**–**	**(14)**	39	–	39
Tax effect of (profit)/loss on disposal of property, plant and equipment	**4**	**–**	**4**	(11)	–	(11)
Impairment loss on property, plant and equipment	**4**	**–**	**4**	240	–	240
Tax effect of impairment loss on property, plant and equipment	**(1)**	**–**	**(1)**	(3)	–	(3)
Reversal of impairment loss on property, plant and equipment	**–**	**–**	**–**	(305)	–	(305)
Tax effect of reversal of impairment loss on property, plant and equipment	**–**	**–**	**–**	78	–	78
Loss on disposal of intangible assets	**6**	**–**	**6**	–	–	–
Tax effect of loss on disposal of intangible assets	**(1)**	**–**	**(1)**	–	–	–
Derecognition of growing crops and cane roots	**–**	**–**	**–**	58	–	58
Tax effect of derecognition of growing crops	**–**	**–**	**–**	(15)	–	(15)
Minority interest	**–**	**–**	**–**	55	–	55
Headline earnings/(loss) attributable to owners of Tongaat Hulett	**(285)**	**406**	**121**	(1 378)	455	(923)

28. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED

Weighted average number of shares utilised in the earnings per share calculations:

	Group	
Number of Shares – Thousands	**31 March 2020**	**31 March 2019**
The weighted average number of ordinary shares used in calculating basic earnings per share	**134 820**	112 277
Potential ordinary shares in issue at beginning of year relating to employee incentive schemes	**138**	–
The weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**134 958**	112 277

During the year, the 25.1 million shares underpinning the Company's broad-based black economic empowerment ("B-BBEE") equity transaction involving Yomoba SPV and TH Infrastructure SPV, two special purpose vehicles ("SPVs"), were transferred to the SPV preference share funders. Following a decline in the Company's share price, the preference share funders exercised their security rights by acquiring the shares in the B-BBEE SPVs and effectively took control over the shares held by these entities. The transaction has significantly influenced the increase of weighted average number of shares in issue used for the calculation of basic and headline earnings per share.

The Group has potential ordinary shares held by the Employee Share Option Trust and the Management Share Option Trust that have not vested or have not been allocated. In addition, contingently issuable shares are held by employees in terms of various employee incentive schemes. All plans and schemes are anti-dilutive for both the years ended 31 March 2020 and 31 March 2019 as the Group has recognised a loss from continuing operations.

	Group					
	31 March 2020			31 March 2019		
Cents	**Continuing**	**Discontinued**	**Total**	**Continuing**	**Discontinued**	**Total**
Earnings/(loss) per share						
Basic	**(212)**	**301**	**89**	(1 352)	404	(948)
Diluted	**(212)**	**301**	**89**	(1 352)	404	(948)
Headline earnings/(loss) per share						
Basic	**(211)**	**301**	**90**	(1 226)	404	(823)
Diluted	**(211)**	**301**	**90**	(1 226)	404	(823)

29. RISK MANAGEMENT

29.1 CAPITAL RISK MANAGEMENT

With high levels of borrowings in South Africa and Mozambique, the Group's primary objective is to manage its capital structure to ensure that its operations are able to continue as a going concern (refer to Going Concern note). Once borrowing levels have reduced sufficiently, the Group plans to optimise each material operations' capital structure, such that borrowings are located in close proximity to the assets and cash flows required to service that debt. Consequently, the Group will avoid borrowing funds in South Africa for equity investments (direct, or indirect through unpaid intercompany balances) into foreign operations. The Group will no longer cross-subsidise underperforming operations without a robust remedial turnaround plan in place. In doing so, the Group aims to reduce its cost of capital, provide acceptable returns for shareholders and benefits for other stakeholders.

In assessing the adequacy of the capital structure, the Group recognises the need for relatively low gearing given that sugar and maize are commodities and exposed to both market price risk and volatility caused by weather (e.g. drought). In addition, the seasonal nature of the sugar and starch business has meant that the borrowings position at 31 March is historically the lowest in the financial year. To provide a holistic review of the capital structure, careful consideration is given to the movements in average borrowing levels year-on-year.

The Group's capital risk management is largely focussed on the following:

- Delivering on the debt reduction strategy and milestones agreed in terms of its refinanced South African borrowing facilities. The Group is required to reduce its debt by R8.1 billion through disposal of core and non-core operations and/or an equity capital raise. At the time of approving these Annual Financial Statements, the Group had achieved the required milestones, having signed debt reduction agreements totalling R6.0 billion and delivered debt reduction proceeds totalling R522 million. The disposal of the starch business represents R4.9 billion of the signed debt reduction agreements.
- Finalising the restructure of the Mozambique operation's existing borrowings to ensure there are enough committed facilities to allow the business to implement its turnaround initiatives over the next two financial years. Thereafter, the Mozambique operation is expected to be in a stronger financial position to enable it to conclude a longer-term refinance on investment-grade commercial terms and conditions.
- Preserving the value of capital in Zimbabwe from the impact of the hyperinflationary economy through initiatives to minimise cash holdings in Zimbabwe Dollars, by accelerating capital expenditure and projects, and advance purchases of raw materials, amongst others.

29. RISK MANAGEMENT CONTINUED

29.1 CAPITAL RISK MANAGEMENT CONTINUED

As a consequence of the COVID-19 pandemic, the purchaser of the starch business has alleged that a material adverse change has occurred. While the Group does not share the same view, if the independent third-party determines this to be true, it may result in the starch disposal failing and the debt reduction milestones being missed. The pandemic could also delay the remaining debt reduction transactions under negotiation. In light of this impact, management has negotiated a six-month extension of the debt reduction milestones to allow additional time to meet the R8.1 billion target, without triggering an event of default. Further details are provided in the Going Concern note and Note 34: *Events Occurring After The Reporting Period.*

With the distortion created by hyperinflation and constraints in repatriating cash balances, the Zimbabwe operation is excluded from the review of the Group's capital structure. The Zimbabwe operations have surplus cash balances, are not geared, and have seasonal facilities in place to meet the peak working capital requirement. The capital structure consists of net borrowings (borrowings as per Note 17: *Borrowings*, excluding Zimbabwe borrowings as per Note 33: *Reporting on the Zimbabwe Operations* and deducting cash balances available to reduce revolving credit facilities as per Note 13: *Cash and Cash Equivalents* and equity comprising issued share capital, reserves and non-controlling interests). The following ratios are used to determine the adequacy of the capital structure:

	Target	31 March 2020	31 March 2019
Leverage ratio[1]	Below 2.0x	**8.0**	15.1
Interest cover ratio[2]	Above 3.0x	**1.1**	0.6
Debt service cover ratio[3]	Above 1.3x	**n/a**	n/a

1 *"Total borrowings" (excluding Zimbabwe) less "Cash balances available for debt reduction" divided by "Adjusted EBITDA" (excluding Zimbabwe).*
2 *"Adjusted EBITDA" (excluding Zimbabwe) divided by "Net financing costs" (excluding Zimbabwe).*
3 *The Group's borrowings are repayable on maturity as a lump sum amount rather than on an amortising basis. Therefore, a meaningful debt service cover ratio cannot be calculated at present.*

29.2 FINANCIAL RISK MANAGEMENT

In the normal course of its operations, the Group is exposed, in varying degrees, to a number of financial instrument-related risks. Risk management is recognised as being dynamic, evolving and integrated in the core running of the business. The Board is ultimately responsible for the development and oversight of the Group's risk management policies. In line with the adoption of a new enterprise risk management framework, the management team conducted a series of risk reviews to determine the Group's exposure to financial risk. In the year ahead, further risk strategies to address residual financial risk exposures will be rolled-out, while rigour to processes and internal controls relating to financial risk management will continue to be implemented.

While the Group is focused on managing both solvency and liquidity risks, its main risk exposure relates to liquidity risk. Management monitors liquidity risk daily by forecasting cash flows over a 12-month time horizon, and assessing the Group's ability to settle its debt obligations, taking into consideration the likelihood of turnaround strategies and possible transactions in achieving debt reduction milestones.

The following summarises the carrying amounts of financial instruments recorded at 31 March 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).

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date;
- for foreign currency options – option pricing models; and
- for other financial instruments – discounted cash flow analysis.

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

R million	Fair Value Level	Group (Per Statement of Financial Position) 31 March 2020	31 March 2019	Held for sale (Assets and Directly Associated Liabilities) 31 March 2020	31 March 2019
Financial assets					
Measured at amortised cost:					
Other non-current assets[1]		**32**	89	**–**	–
Trade and other receivables[2,3]		**739**	1 064	**574**	29
Cash and cash equivalents[4]		**1 242**	962	**2**	9
Fair value through profit or loss:					
Other non-current assets[1]	1	**–**	8	**–**	–
Derivative financial instruments – forward exchange contracts	2	**–**	2	**4**	–
Derivative financial instruments – commodity futures	1	**–**	10	**23**	–
Total		**2 013**	2 135	**603**	38
Financial liabilities					
Measured at amortised cost:					
Trade and other payables[2,5]		**2 253**	3 316	**410**	19
Borrowings[6]		**12 596**	11 438	**261**	–
Fair value through profit or loss:					
Derivative financial instruments	2	**–**	–	**3**	–
Total		**14 849**	14 754	**674**	19

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.

1 *Other non-current assets excludes the pension fund employer surplus account and lease incentives (non-current portion).*
2 *The fair value of these instruments approximates their carrying amount, due to their short-term nature.*
3 *Trade and other receivables excludes VAT receivable, prepayments and lease incentives (current portion).*
4 *The carrying amount of cash and cash equivalents approximates fair value.*
5 *Trade and other payables excludes VAT payable and leave pay accruals.*
6 *As the majority of the Group's borrowings are due within 12 months and bear interest are variable rates, the fair value thereof approximates the carrying amount.*

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Credit risk management and exposure

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, other loans at amortised cost and derivative financial instruments. The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 31 March 2020. The gross carrying amount of the Group's financial assets best represents its maximum exposure to credit risk. The Group's considers its maximum exposure to credit risk to be:

R million	31 March 2020	31 March 2019
Cash and cash equivalents	**1 242**	962
Trade and other receivables	**739**	1 064
Derivative financial assets	**–**	12
Other non-current assets (other loans at amortised cost)	**32**	89
	2 013	2 127

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

Credit risk management and exposure *continued*

The financial instruments above do not represent a concentration of credit risk because the Group deals with a variety of major banks, and its trade receivables and loans are spread among a number of major industries, customers and geographic areas. The Group evaluates its concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate largely in independent markets. In addition, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, with the exception of the DNA in Mozambique. The Group defines counterparties as having similar characteristics if they are related entities.

Cash and cash equivalents and derivative financial assets

The credit risk on cash balances and derivative financial instruments is limited because the majority of cash balances have been placed with counterparties that are reputable banks with investment-grade credit ratings. In Zimbabwe and Mozambique, the availability of credit rating information is limited. In these cases, the Group endeavours to deposit money with financial institutions that have a strong affiliation with a recognised, investment-grade international or South African financial institution. In Zimbabwe, the Group also takes into consideration the credit ratings of Zimbabwe financial institutions provided by Global Credit Rating Co Proprietary Limited using a Zimbabwe-specific credit rating scale. At 31 March 2020, the Group has cash balances of R110 million (2019: R243 million) with financial institutions where a credit rating cannot readily be determined or that are rated marginally below investment grade. As a result of the long-established banking relationships with these institutions, no credit loss has been recognised.

Trade and other receivables

Credit risk on land sales is limited as revenue is recognised on the date the property is transferred to the purchaser which coincides with the receipt of the full land proceeds. In exceptional circumstances, when the property is transferred before full payment is received, a mortgage bond is registered against the title deed in favour of the Group. The Group has certain legacy debtor arrangements where title to the property has already transferred to the purchaser, a portion of the proceeds remains unpaid and its recoverability remains in doubt or the amount owing is disputed. In such circumstances, the Group continues to pursue the full recovery of the amount, but has made an allowance for an expected credit loss equal to amount disputed.

Credit risk relating to sugar and starch operations is limited for the following reasons:

a) South African sugar operations: Before a customer is granted credit, or a credit limit is increased, the necessary credit checks are undertaken through credit bureaus to determine the customer's credit quality and an appropriate credit limit. Third-party debtor monitoring has been implemented to proactively identify any potential changes to the credit profile of the operation's customers. To mitigate the risk of non-payment due to insolvency, protracted default (i.e. the amount remains owing for more than six months) or business rescue proceedings, the operation has a credit insurance policy that covers 90% of any credit loss. After the reporting date, the insured percentage was reduced to 80% (for all policyholders) in response to the anticipated impact of COVID-19 on claims. At 31 March 2020, 83% of the gross credit exposures were insured (2019: 58%). Where a debtor is not covered by the credit insurance policy (e.g. they have not provided financial statements to the insurer), a guarantee from a financial institution is required before credit is advanced. Credit risk is further limited as payment terms are short, ranging from seven to 14 days for sugar products and up to 30 days for non-sugar products.

b) Starch operations: The starch operation supplies some of the largest local and multinational customers operating in the food and industrial sectors. Payment terms are generally 30 days. Credit checks are undertaken and the credit quality of debtors is assessed prior to credit being granted. The starch operation has the same credit insurance arrangement in place as the sugar operations. At 31 March 2020, 90% of the gross credit exposures were insured (2019: 11%).

c) Mozambique sugar operations: All local sugar sales are made to the DNA who settles the amount owing for the sugar within seven to 14 days of production. The DNA utilises the sugar stocks purchased as security for the working capital facility required to settle the amount owing. Please note, the Group has an indirect exposure to the DNA borrowings through its investment in the DNA as noted (refer to Note 7: *Investments in Associates and Joint Ventures*).

d) Zimbabwe sugar operations: With the hyperinflationary environment, credit terms provided to sugar debtors have reduced from 28 days in 2019 to seven days. Credit terms provided to other debtors average 30 days. Management is exploring options to move the majority of its customers to a cash-on-delivery basis. Prior to granting any customer credit, or increasing credit limits, internal credit checks are undertaken to assess the customer's credit quality and determine an appropriate credit limit. Credit quality and limits are reviewed regularly by management.

Impairment considerations for these financial assets are detailed in Note 11: *Trade and Other Receivables*.

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

Other non-current assets

The Group's other loans at amortised cost have varying credit risks which have been taken into consideration in determining the expected credit loss. A breakdown of the key credit exposures is as follows:

a) Deferred purchase consideration: The Group is owed an amount of R124 million in respect of the sale of shares in a property realisation company. The shares have been pledged as collateral for the amount owing and the amount is repayable as and when sales of land within the entity sold are concluded. An expected credit loss has been recognised as a result of the actual sale rate being slower than anticipated and a dispute over certain amounts owing. The fair value of the security has been considered in determining the appropriate allowance.

b) Loan to Star Africa Corporation Limited ("Star Africa"): The Group is party to a Scheme of Arrangement whereby a trade receivable owing by Star Africa was converted to a loan that is repayable by October 2021. However, the amount was fully recovered after the reporting period and consequently, no expected credit loss was recognised.

c) Grower loans: The repayment of these loans occurs as a deduction from the proceeds payable to the grower on delivery of their sugarcane to the mill. Therefore, credit risk is limited to the extent that the grower continues to honour their obligations in terms of the cane supply agreement.

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group's risk management policy explicitly forbids the use of financial or commodity derivatives (outside its risk management framework of mitigating financial and commodity risks) for speculative purposes and all derivative instruments must be supported by underlying transactions. The Group enters into the following derivative financial instruments to manage its exposure to commodity and foreign currency risk:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods; and
- commodity futures to mitigate exposure to variability in maize prices.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates.

The Group presents its financial statements in South African Rand and is therefore exposed to foreign currency translation risk, largely from its Mozambican and Zimbabwean operations. Changes in foreign currency exchange rates impact the translation into South African Rand of both the income statement and net assets of these foreign operations.

In the normal course of business, the Group enters into transactions denominated in foreign currencies. The Group's foreign currency exposure primarily arises from the export of sugar and starch products to regional and global markets, foreign currency denominated borrowings raised in-country, as well as unpaid intercompany funding provided to its foreign subsidiaries. The Group has not designated these intercompany funding balances as a hedge of its net investment in these foreign subsidiaries. The Group is not reliant on imported raw materials to any significant extent, although components of its capital expenditure may have to be imported, particularly in the case of Zimbabwe and Mozambique.

The fair values of the forward exchange contracts are established by reference to observable inputs and are categorised as Level 2 under the fair value hierarchy and are accounted for as cash flow hedges. In Zimbabwe and Mozambique, there are no hedging instruments to hedge its foreign currency exposures. Consequently, these operations seek to match foreign currency income and expenditure as best as possible.

The fair value of forward exchange contracts is summarised as follows, with derivative exposure at a minimal level whether or not hedge accounting is applied:

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
US Dollar	–	2	–	1

Hedges in respect of imports and exports are expected to mature within 12 months.

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

Foreign currency denominated financial assets

The sensitivity analysis below indicates the impact on the Group's results arising from the revaluation of unhedged and uncovered foreign currency denominated monetary items to the spot exchange rate at the end of the reporting period. The effect on equity is calculated as the after tax effect on profit and loss. The effect of translation of results into presentation currency of the Group is excluded from the information provided, as this represents translation risk.

			Group			
			10% Weakening of the functional currency			
	Carrying amount		Profit/(loss)		Equity, net of tax	
R million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Australian Dollar	41	37	**4**	4	**3**	3
US Dollar	149	263	**15**	26	**11**	18
New Zealand Dollar	5	6	**1**	1	**–**	–
Euro	1	3	**–**	–	**–**	–
	196	309	**20**	31	**14**	21

			Company			
			10% Weakening of the functional currency			
	Carrying amount		Profit/(loss)		Equity, net of tax	
R million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Australian Dollar	41	37	**4**	4	**3**	3
US Dollar	17	65	**2**	7	**1**	5
New Zealand Dollar	–	4	**–**	–	**–**	–
	58	106	**6**	11	**4**	8

Foreign currency denominated financial liabilities

The Group has exposure to foreign currency risk in respect of the borrowings, trade and payables, and intercompany payables that are not denominated in the functional currency of the foreign operation to whom they apply:

			Group			
			Increase in loss		Carrying amount	
R million	**Currency**	**10% Devaluation of functional currency of foreign operation**	**2020**	**2019**	**2020**	**2019**
Mozambique						
General short-term banking facilities	ZAR	ZAR:MZN	–	(25)	–	58
General short-term banking facilities	USD	ZAR:USD	(20)	–	85	–
Intercompany payable owing to Tongaat Hulett Limited	ZAR	ZAR:MZN	(53)	(57)	145	130
Intercompany payable owing to Tongaat Hulett Limited	ZAR	ZAR:MZN	(149)	(126)	405	288
			(222)	(208)	635	476
Zimbabwe						
General short-term banking facilities	USD	ZAR:USD	(144)	(43)	121	245
Intercompany payable owing to Tongaat Hulett Limited	ZAR	ZAR:ZWL	(5)	(27)	66	58
			(149)	(70)	187	303

Commodity price risk

The Group is exposed to variability in the maize price via its procurement of maize and the sale of starch, which is also linked to the maize price. The Group's risk management strategy is to align the pricing of the procurement and sales contracts as much as possible to mitigate its exposure to maize price volatility. The execution of this strategy is achieved by selling the requisite number of SAFEX maize futures once procurement contracts with farmers/traders have been priced. The SAFEX futures are closed out once the underlying sales contracts with customers are priced, effectively matching the SAFEX-linked purchase and sales price elements. Similarly, if the customer has priced its contracts before the procurement contracts with the farmers/traders have been priced then the requisite number of SAFEX maize futures are purchased. The SAFEX futures are closed out once the underlying procurement contracts with the farmers/traders are priced.

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

***Commodity price risk** continued*

The Group applies fair value hedge accounting to its unpriced maize procurement contracts and commodity futures.

The fair value of the commodity futures contracts, which are set out below, were established by reference to quoted prices and are categorised as Level 1 under the fair value hierarchy.

	Hedging Instrument			Hedged Item	
	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Carrying Amount of the Hedging Item	
R million		**Assets**	**Liabilities**	**Assets**	**Liabilities**
2020					
Priced with Customers and Farmers but not yet delivered – Asset[1]	**245**	**21**	**–**	**–**	**(21)**
Priced with Customers and Farmers but not yet delivered – Liability[1]	**245**	**–**	**(27)**	**27**	**–**
Priced with Customers but not with Farmers – Asset[2]	**–**	**–**	**–**	**–**	**–**
Priced with Customers but not with Farmers – Liability[2]	**–**	**–**	**–**	**–**	**–**
Priced with Farmers but not with Customers & Not Delivered – Asset[3]	**285**	**28**	**–**	**–**	**(28)**
Priced with Farmers but not with Customers & Not Delivered – Liability[3]	**–**	**–**	**–**	**–**	**–**
		49	**(27)**	**27**	**(49)**
Net balance – derivative instruments					**22**
Net balance – derivative inventory					**(22)**
2019					
Priced with Customers and Farmers but not yet delivered – Asset[1]	403	46	–	35	–
Priced with Customers and Farmers but not yet delivered - Liability[1]	403	–	(35)	–	(46)
Priced with Customers but not with Farmers – Asset[2]	–	–	–	–	–
Priced with Customers but not with Farmers – Liability[2]	41	–	(1)	1	–
Priced with Farmers but not with Customers & Not Delivered – Asset[3]	164	1	–	–	(1)
Priced with Farmers but not with Customers & Not Delivered – Liability[3]	31	–	–	–	–
		47	(36)	36	(47)
Net balance – derivative instruments					11
Net balance – derivative inventory					(11)

[1] *When priced with farmers and customers and not delivered, there are hedging instruments on both firm commitments and the accumulated movements on the firm commitments are used to adjust the carrying amount of the maize once it is delivered.*

[2] *When priced with customer and not farmers, the hedged item is the firm commitment, being the promise to deliver starch to the customers, and once done the accumulated movements are taken to the cost of the starch, being cost of sales.*

[3] *When priced with farmers and not customers, and not delivered; the hedged item is the commitment to buy maize/take delivery of maize and the accumulated movements are taken to the cost of maize on delivery.*

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk

Interest rate risk arises due to the fluctuations in interest rates which impacts cash flows. The Group's exposure to the risk of changes in market interest rates relates primarily to the variable rate deposits, term loans and revolving credit facilities. The Group did not have any interest rate swaps in place. The Group's interest rate is monitored by management on a dynamic basis as the New SA Facilities allow for certain changes in the reference rate. The Group's exposure to variable rate borrowings is included below.

An interest sensitivity analysis detailing an increase in the effective interest rate by 100 basis points has been set out below:

	Carrying Amount		Profit or Loss		Equity, Net of Tax	
R million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Group						
Variable rate instruments:						
Senior term loan	**8 592**	–	**86**	–	**86**	–
Senior revolving credit loan	**1 550**	–	**16**	–	**16**	–
Term loans	**723**	4 036	**7**	40	**7**	40
Bonds	**–**	1 100	**–**	11	**–**	11
Development finance	**–**	662	**–**	7	**–**	7
Trade finance	**–**	268	**–**	3	**–**	3
General short-term	**99**	3 889	**1**	39	**1**	39
Other	**850**	765	**9**	8	**9**	8
	11 814	10 720	**118**	107	**118**	107
Company						
Variable rate instruments:						
Senior term loan	**8 592**	–	**86**	–	**86**	–
Senior revolving credit loan	**1 550**	–	**16**	–	**16**	–
Term loans	**–**	3 230	**–**	32	**–**	32
Bonds	**–**	1 100	**–**	11	**–**	11
Development finance	**–**	662	**–**	7	**–**	7
Trade finance	**–**	268	**–**	3	**–**	3
General short-term	**–**	3 798	**–**	38	**–**	38
Other	**108**	112	**1**	1	**1**	1
	10 250	9 170	**103**	92	**103**	92

29. RISK MANAGEMENT CONTINUED

29.2 FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Group monitored its liquidity requirements to ensure that it had sufficient cash to meet its operational needs and current management's key focus is on improving liquidity in the Group. They have taken active steps as described in Note 17: *Borrowings*.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the contractual maturity dates essential for understanding the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest repayments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

R million	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due over 5 years	Total
Group							
2020							
– Borrowings	**13 672**	**38**	**32**	**26**	**20**	**–**	**13 788**
– Trade payables	**2 253**	**–**	**–**	**–**	**–**	**–**	**2 253**
– Lease liabilities	**127**	**104**	**98**	**93**	**2**	**18**	**442**
	16 052	**142**	**130**	**119**	**22**	**18**	**16 483**
2019							
– Borrowings	11 255	124	813	–	–	–	12 192
– Trade payables	3 316	–	–	–	–	–	3 316
	14 571	124	813	–	–	–	15 508
Company							
2020							
– Borrowings	**12 006**	**–**	**–**	**–**	**–**	**–**	**12 006**
– Trade payables	**979**	**–**	**–**	**–**	**–**	**–**	**979**
– Lease liabilities	**21**	**17**	**13**	**8**	**1**	**–**	**60**
	13 006	**17**	**13**	**8**	**1**	**–**	**13 045**
2019							
– Borrowings	10 281	1	–	–	–	–	10 282
– Trade payables	1 083	–	–	–	–	–	1 083
	11 364	1	–	–	–	–	11 365

30. COMMITMENTS AND CONTINGENCIES

Capital Commitments

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

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Contracts for capital expenditure authorised	**82**	43	**43**	34
Approved but not contracted	**103**	46	**96**	35

These commitments relate to expenditure on property, plant, equipment and intangible assets and do not include any commitments in respect of the discontinued starch business. For the starch business, capital commitments totalled R35 million. It is anticipated that this expenditure will be financed from operational cash flows.

The Lowveld Sugarcane Development Trust ("LSDT") has estimated the cost to complete the 4 000 hectare expansion of area under sugarcane in Zimbabwe to be R204 million. As at 31 March 2020, approximately 2 657 hectares of land has been cleared in preparation for planting, of which 393 hectares has been planted. The timing of the expenditure is dependent on the ability of LSDT to secure external funding, which is in turn dependent on the lenders being provided with security of tenure for the land being developed. As these uncertainties are not within the control of the Group, the amount has not been included in the total capital commitments above.

Guarantees and contingent liabilities

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Infrastructure commitments in respect of Income received in advance	**55**	61	**–**	–
Performance guarantees issued in respect of infrastructure obligation	**341**	194	**–**	–
Guarantees issued in respect of deposits for utilities and key suppliers	**28**	23	**28**	23

Performance guarantees are issued by a financial institution in favour of local municipalities for the value of the development expenditure necessary to be installed to sites that have been transferred to the purchaser but have not been fully serviced. The Group's provision for this development expenditure is disclosed in Note 20: *Provisions*. On the strength of the security provided by the performance guarantee, the municipality is able to grant the Group permission to transfer the property to the purchaser before the site is fully serviced. In the event that the Group does not perform in respect of its obligations to service the site, the municipality may call upon the financial institution to make payment in terms of the guarantee and utilise the funds to fulfil any outstanding obligations. The financial institution will in turn seek to recover the amount from the Group. The Group regularly assesses the delivery of its infrastructure plans in conjunction with the risk of non-performance in terms of any exposures under this guarantee. The Group's total performance guarantee facility is R600 million.

Guarantees are issued by financial institutions in favour of third parties is respect of deposits for utilities, customs and, in limited circumstances where no alternate option exists, for key suppliers. In the event that the Group defaults on its payment obligations to utility providers or key suppliers ("the secured creditors"), the financial institution may be called upon by the creditors to make payment in terms of the guarantee. The financial institution will in turn seek to recover the amount from the Group. The amounts owing by the Group to the secured creditors are reflected in Note 21: *Trade and Other Payables*. The Group is up to date in respect of these payment commitments and no default has occurred. The Group's total guarantee facility is R30 million.

31. RELATED PARTY TRANSACTIONS

During the year, Tongaat Hulett Limited, 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.

The Group's material subsidiaries are disclosed in Note 6: *Investment in Subsidiaries and Joint Operations*. For further information relating to transactions with equity accounted associates and joint ventures, refer to Note 7: *Investments in Associates and Joint Ventures*.

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

	Group		Company	
R million	**31 March 2020**	**31 March 2019**	**31 March 2020**	**31 March 2019**
Goods and services				
Sugar sales to Tongaat Hulett (Botswana) Proprietary Limited	**–**	–	**225**	187
Sugar sales to Tongaat Hulett (Namibia) Proprietary Limited	**–**	–	**504**	415
Sugar sales to Distribuidora Nacional de Açúcar, Limitada (joint venture)	**1 037**	629	**–**	–
Cane purchases from Uzinzo Sugar Farming Proprietary Limited	**80**	–	**80**	–
Brokerage fee paid to TM Insurance Brokers Proprietary Limited	**–**	6	**–**	6
Operational support and administrative fees received				
Zimbabwe subsidiaries	**–**	–	**–**	70
Mozambique subsidiaries	**–**	–	**2**	46
Other subsidiaries	**–**	–	**–**	13
Interest paid to related parties				
Tambankulu Estates Limited	**–**	–	**(38)**	(20)
Tongaat Hulett Estates Proprietary Limited	**–**	–	**(11)**	(9)
Paid to Tongaat Hulett Pension Fund 2010	**(11)**	(9)	**(11)**	(9)
Property transactions				
Sale of land to Tongaat Hulett Developments Proprietary Limited	**–**	–	**194**	24
Purchase of land from Tongaat-Hulett Pension Fund	**9**	–	**9**	–
Trading balances with related parties				
Amounts owing to related parties	**–**	–	**(197)**	(216)
Amounts owing by related parties (before impairments)	**–**	–	**(226)**	(411)
Loans received from related parties				
Tambankulu Estates Limited	**–**	–	**(226)**	(411)
Tongaat Hulett Estates Proprietary Limited	**–**	–	**200**	–
Tongaat Hulett Pension Fund 2010	**(108)**	(112)	**–**	473
Dividend income				
Tambankulu Estates Limited	**–**	–	**–**	13
Tongaat Hulett Açucareira de Moçambique, S.A.	**–**	–	**–**	473
Tongaat Hulett (Botswana) Proprietary Limited	**–**	–	**13**	23
Tongaat Hulett (Namibia) Proprietary Limited	**–**	–	**10**	14
Triangle Sugar Corporation Limited	**–**	–	**–**	13

Key management personnel

Key management personnel remuneration is set out in further detail in Note 32: *Directors' and Prescribed Officers' Remuneration and Interest in Shares*, consisting of executive and non-executive directors and prescribed officers.

	Group	
R million	**31 March 2020**	**31 March 2019**
Non-executive directors fees	**9 916**	9 649
Executive directors' and other prescribed officers' remuneration	**99 625**	63 518
Salary	**27 662**	35 062
Retirement and medical contributions	**4 386**	5 413
Accrued leave and other benefits	**3 874**	8 160
Short-term incentive (paid and unpaid)	**63 673**	2 522
Termination benefits	**–**	6 894
Share incentive gains	**30**	5 467
Total	**109 541**	73 167

32. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES

The Group's executive directors are responsible for the design and execution of the organisation's strategy and long-term business plans. In addition, the individuals responsible for operational business units report to the Chief Executive Officer and are viewed as Prescribed Officers within the meaning of the Companies Act 71 of 2008, as amended.

Remuneration

	Current Executive Directors					Current Prescribed Officers			
	JG Hudson Chief Executive Officer		**RD Aitken** Chief Financial Officer		**DL Marokane** Executive Director	**G Macpherson** MD – Starch		**S Harvey** MD – Sugar	**B Gumede** MD – Property
	2020	**2019**	**2020**	**2019**	**2020**	**2020**	**2019**	**2020**	**2020**
Salary	**6 600**	1 100	**4 205**	2 135	**4 600**	**4 356**	4 356	**4 800**	**2 331**
Retirement and medical contributions	**982**	163	**681**	308	**766**	**611**	605	**743**	**522**
Other benefits	**–**	2 000	**1 000**	–	**1 000**	**–**	–	**750**	**–**
Short-term incentive	**–**	–	**–**	–	**–**	**184**	259	**–**	**–**
Cash Element of Bonus	**–**	–	**–**	–	**–**	**174**	–	**–**	**–**
Deferred Bonus Plan 2005 (share linked deferral)	**–**	–	**–**	–	**–**	**10**	259	**–**	**–**
Total reward (excluding conditional long-term incentive awards)	**7 582**	3 263	**5 886**	2 443	**6 366**	**5 151**	5 220	**6 293**	**2 853**
Long-Term Incentive Plan 2005	**–**	–	**–**	–	**–**	**–**	226	**–**	**–**
Long Term Incentive Plan 2005 – Retention awards	**–**	–	**–**	–	**–**	**30**	–	**–**	**–**
Total Annual Remuneration	**7 582**	3 263	**5 886**	2 443	**6 366**	**5 181**	5 446	**6 293**	**2 853**
Bonus accrued and not paid	**17 835**		**9 456**		**10 345**	**9 889**		**11 449**	**4 515**

- JG Hudson was appointed as a director on 1 February 2019. R Aitken was designated as a prescribed officer when he was appointed as the acting Chief Financial Officer on 6 August 2019 and was made permanent on 1 March 2019.
- JG Hudson was employed on a five-year fixed-term contract, terminating on 1 February 2024. There is no expectation for further renewal although the parties are entitled, upon termination, to negotiate a renewal on terms and conditions deemed appropriate and for a mutually agreed period.
- DL Marokane was appointed as a director on 18 November 2019 but served as a prescribed officer since 1 April 2019. S Harvey and B Gumede were designated as prescribed officers since 1 April 2019.
- JG Hudson – "Other benefits" includes an amount of R2 million received on joining the Company.
- RD Aitken – "Other benefits" includes an amount of R1 million received on joining the Company in recognition of forfeited long-term incentives from his previous employer. The benefit was paid on completion of two years of service.
- DL Marokane – "Other benefits" includes an amount of R1 million received on joining the Company. The benefit was paid on completion of two years of service.
- S Harvey – "Other benefits" includes an amount of R750 000 received on joining the Company.

32. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

Past directors and prescribed officers' remuneration

	PH Staude (to 31 October 2018)		MH Munro (to 7 August 2018)		M Deighton (to 31 May 2019)		SD Mtsambiwa (to 31 March 2019)		R Cumbi (to 31 March 2019)		M Mohale (to 28 February 2019)	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Salary	–	5 492	–	1 954	**770**	4 622	–	6 721	–	4 280	–	4 402
Retirement and medical contributions	–	785	–	293	**117**	695	–	1 237	–	652	–	689
Other benefits	–	2 959	–	–	**1 088**	–	–	1 035	–	978	–	1 174
Short-term incentive	–	1 070	–	464	–	252	–	321	–	183	–	232
Deferred Bonus Plan 2005 (share linked deferral)	–	1 070	–	464	–	252	–	321	–	183	–	232
Total reward (excluding conditional long-term incentive awards)	–	10 306	–	2 711	**1 975**	5 569	–	9 314	–	6 093	–	6 497
Long Term Incentive Plan 2005	–	1 094	–	329	–	236	–	334	–	208	–	259
Total reward (including conditional long-term incentive awards)	–	11 400	–	3 040	**1 975**	5 805	–	9 648	–	6 301	–	6 756
Termination benefits	–	4 274	–	–	–	–	–	–	–	983	–	1 637
Total Annual Remuneration	–	15 674	–	3 040	**1 975**	5 805	–	9 648	–	7 284	–	8 393

- SD Mtsambiwa was the Managing Director of the Zimbabwe sugar operations until 31 October 2018, was the Interim Chief Executive Officer from 1 November 2018 to 1 February 2019, and a prescribed officer until 31 March 2019.
- Termination benefits include a gratuity paid to PH Staude, R Cumbi and M Mohale on their retirement.
- "Other benefits" in respect of PH Staude, SD Mtsambiwa, R Cumbi and M Mohale represent payments for leave accrued but not taken by the date of retirement.
- "Other benefits" in respect of SD Mtsambiwa relate to a relocation and other allowances arising from his secondment to South Africa as Interim Chief Executive Officer.
- M Deighton resigned with effect from 31 May 2019. Other benefits includes a payment for leave accrued but not taken by the date of resignation.

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for the year ended 31 March 2020

32. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

Share-based payment awards

JG Hudson and S Harvey have not received any share-based payment awards.

RD Aitken

				Share Units					Value (Pre-Tax) (ZAR)	
Scheme	Award Date	Vesting Date	Grant price (ZAR)	Opening Balance 31 March 2019	Granted During 2020	Exercised During 2020	Lapsed/ Forfeited During 2020	Closing Balance 31 March 2020	Value of Settled Awards During 2020	Estimated Closing Fair Value 31 March 2020
Share Appreciation Right Scheme 2005	20 September 2018	20 September 2021	74,08	19 418	–	–	–	**19 418**	–	–
Long Term Incentive Plan 2005	20 September 2018	20 September 2021	74,08	12 011	–	–	–	**12 011**	–	**26 304**
Long Term Incentive Plan 2005 – Retention awards	2 January 2018	2 January 2022	113,63	15 000	–	–	–	**15 000**	–	**32 850**
	20 September 2018	20 September 2022	74,08	5 000	–	–	–	**5 000**	–	**10 950**

DL Marokane

				Share Units					Value (Pre-Tax) (ZAR)	
Scheme	Award Date	Vesting Date	Grant price (ZAR)	Opening Balance 31 March 2019	Granted During 2020	Exercised During 2020	Lapsed/ Forfeited During 2020	Closing Balance 31 March 2020	Value of Settled Awards During 2020	Estimated Closing Fair Value 31 March 2020
Share Appreciation Right Scheme 2005	20 September 2018	20 September 2021	74,08	38 619	–	–	–	**38 619**	–	–
Long Term Incentive Plan 2005	20 September 2018	20 September 2021	74,08	21 319	–	–	–	**21 319**	–	**46 689**
Long Term Incentive Plan 2005 – Retention awards	2 January 2018	2 January 2023	113,63	15 000	–	–	–	**15 000**	–	**32 850**
Management Share Ownership Plan	2 January 2018	2 January 2023	111,15	35 000	–	–	–	**35 000**	–	**76 650**

G Macpherson

				Share Units					Value (Pre-Tax) (ZAR)	
Scheme	Award Date	Vesting Date	Grant price (ZAR)	Opening Balance 31 March 2019	Granted During 2020	Exercised During 2020	Lapsed/ Forfeited During 2020	Closing Balance 31 March 2020	Value of Settled Awards During 2020	Estimated Closing Fair Value 31 March 2020
Share Appreciation Right Scheme 2005	6 June 2016	6 June 2019	113,41	27 749	–	–	**(27 749)**	–	–	–
	29 May 2017	29 May 2020	115,85	31 157	–	–	–	**31 157**	–	–
	20 September 2018	20 September 2021	74,08	36 569	–	–	–	**36 569**	–	–
Long Term Incentive Plan 2005	6 June 2016	6 June 2019	113,41	11 454	–	–	**(11 454)**	–	–	–
	29 May 2017	29 May 2020	115,85	15 187	–	–	–	**15 187**	–	**33 260**
	20 September 2018	20 September 2021	74,08	20 188	–	–	–	**20188**	–	**44 212**
Long Term Incentive Plan 2005 – Retention awards	28 May 2015	28 May 2019	128,54	10 000	–	**(10 000)**	–	–	**30 342**	–
Deferred Bonus Plan	30 May 2016	30 May 2019	113,06	3 220	–	**(3 220)**	–	–	**9 660**	–
	29 May 2017	29 May 2020	115,85	5 259	–	–	–	**5 259**	–	**11 517**

32. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

Share-based payment awards continued

B Gumede

					Share Units				Value (Pre-Tax) (ZAR)	
				Opening Balance	Granted	Exercised	Lapsed/ Forfeited	Closing Balance	Value of Settled Awards	Estimated Closing Fair Value
Scheme	Award Date	Vesting Date	Grant price (ZAR)	31 March 2019	During 2020	During 2020	During 2020	31 March 2020	During 2020	31 March 2020
Share Appreciation Right Scheme 2005	6 June 2016	6 June 2019	113,41	12 240	–	–	(12 240)	–	–	–
	29 May 2017	29 May 2020	115,85	12 190	–	–	–	12 190	–	–
	20 September 2018	20 September 2021	74,08	14 153	–	–	–	14 153	–	–
Long Term Incentive Plan 2005	6 June 2016	6 June 2019	113,41	5 052	–	–	(5 052)	–	–	–
	29 May 2017	29 May 2020	115,85	5 942	–	–	–	5 942	–	13 013
	20 September 2018	20 September 2021	74,08	7 813	–	–	–	7 813	–	17 110
Deferred Bonus Plan	29 May 2017	29 May 2020	115,85	1 444	–	–	–	1 444	–	3 162

M Deighton

					Share Units				Value (Pre-Tax) (ZAR)	
				Opening Balance	Granted	Exercised	Lapsed/ Forfeited	Closing Balance	Value of Settled Awards	Estimated Closing Fair Value
Scheme	Award Date	Vesting Date	Grant price (ZAR)	31 March 2019	During 2020	During 2020	During 2020	31 March 2020	During 2020	31 March 2020
Share Appreciation Right Scheme 2005	6 June 2016	6 June 2019	113,41	29 038	–	–	(29 038)	–	–	–
	29 May 2017	29 May 2020	115,85	32 757	–	–	(32 757)	–	–	–
	20 September 2018	20 September 2021	74,08	38 806	–	–	(38 806)	–	–	–
Long Term Incentive Plan 2005	6 June 2016	6 June 2019	113,41	11 986	–	–	(11 986)	–	–	–
	29 May 2017	29 May 2020	115,85	15 967	–	–	(15 967)	–	–	–
	20 September 2018	20 September 2021	74,08	21 422	–	–	(21 422)	–	–	–
Long Term Incentive Plan 2005 – Retention awards	28 May 2015	28 May 2019	128,54	10 000	–	–	–	10 000	–	21 900
Deferred Bonus Plan	30 May 2016	30 May 2019	113,06	2 991	–	–	(2 991)	–	–	–
	29 May 2017	29 May 2020	115,85	4 339	–	–	(4 339)	–	–	–

The estimated fair value at 31 March 2020 is calculated based on the share price of the Company on 31 March 2020 of R2.19, assuming all awards have vested.

Other than the remuneration disclosed in this note, which was paid by the Company, no consideration was paid to, or by any third party, or by the Company itself, in respect of services of the Company's directors, as directors of the Company, during the year ended 31 March 2020.

32. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARES CONTINUED

Interest of directors and prescribed officers in share capital of the Company

Number of shares	2020 Direct Shares	2020 Indirect Shares	2019 Direct Shares	2019 Indirect Shares
Executive directors				
JG Hudson	–	–	–	–
RD Aitken	–	–	–	–
DL Marokane	–	–	–	–
Prescribed officers				
M Deighton (resigned 31 May 2019)	–	–	36 767	–
G Macpherson	**45 404**	–	42 184	–
S Harvey	–	–	–	–
B Gumede	–	–	–	–
	45 404	–	78 951	–

There hasn't been any change in shareholdings of current directors and prescribed officers between 31 March 2020 and the approval of these financial statements.

Non-executive directors' remuneration

R'000	Resignation Date	Appointment Date	Total Fees 12 months to 31 March 2020	Total Fees 12 months to 31 March 2019
SM Beesley	24 January 2020	–	**891**	1 097
FDaniels	24 January 2020	–	**1 267**	839
J John	31 May 2019	–	**258**	786
RP Kupara	30 September 2019	–	**398**	680
TN Mgoduso	30 September 2019	–	**293**	633
N Mjoli-Mncube	30 June 2019	–	**255**	1 222
SG Pretorius	30 September 2019	–	**593**	1 050
TA Salomao	30 September 2019	–	**201**	440
CB Sibisi	30 September 2019	–	**1 199**	2 731
L von Zeuner	–	10 December 2018	**1 788**	171
L de Beer	–	1 October 2019	**812**	–
RM Goetzsche	–	1 October 2019	**664**	–
JJ Nel	–	1 October 2019	**778**	–
AH Sangqu	–	1 October 2019	**519**	–
Total			**9 916**	9 649

33. REPORTING ON THE ZIMBABWEAN OPERATIONS

The Group results were materially impacted by the significant devaluation of the Zimbabwe Dollar (ZWL) against major trading currencies (including the South African Rand) and the requirement of IAS 21: *The Effects of Foreign Exchange Rates* ("IAS 21") to translate the results of the Zimbabwean operations into South African Rand using the official interbank closing exchange rate. The interbank exchange rate is impacted by limited foreign currency liquidity within the Zimbabwean economy to enable immediate settlement.

The Group's Zimbabwean operations have applied IAS 29 hyperinflation accounting for the 12 months ended 31 March 2020, with effect from 1 October 2019. This has resulted in the Group recording a net monetary loss of R1,296 million for the year. While the application of IAS 29 is meant to improve comparability of the Group's results, the use of inflation and exchange rates that differ from those experienced by the Zimbabwean operations and reflected in the underlying transactions has, to some extent, distorted the comparability of the Group's results.

33. REPORTING ON THE ZIMBABWEAN OPERATIONS CONTINUED

Refer to the Basis of Preparation for further detail pertaining to reporting in hyperinflationary economies. The following inflation and exchange rates (relative to the South African Rand) were applied to consolidate the Zimbabwe operations' results:

Financial period	Functional Currency	Average Exchange Rate	Closing Exchange Rate	General Price Index Closing)*	Conversion Factor (Average)	Conversion Factor (Closing)
1 April 2018 to 30 September 2018	US Dollar	13,3854	n/a	n/a	n/a	n/a
1 October 2018	ZWL	n/a	5,9010	64,0	n/a	12,651
1 October 2018 to 31 March 2019	ZWL	5,5583	4,7908	104,4	9,008	7,764
1 April 2019 to 31 March 2020	ZWL	1,5373	0,7168	810,4	3,120	1,000

The table below shows the results reported for the Zimbabwe operations translated using the official interbank rate (i.e. ZWL 25: USD 1 or ZWL 1.3951: ZAR 1), together with a sensitivity showing the impact of applying the Old Mutual Implied Rate ("OMIR") and the parallel exchange rate emerging within the economy. At 31 March 2020, the OMIR was ZWL 61.7: USD 1 (ZWL 3.4414: ZAR 1) and the parallel rate was ZWL 38.5: USD 1 (ZWL 2.1484: ZAR 1).

R million	As reported ZWL 25: USD 1	OMIR ZWL 61.7: USD 1	Parallel Rate ZWL 38.5: USD 1	Sensitivity vs OMIR	Sensitivity vs Parallel Rate
Revenue	6 126	2 483	3 978	(3 643)	(2 148)
Operating profit	2 882	1 168	1 872	(1 714)	(1 011)
Profit for the year	583	236	378	(347)	(204)
Net asset value	3 857	1 563	2 505	(2 294)	(1 352)
Total assets	5 709	2 314	3 707	(3 395)	(2 002)

Note: The underlying transactions have not changed

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 South African Rand (i.e. a stable reporting currency).

R million	31 March 2020	31 March 2019
Revenue	**6 126**	4 469
Cost of sales	**(1 366)**	(1 657)
Gross profit	**4 760**	2 812
Marketing and selling expenses	**(793)**	(621)
Administrative and other expenses	**(1 241)**	(1 026)
Impairment reversal	**–**	(58)
Non-trading items	**–**	305
Other operating income	**156**	37
Profit from operations	**2 882**	1 449
Net finance costs	**(340)**	(98)
Finance costs	**(352)**	(155)
Finance income	**12**	57
Dividend income	**5**	7
Net monetary loss	**(1 296)**	–
Share of net profit of associates	**9**	2
Profit before taxation	**1 260**	1 360
Taxation	**(677)**	(447)
Profit for the year	**583**	913
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences on translation of foreign operations, including the effect of hyperinflation	**989**	(2 528)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post-retirement benefit obligations	**(331)**	(90)
Tax effect of remeasurement of post-retirement benefit obligations	**84**	23
Other comprehensive income/(loss) for the year, net of tax	**742**	(2 595)
Total comprehensive income/(loss) for the year	**1 325**	(1 682)

The results of the Zimbabwean operations include inter-group translations (i.e these have not been eliminated).

33. REPORTING ON THE ZIMBABWEAN OPERATIONS CONTINUED

R million	31 March 2020	31 March 2019
ASSETS		
Non-current assets		
Property, plant and equipment	**2 192**	1 130
Right-of-use assets	**2**	–
Intangible assets	**48**	29
Investments in associates and joint ventures	**32**	6
Amounts owing by Group companies	**4**	129
Other non-current assets	**4**	54
Total non-current assets	**2 282**	1 348
Current assets		
Inventories	**782**	461
Biological assets	**1 918**	957
Trade and other receivables	**408**	555
Cash and cash equivalents	**317**	731
Amounts owing by Group companies	**2**	–
Total current assets	**3 427**	2 704
TOTAL ASSETS	**5 709**	4 052
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**73**	73
Distributable reserves	**3 158**	3 091
Other reserves	**(458)**	(1 208)
Total equity attributable to owners of Tongaat Hulett Limited	**2 773**	1 956
Non-controlling interests	**1 084**	541
TOTAL EQUITY	**3 857**	2 497
Non-current liabilities		
Deferred tax liabilities	**864**	436
Borrowings	**157**	–
Lease liabilities	**1**	–
Amounts owing to Group companies	**40**	255
Post-retirement benefit obligations	**128**	160
Total non-current liabilities	**1 190**	851
Current liabilities		
Borrowings	**74**	337
Lease liabilities	**1**	–
Trade and other payables	**488**	324
Post-retirement benefit obligations	**3**	–
Current tax liabilities	**70**	43
Amounts owing to Group companies	**26**	–
Total current liabilities	**662**	704
TOTAL LIABILITIES	**1 852**	1 555
TOTAL EQUITY AND LIABILITIES	**5 709**	4 052

34. EVENTS OCCURING AFTER THE REPORTING PERIOD

In light of the COVID-19 pandemic, the Group has made use of the two-month extension, afforded by the Financial Sector Conduct Authority ("FSCA"), to comply with the JSE Listings Requirements with respect to publishing its Annual Financial Statements. Consequently, a significant period of time has passed between the reporting date and the date of authorising these annual financial statements. Management has carefully assessed the events occurring after the reporting date to ensure that all material matters have been disclosed.

COVID-19

The COVID-19 global pandemic continues to impact the world at large and has increased market volatility and uncertainty over the past few months. To prevent the spread of the virus, governments in South Africa, Zimbabwe, Mozambique, Eswatini and Botswana, where the Group operates, have declared states of emergency or disaster and imposed various curfews and/or lockdown restrictions. The economies of these countries are being negatively impacted by COVID-19 and it remains uncertain as to how and when these economies will begin to recover taking into consideration various relief measures the respective governments are putting in place.

The Group's operations are predominantly focused on the production, distribution and supply of food, considered in most part to be essential goods, and were allowed to operate during the lockdown restrictions. However, given the uniqueness of the COVID-19 pandemic, there remains uncertainty in how a decline in economic growth and the availability of disposal income could impact the overall operations, in addition to the volatility of international sugar and maize prices.

Management continues to proactively assess the impact of COVID-19 on its specific businesses and adapt its interventions to minimise business disruption. To ensure a consistent response to the pandemic, the Group relies significantly on protocols and procedures contained in its business continuity plans. The business continuity plans cover critical elements, including the adequacy of key suppliers and their ability to respond during the pandemic, measures to ensure the health of employees, staff continuity planning, information technology requirements for working offsite, as well as protocols for closing, sanitising and restarting a site in the event of an employee infection. These plans are aligned with the various Government directives and regulations to prevent the spread of the virus.

To combat the virus, the Group continues to incur unplanned expenditure in respect of personal protective equipment. With the rural location of its sugar operations in Zimbabwe and Mozambique, where the Group operates clinics and hospitals that serve the surrounding community, the cost of preparing for the pandemic has been more significant. The Group has committed R60 million to prevent the spread of the virus, including in-kind contributions and the donation of some 300 000 litres of alcohol to produce sanitisers in Zimbabwe.

The Group treated COVID-19 as an adjusting event in the preparation of its financial statements, and the Group did not require any material adjustments to be made to the carrying amounts of its assets as a consequence of the pandemic. Specifically, the following was considered:

- Various scenarios in respect of the impact of the COVID-19 pandemic on the Group were developed and incorporated into the cash flow forecasts used to test the Group's tangible and intangible assets for impairment. Further details on the approach and the assumptions used has been disclosed in Note 3: *Property, Plant and Equipment*.
- As demand for property is expected to decline in the wake of COVID-19, the net realisable value of the Group's landholdings was stress-tested to determine the need for any inventory-related write-downs. Further disclosure has been provided in Note 9: *Inventories*.
- In determining the appropriate expected credit loss, the Group has considered the resultant economic disruption on its customers, their ability to adhere to payment terms and the risk of any default. The related disclosure has been provided in Note 11: *Trade and Other Receivable*s.

The specific implications of COVID-19 for the Group's operations are set out below.

Sugar operations

The sugar mills across each of its operations started the crushing season as planned and have continued to operate as per normal during the lockdown restrictions. As the sugar operations are labour intensive, the major risk posed by the pandemic is the ability to operate efficiently with a reduced staff complement on site. In the event that a sugar mill has to stop crushing as a result of large numbers of employees contracting the virus, the plan is to extend the length of the season to ensure that all sugarcane is crushed within the season. To crush all the sugarcane as planned is beneficial to the overall sugarcane quality which assists the mills performance. However, extending the length of the season can affect the age of the following season's crop at harvest which in turn lowers the yield. A risk to completing an extended season would be the early onset of the summer rainfall.

After a boost arising from panic buying during the early stages of the lockdown, sugar sales in South African continue to outperform volumes in the comparative prior period supported by the Group's strength in retail markets combined with demand for food parcels. In Zimbabwe, a moratorium on price increases from 25 March 2020 to 31 May 2020 resulted in speculative behaviour and artificial shortages of sugar in the formal wholesale and retail distribution channels. Sugar remained readily available in the informal market at higher prices and often priced in foreign currency. The Group implemented a 96% price increase at the end of the moratorium to align sugar prices with the inflation dynamics at the time. The onset of the pandemic in Mozambique aligned with the introduction of VAT (at 17%) on sugar negatively affected sales volumes. However, as part of the COVID-19 relief measures, the government reinstated the VAT exemption for sugar until 31 December 2020 which has resulted in some recovery in sales volumes.

With the pandemic, demand for ethanol to make sanitizers in Zimbabwe and the surrounding region has increased. Plans are in place to import molasses from neighbouring countries to maximise the distillery's production capacity of 39 million litres.

34. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Starch and glucose operations

During the initial lockdown in South Africa from 27 March 2020 to 1 June 2020, the manufacture, transport and sale of alcohol was banned which resulted in almost no sales to the alcoholic beverage sector in April 2020 and May 2020. Sales to the alcoholic beverage sector represent approximately 38% of the business' total domestic sales volumes.

The sale of alcohol in South Africa was permissible from 1 June 2020 under various restrictions. Strong demand in the sector returned but was curtailed on 12 July 2020 when a second suspension of alcohol sales was implemented. While there has been no indication as to when the suspension of alcohol sales would be lifted, the manufacture of alcohol is allowed, and the breweries continue to operate at reduced capacity in order to replenish beer stock for local and export markets. The Group has assumed that the suspension will be lifted by 1 October 2020, ahead of the peak brewing demand between October and early January 2021.

The lockdown also impacted sales to the confectionary sector and parts of the paper making/converting sector which were not considered essential products or services and were therefore unable to operate. Despite the challenges of lockdown, the coffee creamer, canning and prepared food sectors were unaffected. Coffee creamers experienced a growth in demand with the product used as a milk substitute and sales supported by demand for food parcels.

To limit the impact of COVID-19 on profits and cash flows, the business has implemented stringent cost management measures. In addition, with the maize crop being the second largest on record, the business will benefit from lower maize prices which supports higher profit margins.

Property business

The closure and/or restricted operation of the Deeds Office and other municipal departments during the lockdown period, until the regulations were relaxed with effect from 1 June 2020, has had a negative impact on the Group's property business. Processes necessary to transfer the ownership of properties to the respective purchasers have been delayed, which in turn has delayed the resultant cash inflows. These delays extend to planning approvals required to convert and develop agricultural land for sale to third parties . The temporary closure of these public offices as and when COVID-19 cases are identified continues to impact the business.

The lockdown prevented the installation of infrastructure until 1 June 2020 with a consequential delay in the timing of cash outflows which has provided some mitigation to the delayed cash inflows described above. While the timing of expenditure remains uncertain, the Group is proactively monitoring cash flows and exploring various opportunities to realise savings. Infrastructure programmes are being revised to better align cash outflows with cash inflows, but without infringing on the contractual rights of purchasers as contained in the respective sales agreements.

The impact of the pandemic on economic growth is expected to reduce the demand for land and/or result in lower market values and selling prices. While enquiries and interest in the Group's landholdings remain, certain deals that were in final negotiations have either ceased or been put on hold while potential purchasers reassess their risk exposure in the context of changing market demands for new property development stock.

As a result of unplanned expenditure in respect of COVID-19, municipal budget constraints have the potential to reduce government's ability to contribute meaningfully to bulk infrastructure costs. This can negatively affect profit margins and land sales of property transactions, as well as land sales in general.

Disposal of the starch business

On 28 February 2020 the Company entered into an agreement to dispose of its starch business as a going concern to KLL Group, a wholly-owned subsidiary of Barloworld Limited. The Starch Disposal Agreement is subject to the fulfilment or, where applicable, waiver of certain suspensive conditions, including that no event occurs after signature of the Starch Disposal Agreement which results in a MAC in the starch business. The Company's shareholders approved the transaction on 5 June 2020. Other suspensive conditions that must still be fulfilled by 31 October 2020 include the approval of the competition authorities in Indonesia, the preparation of the immovable properties for transfer to KLL Group, and the publishing of a notice of the disposal in terms of Section 34 of the Insolvency Act.

On 29 April 2020, KLL Group notified the Company that it had formed the view that a MAC had occurred since the impact of the COVID-19 global pandemic is reasonably likely to cause EBITDA of the starch business for the financial year ending 31 March 2021 to be 82.5% or less than the EBITDA for the financial year ending 31 March 2020. As the Company remains of the firm view that a MAC has not occurred, no agreement on the MAC could be reached and the dispute was referred for determination by Rothschild and Co South Africa Proprietary Limited, an independent third party.

The independent third-party is anticipated to deliver its determination on or about 21 September 2020 which will be final and binding on both parties. The Starch Disposal Agreement is still of force and effect, and the Company remains committed to the steps currently underway aimed at (i) fulfilment of the suspensive conditions and (ii) pursuant thereto, implementation of the transaction.

Disposal of the Eswatini sugarcane farming operation

On 17 June 2020, the Group entered into a share purchase agreement whereby Eswatini's Public Service Pensions Fund will acquire the shares and shareholder claims in Tambankulu Estates Proprietary Limited ("Tambankulu") for R375 million (subject to certain working capital and capital expenditure adjustments). Tambankulu is the largest independent sugarcane estate in Eswatini and delivers its sugarcane to the nearby Simunye and Mhlume sugar mills. The sale is subject to certain suspensive conditions including approval by the Company's shareholders and the Eswatini Competition Commission. The suspensive conditions are expected to be fulfilled or waived by 31 October 2020. The proceeds from this disposal are expected to be received on 1 November 2020 and will be utilised to reduce the Group's South African borrowings as part of its debt reduction plan.

34. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Disposal of the Namibian sugar packing operation

In November 2019, the Group disposed of the entire sugar packaging and distribution business of Tongaat Hulett (Namibia) Proprietary Limited ("THN") to Bokomo Namibia Proprietary Limited. The Group's effective shareholding in THN was 51%. All the suspensive conditions, the last of which was the approval of the transaction by the Namibian Competition Commission, were fulfilled and the effective date of the disposal was 1 July 2020. The Group's share of the purchase consideration was R112 million and was received on 1 July 2020. The proceeds have been used to reduce its South African borrowings in line with its debt reduction plan. The post-closing adjustment in relation to any variation from the agreed normalised working capital level is being finalised, with a nominal amount expected to be received by the Group.

Other debt reduction initiatives

In order to meet its debt reduction commitments under the New SA Facilities management continues to evaluate the establishment of strategic equity partners in the Group's core businesses, as well as the disposal of various non-core assets. Non-binding expressions of interest continue to be received in relation to various operations and assets within the Group. Any such transactions shall be conducted in an organised manner and at reasonable prices.

The "MillCo" initiative is progressing well with bidder appetite remaining in excess of the available stake. The initiative seeks to establish a correctly structured, competitive sugar business on the KwaZulu-Natal North Coast that mills, refines and sells sugar and related products. The Group will inject assets in the form of its mills, refinery, associated products (i.e. Voermol animal feeds, speciality and liquid sugar) and its sales and distribution operation. The Group envisages retaining at least 50.1% ownership with an arms-length management and technical support agreement.

The Group's "PropCo" initiative is recovering from a series of delays caused by COVID-19 and the inability of local and international bidders to conduct physical site visits. The transaction seeks to create a long-term, sustainable earnings platform from the Group's landholdings. This involves the establishment of a special purpose vehicle to raise equity, accelerate the pace of development and contribute towards the Group's debt reduction.

On 29 June 2020, the Group disposed of its Mozambique operations' fleet of vehicles to Unitrans Mozambique Limitada for R75 million. The Mozambique operations will lease these vehicles back. The proceeds will be split evenly between debt reduction initiatives and supporting liquidity.

South African debt

As a result of the MAC dispute, uncertainty exists as to whether the disposal of the starch business will be successfully implemented. Consequently, there is uncertainty as to whether the Company will meet its 30 September 2020 and 31 December 2020 milestones to collect cumulative debt reduction proceeds of R4.0 billion and R6.0 billion respectively. In terms of the New SA Facilities, if these milestones are not met, an event of default occurs. Furthermore, COVID-19 may delay other debt reduction transactions and cause further pressure on any other milestones.

To avoid any risk of a default and to ensure the availability of funding for a period of at least 12 months following the release of the Annual Financial Statements, the following actions have been taken:

- A waiver letter has been obtained from the SA Lenders, whereby they have waived their right to accelerate payment of the facilities where the starch disposal is not implemented, the original debt reduction milestones are missed or there is a breach of the 30 September 2020 financial covenants.
- A credit approved short-form term sheet has been agreed with the SA Lenders to amend the CTA and other facilities agreements to redefine the financial covenants and amend the debt reduction milestones.

The interest rate ratchets for milestones not achieved will continue to be applied on the basis of the original debt reduction milestones. Further details are included in the *Going Concern* Note.

Starch facilities

A condition of the South African debt restructure was that the two existing Starch Facilities, used to fund maize purchases and working capital requirements, be restructured to formalise the security arrangements inherent in these facilities. The new facilities came into effect during May 2020 ahead of the commencement of new season maize deliveries.

Mozambique standstill

In Mozambique, the debt standstill agreement entered into with lenders on 18 December 2019 remains in effect as the existing debt has not yet been restructured. The termination date of the debt standstill agreement has been extended from 15 December 2020 to 30 June 2021. On 7 May 2020 a detailed debt restructuring proposal was presented to lenders in order to facilitate the de-leveraging of the Mozambique operations through non-core asset disposals and greater cash generation arising from improved operational performance. The provision of a security package in favour of all Mozambique lenders, which is a condition subsequent to the initial debt standstill agreement, has yet to be finalised for reasons outside management's control. The security package entails the creation of a collateral pool incorporating select immoveable and moveable assets and is expected to be completed by the end of September 2020.

34. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Economic conditions in Zimbabwe

Hyperinflation and currency dynamics in Zimbabwe continue to impact on the Group's results. Inflation at June 2020 was 737% year-on-year, increasing from 676% in March 2020. The foreign currency dynamics within the country remain challenging. To provide greater certainty in the pricing of goods and services in the economy, the Reserve Bank of Zimbabwe ("RBZ") adopted a fixed exchange rate system in March 2020. In addition, the RBZ allowed goods and services priced in Zimbabwe Dollars to be paid for in foreign currency.

While the official interbank exchange rate was initially fixed at ZWL 25 to the US Dollar, the informal exchange rate in the parallel market devalued significantly. To mitigate further deviation between the official interbank and parallel exchange rates, the RBZ announced the reintroduction of a weekly foreign currency auction system on 17 June 2020. In addition, pricing for goods and services had to be displayed in both local and foreign currency to provide transparency on exchange rate, a requirement that was subsequently legislated on 24 July 2020. On 23 June 2020, the first auction was held, and the exchange rate moved from ZWL 25 to ZWL 57 against the US Dollar. By 4 August 2020, the rate had weakened further to ZWL 80.

While the Zimbabwe operations have not been able to participate in the weekly auction on the basis that they have positive foreign currency balances arising from exports, foreign currency purchases have been successfully transacted on the interbank market at the ruling average auction rate. Currently, over half of retail sugar sales in the local market are being concluded in foreign currency.

Dividends

During the four months ending 31 July 2020, dividends totalling R84 million (including R37 million received from the disposal of THN owned through the Group's Zimbabwe operation) have been declared and remitted from Zimbabwe to South Africa.

Interest rates

Since 20 March 2020, the South African Reserve Bank has reduced the prime lending rate by 2.75% to 7.00% as part of its COVID-19 relief measures. As the South African borrowings have a floating interest rate which is reset monthly, the Group will realise a significant reduction in finance costs from this decision.

Similarly, the Bank of Mozambique has reduced its prime lending rate by 2.50% to 15.90%. As, the majority of the borrowings in Mozambique have a floating interest rate, the Group will realise a further interest saving.

Sugar master plan

On 23 June 2020, the Department of Trade, Industry and Competition published amendments to the Constitution of the South African Sugar Association and the Sugar Industry Agreement, and granted the sugar industry a 12-month exemption from certain provisions of the Competition Act. These amendments were effective from 1 July 2020 and will allow industry stakeholders to begin working together to implement a master plan for the industry.

The master plan seeks to create a diversified and globally competitive, sustainable and transformed sugarcane-based value chain that actively contributes to South Africa's economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment. The first phase of the master plan will run for three years and is focussed on stabilising the industry, restructuring industry capacity in an orderly manner, protecting and retaining jobs, securing the role of small-scale growers in the industry, and ensuring transformation of ownership within the industry.

During this phase, industrial users and retailers of sugar have committed to minimum levels of South African produced sugar, equal to no less than 80% of their requirements in year one and increasing to 95% by year three. To support this undertaking, sugar producers have committed to price restraint during this period. The sugar industry will use the three-year period to commence a restructuring plan which includes the development of diversified revenue sources for the industry.

Changes to the Board

With effect from 1 July 2020, Mr David Noko was appointed as an independent non-executive director. Mr Noko will serve as the Chairman of the social, ethics, health and safety committee and a member of the remuneration and human resources committee.

On 15 July 2020, Ms Louisa Stephens was appointed as an independent non-executive director. Ms Stephens will serve as a member of the remuneration and human resources committee and the risk, capital and investment committee.

34. EVENTS OCCURING AFTER THE REPORTING PERIOD CONTINUED

Financial Services Conduct Authority ("FSCA") investigation

The investigation by the FSCA into potential contraventions of Section 81 of the Financial Markets Act is ongoing, and the Group continues to cooperate with the regulator's inquires. A proposed administrative penalty in respect of the misrepresentation of the Group's financial performance is under discussion, in particular the various mitigating factors that may reduce the amount payable. At 31 March 2020, the Group had accrued an amount of R33 million in respect of this potential penalty.

JSE investigation

On 1 July 2020, the JSE announced that it had concluded its investigation into the Company publishing financial information for the periods 2011 to 2018 that did not comply with IFRS and was incorrect, false and misleading. The JSE found that the Company had failed to comply with Sections 8.57(a) and 8.62(b) of the JSE Listings Requirements and imposed the maximum permissible fine of R7.5 million. As the Company assisted the JSE in its investigation, and admitted its failure, R2.5 million of the fine was suspended for five years on the condition that the Company is not found to be in breach of any further provisions of the Listings Requirements during this period. The JSE's investigation into the conduct of individuals that presided at the Company during the periods in question is ongoing. At 31 March 2020, the Group had accrued an amount of R5 million in respect of the fine payable.

No other material events have 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.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 March 2020

Shareholder Spread (no of shares)	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of issued Capital
1 – 1 000	5 316	71.71%	1 278 667	0.95%
1 001 – 10 000	1 613	21.76%	5 559 778	4.11%
10 001 – 100 000	366	4.94%	11 441 463	8.47%
100 001 – 1 000 000	99	1.34%	28 667 299	21.22%
Over 1 000 000	19	0.26%	88 165 299	65.25%
Total	7 413	100.00%	135 112 506	100.00%

Distribution of Shareholders	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of issued Capital
Assurance Companies	20	0,27%	923 154	0,68%
Close Corporations	40	0,54%	68 333	0,05%
Collective Investment Schemes	135	1,82%	36 074 682	26,70%
Control Accounts	5	0,07%	1 852	0,00%
Custodians	34	0,46%	170 469	0,13%
Foundations & Charitable Funds	51	0,69%	477 159	0,35%
Hedge Funds	1	0,01%	9 917	0,01%
Insurance Companies	5	0,07%	943 092	0,70%
Investment Partnerships	20	0,27%	442 921	0,33%
Managed Funds	25	0,34%	12 526 470	9,27%
Medical Aid Funds	9	0,12%	34 354	0,03%
Organs of State	7	0,09%	22 487 511	16,64%
Private Companies	162	2,19%	22 545 161	16,69%
Public Companies	2	0,03%	543	0,00%
Public Entities	3	0,04%	6 667	0,00%
Retail Shareholders	6 284	84,77%	12 640 115	9,36%
Retirement Benefit Funds	144	1,94%	20 024 636	14,82%
Scrip Lending	5	0,07%	381 960	0,28%
Sovereign Funds	1	0,01%	12 078	0,01%
Stockbrokers & Nominees	39	0,53%	1 359 481	1,01%
Tongaat Hulett BEE Entities (TH Infrastructure & Yomoba)	2	0,03%	599 802	0,44%
Tongaat Hulett Share Schemes	7	0,09%	641 294	0,47%
Trusts	398	5,37%	2 714 401	2,01%
Unclaimed Scrip	14	0,19%	26 454	0,02%
Total	7 413	100,00%	135 112 506	100,00%

* *In terms of Section 56(3) (a) & (b) and Section 56(5) (a) (b) & (c) of the South African Companies Act, 2008 (Act No. 71 of 2008) foreign disclosures have been incorporated into this analysis.*

Shareholder Type	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of issued Capital
Non-Public Shareholders	13	0.18%	18 689 933	13.83%
Directors, associates & prescribed officers of the Company	2	0.03%	94 959	0.07%
Tongaat Hulett Pension Funds	1	0.01%	23 789	0.02%
Tongaat Hulett Share Schemes	7	0.09%	641 294	0.47%
Tongaat Hulett BEE Entities (TH Infrastructure & Yomoba)	2	0.03%	599 802	0.44%
Government Employees Pension Fund	1	0.01%	17 330 089	12.83%
Public Shareholders	7 400	99.82%	116 422 573	86.17%
Total	7 413	100.00%	135 112 506	100.00%

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 March 2020

Fund Managers with a Holding Greater than 3% of the Issued Shares	Number of Shares	% of issued Capital
Public Investment Corporation SOC Limited	18 625 287	13.79%
PSG Asset Management Proprietary Limited	17 192 631	12.72%
Ninety One SA Proprietary Limited	14 204 330	10.51%
Kagiso Asset Management Proprietary Limited	10 288 142	7.61%
Dimensional Fund Advisors	5 021 304	3.72%
Total	65 331 694	48.35%

Beneficial Shareholders with a Holding Greater than 3% of the Issued Shares	Number of Shares	% of issued Capital
Government Employees Pension Fund	21 640 669	16.02%
PSG Asset Management Proprietary Limited	17 143 658	12.69%
Depfin Investments Proprietary Limited	12 252 587	9.07%
Rand Merchant Bank, a division of FirstRand Bank Limited	10 371 834	7.68%
Evanstan Investments Proprietary Limited	9 372 201	6.94%
Ninety One SA Proprietary Limited	6 188 739	4.58%
Metal & Engineering Industries Benefit Funds	5 316 073	3.93%
Dimensional Fund Advisors Limited	4 372 351	3.24%
Total	86 658 112	64.14%

Share Price Performance

Opening Price 1 April 2019	R20,18	Volume traded during period	44 436 238
Closing Price 31 March 2020	R2,19	Ratio of volume traded to shares issued (%)	32.89%
Closing High for period	R23,50	Rand value traded during the period	R399 687 004
Closing low for period	R2,19		
		Price/earnings ratio as at 31 March 2020	(0,30)
Number of shares in issue	135 112 506	Earnings yield as at 31 March 2020	(335,16)
Market capitalisation at 31 March 2020	R295 896 388	Dividend yield as at 31 March 2020	–

Trading of the share on the JSE was suspended from 7 June 2019 until 3 February 2020.

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