# TONGAAT HULETT
## INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

- Profit from Tongaat Hulett operations of R308 million (2006: R307 million)
- Once-off corporate structuring costs of R354 million
- Total net profit of R3,209 billion – includes valuation of Hulamin prior to unbundling
- Headline loss of R155 million (2006: R297 million headline profit)
- Interim dividend of 150 cents per share (2006: 200 cents per share)

## COMMENTARY

The Tongaat-Hulett Group has unbundled its shareholding in Hulamin to its shareholders following the listing of Hulamin on the JSE. Two focussed, separately listed entities have been established in the form of Tongaat Hulett and Hulamin. Tongaat Hulett is an agri-processing business, which includes integrated components of land management, property development and agriculture. Hulamin is an independent niche producer of rolled, extruded and other semi-fabricated aluminium products.

Pursuant to the listing and unbundling of Hulamin at the end of June 2007, Tongaat Hulett's 50% share in Hulamin was valued through the income statement by R3,348 billion and thereafter unbundled as a distribution in specie. Hulamin's net profit (which does not include the investment fair valuation) for the period up to the unbundling is reflected as a discontinued operation.

The corporate transactions being undertaken by Tongaat Hulett include a 25% BEE equity participation and a return of capital to shareholders by way of a share buy-back. All the transactions were approved by shareholders with a 99% vote in favour at a general meeting held on 11 June 2007, where 84% of shareholders were represented. The 18% strategic partner, cane and infrastructure BEE equity participation cost was measured and recognised at the grant date in June 2007, resulting in a once-off IFRS 2 cost of R320 million being charged to the income statement. Advisory and other transaction related costs of R34 million have also been brought to account. The share buy-back, totalling R506 million including STC and implemented in July 2007, will be accounted for in the second half of 2007. The IFRS 2 costs relating to the 7% BEE employee transaction will be amortised over 5 years, commencing in the second half of 2007 with a cost of approximately R15 million in that period.

Net finance costs increased to R37 million (2006: R15 million income) as a result of higher interest rates and the non-recurrence of financial instrument income received in 2006 on the Hulamin finance structure.

Profit from Tongaat Hulett operations in the first six months of the year was R308 million (2006: R307 million).

Tongaat Hulett's total net profit for the six months to 30 June 2007 is R3,209 billion (2006: R320 million). Headline earnings, which exclude the Hulamin fair valuation and include the transaction costs and BEE IFRS 2 costs, reflect a headline loss of R155 million (2006: R297 million headline profit) for the half-year.

Profit from sugar operations was R167 million (2006: R159 million excluding dividends from Triangle in Zimbabwe). The 2006 crop in South Africa was the second lowest in the past 10 years, with the resultant increased cost per ton of sugar and the lower export stocks carried forward into the first half of 2007. Raw sugar export volumes from South Africa reduced to 84 079 tons (2006: 162 301 tons) and were sold at an effective world sugar price of 14,4 US c/lb (2006: 11,1 US c/lb). South African domestic sales were 209 765 tons (2006: 209 311 tons). Improved contributions were achieved from non-South African operations including the consolidation of Xinavane in Mozambique. No dividends from Triangle in Zimbabwe were brought to account in the first half of 2007 (2006: R8 million). A dividend equivalent to 8 million US dollars has been declared by Triangle and approved by the Zimbabwe Reserve Bank, which is expected to be brought to account in the second half of 2007.

Total sugar production in 2007 is forecast at 1,327 million tons, an increase of 24% compared to the 1,067 million tons produced in 2006. Production in South Africa is estimated at 704 000 tons (2006: 666 000 tons). In Swaziland, Tambankulu Estates is expected to produce the raw sugar equivalent of 54 000 tons (2006: 55 000 tons). In Zimbabwe, sugar production is expected to increase to 442 000 tons (including 201 000 tons at Hippo Valley) from the 240 000 tons produced by Triangle in 2006. In Mozambique, sugar production at Xinavane is expected to increase to 77 000 tons (2006: 65 000 tons) with Mafambisse increasing to 50 000 tons (2006: 41 000 tons). New cane expansion and procurement initiatives continue across all the regions. The Mozambique expansion projects at Xinavane and Mafambisse are progressing well.

Profit from starch operations reduced to R37 million (2006: R43 million) as margins remained under pressure from high domestic maize prices. Poor weather conditions during the South African summer rainfall period resulted in local maize prices increasing to import parity levels. Improved local co-product selling prices partially reduced the impact of the increase in maize prices. Domestic sales volumes of starch based products grew by 6,7% with strong demand seen in the alcoholic beverages and confectionery sectors. Local maize prices are expected to remain at import parity levels for the remainder of 2007 given the current supply and demand balance. International maize prices have increased by 70% since the fourth quarter of 2006, driven by increased demand for biofuels. They are likely to remain at relatively high levels, supporting an increase in planting in South Africa for the 2007/2008 season. This should result in domestic maize prices moving below import parity levels. International starch margins have started to improve after coming under pressure during the latter part of 2006 and early 2007 as a result of the sharp increases in the international maize price.

Profit from land and property developments of R127 million (2006: R117 million) was achieved from restricted levels of zoned stock. Progress is being made on securing development approvals at Umhlanga Ridgeside, Sibaya Resort at Umdloti, Zimbali Lakes, Assagay Valley residential area at Shongweni, further phases of Izinga and Umhlanga Ridge Town Centre residential precincts at Umhlanga Ridge. Significant contributions in the first half of 2007 came from RiverHorse Valley

Business Estate, Bridge City, Umhlanga Ridge Town Centre, Zimbali Coastal Resort, Izinga Ridge and Kindlewood. Demand across all portfolios remains strong and the shortage of stock of zoned and serviced sites throughout the region, as a result of ongoing delays in obtaining development approvals, is contributing to higher prices.

The Board has declared an interim dividend for the half-year of 150 cents per share (2006: 200 cents per share).

**OUTLOOK**

Headline earnings for 2007 will include the significant effects of the once-off costs of the corporate transactions, as reported for the half-year to 30 June 2007 and as indicated in the circular to shareholders dated 18 May 2007.

Profit from Tongaat Hulett operations in the second half of the year is expected to exceed that achieved in the first half of 2007. Real growth in profit from operations is expected for the full 2007 year.

For and on behalf of the Board

C M L Savage
Chairman

P H Staude
Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal

27 July 2007

# TONGAAT HULETT LIMITED

(formerly The Tongaat-Hulett Group Limited)

Registration number: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541

# INTERIM RESULTS

**for the half-year ended 30 June 2007**

## Income Statement

| Condensed consolidated<br>Rmillion | Note | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 Restated | Audited Year ended 31 December 2006 Restated |
|---|---|---|---|---|
| **Revenue - continuing operations** | | **2 434** | 2 269 | 5 110 |
| **Profit from Tongaat Hulett operations** | | **308** | 307 | 726 |
| BEE IFRS 2 charge and transaction costs | 1 | **(354)** | | |
| Exchange rate translation gain | | **3** | 46 | 57 |
| Exceptional items | | **5** | 22 | 26 |
| Fair value adjustment of investment in Hulamin | 2 | **3 348** | | |
| **Operating profit after corporate transactions** | | **3 310** | 375 | 809 |
| Share of associate company's loss | | **0** | 0 | (4) |
| Net financing costs | 3 | **(37)** | 15 | 88 |
| **Profit before tax** | | **3 273** | 390 | 893 |
| Tax | 4 | **(106)** | (113) | (238) |
| **Net profit after tax** | | **3 167** | 277 | 655 |
| **Discontinued operation** | | | | |
| Hulamin (50%) | | **42** | 43 | 69 |
| **Net profit for the period** | | **3 209** | 320 | 724 |
| **Attributable to:** | | | | |
| Shareholders | | **3 198** | 317 | 723 |
| Minority interest | | **11** | 3 | 1 |
| | | **3 209** | 320 | 724 |
| **Headline (loss)/earnings attributable to shareholders** | 5 | **(155)** | 297 | 703 |
| **Earnings per share (cents)** | | | | |
| **Net profit per share** | | | | |
| Basic | | **2 993.9** | 302.1 | 685.3 |
| Diluted | | **2 935.0** | 294.0 | 667.8 |
| **Headline (loss)/earnings per share** | | | | |
| Basic | | **(145.1)** | 283.1 | 666.4 |
| Diluted | | **(142.3)** | 275.5 | 649.4 |
| **Dividend per share (cents)** | | **150.0** | 200.0 | 550.0 |
| **Currency conversion** | | | | |
| Rand/US dollar average | | **7.16** | 6.31 | 6.77 |
| Rand/US dollar closing | | **7.05** | 7.15 | 7.00 |
| Rand/GB pound closing | | **14.14** | 13.21 | 13.73 |

## Segmental Analysis

| Condensed consolidated<br>Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 Restated | Audited Year ended 31 December 2006 Restated |
|---|---|---|---|
| **REVENUE** | | | |
| Tongaat Hulett Starch | **751** | 614 | 1 316 |
| Tongaat Hulett Developments | **205** | 285 | 598 |
| Tongaat Hulett Sugar | **1 478** | 1 370 | 3 196 |
| **Continuing operations** | **2 434** | 2 269 | 5 110 |
| **Discontinued operation** | | | |
| Hulamin (50%) | **1 648** | 1 203 | 2 738 |
| **Total revenue** | **4 082** | 3 472 | 7 848 |
| **PROFIT FROM TONGAAT HULETT OPERATIONS** | | | |
| Tongaat Hulett Starch | **37** | 43 | 96 |
| Tongaat Hulett Developments | **127** | 117 | 325 |
| Tongaat Hulett Sugar | **167** | 159 | 295 |
| Triangle dividend | | 8 | 61 |
| Centrally accounted costs | **(23)** | (20) | (51) |
| **Profit from Tongaat Hulett operations** | **308** | 307 | 726 |

## Balance Sheet

| Condensed consolidated<br>Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 | Audited Year ended 31 December 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **2 847** | 4 185 | 4 270 |
| Growing crops | **380** | 263 | 212 |
| Long-term receivable | **203** | 203 | 203 |
| Goodwill | **42** | 22 | 21 |
| Intangible assets | **2** | 13 | 14 |
| Investments | **267** | 70 | 320 |
| | **3 741** | 4 756 | 5 040 |
| **Current assets** | **2 787** | 3 726 | 4 016 |
| Inventories | **972** | 1 279 | 1 595 |
| Trade and other receivables | **1 575** | 1 767 | 1 879 |
| Derivative instruments | **8** | 44 | 33 |
| Cash and cash equivalents | **232** | 636 | 509 |
| **TOTAL ASSETS** | **6 528** | 8 482 | 9 056 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | **108** | 106 | 107 |
| Share premium | **978** | 902 | 932 |
| Retained income | **1 654** | 3 674 | 3 868 |
| Other reserves | **315** | 31 | 50 |
| **Shareholders' interest** | **3 055** | 4 713 | 4 957 |
| Minority interest in subsidiaries | **187** | 80 | 76 |
| **Equity** | **3 242** | 4 793 | 5 033 |
| **Non-current liabilities** | **967** | 1 375 | 1 401 |
| Deferred tax | **606** | 980 | 1 055 |
| Long-term borrowings | **109** | 106 | 49 |
| Provisions | **252** | 289 | 297 |
| **Current liabilities** | **2 319** | 2 314 | 2 622 |
| Trade and other payables (note 9) | **1 150** | 1 326 | 1 388 |
| Short-term borrowings | **1 118** | 895 | 1 174 |
| Derivative instruments | **7** | 71 | 16 |
| Tax | **44** | 22 | 44 |
| **TOTAL EQUITY AND LIABILITIES** | **6 528** | 8 482 | 9 056 |
| **Number of shares (000)** | | | |
| – in issue | **107 789** | 105 698 | 106 591 |
| – weighted average (basic) | **106 816** | 104 925 | 105 497 |
| – weighted average (diluted) | **108 962** | 107 818 | 108 261 |

## Cash Flow Statement

| Condensed consolidated<br>Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 | Audited Year ended 31 December 2006 |
|---|---|---|---|
| Operating profit after corporate transactions | **3 310** | 470 | 1 020 |
| Net financing costs | **(37)** | (19) | (23) |
| Profit on disposal of property, plant and equipment | **(6)** | (22) | (45) |
| Non-cash items: | | | |
| Depreciation | **106** | 131 | 272 |
| Other non-cash items | **(3 084)** | (105) | (59) |
| Tax payments | **(108)** | (97) | (152) |
| Change in working capital | **39** | (28) | (407) |
| **Cash flow from operating activities** | **220** | 330 | 606 |
| Expenditure on property, plant and equipment: | | | |
| New | **(134)** | (98) | (281) |
| Replacement | **(141)** | (74) | (163) |
| Major plant overhaul costs capitalised | **(40)** | (39) | (38) |
| Expenditure on intangible assets | | (1) | (3) |
| Growing crop disposals | | 1 | 7 |
| Proceeds on disposal of property, plant and equipment | **6** | 22 | 78 |
| Investments | **(9)** | (5) | (257) |
| **Net cash flow before dividends and financing activities** | **(98)** | 136 | (51) |
| Dividends paid | **(389)** | (294) | (506) |
| **Net cash flow before financing activities** | **(487)** | (158) | (557) |
| Borrowings raised | **602** | 144 | 358 |
| Hedges of foreign loans | | (5) | 19 |
| Shares issued | **48** | 83 | 106 |
| Settlement of share-based payment awards | **(87)** | | |
| Share issue expenses | **(9)** | | |
| **Net increase/(decrease) in cash and cash equivalents** | **67** | 64 | (74) |
| Balance at beginning of period | **509** | 526 | 526 |
| Adjustment to opening balance on unbundling of Hulamin | **(347)** | | |
| Exchange rate translation gain | **3** | 46 | 57 |
| **Cash and cash equivalents at end of period** | **232** | 636 | 509 |

## Statement of Changes in Equity

| Condensed consolidated<br>Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 | Audited Year ended 31 December 2006 |
|---|---|---|---|
| Balance at beginning of period | **4 957** | 4 613 | 4 613 |
| Net profit | **3 198** | 317 | 723 |
| Dividends paid | **(373)** | (294) | (506) |
| Share capital issued | **48** | 83 | 106 |
| Share issue expenses | **(9)** | | |
| Share-based payment reserve | **364** | 10 | 22 |
| Settlement of share-based payment awards | **(87)** | | |
| Hedge reserve released to income statement | **(4)** | (9) | (9) |
| Gains/(losses) from cash flow hedges | **3** | (21) | 8 |
| Share of associate's movement in currency translation reserve | | (1) | |
| Foreign currency translation | **2** | 15 | |
| Distribution in specie on unbundling of Hulamin | **(5 044)** | | |
| **Shareholders' interest** | **3 055** | 4 713 | 4 957 |
| Minority interest in subsidiaries | **187** | 80 | 76 |
| Balance at beginning of period | **76** | 75 | 75 |
| Share of profit | **11** | 3 | 1 |
| Dividends paid to minorities | **(16)** | | |
| Foreign currency translation | **3** | 2 | |
| Consolidation of subsidiaries | **132** | | |
| Adjustment for Hulamin minority on unbundling | **(19)** | | |
| **Equity** | **3 242** | 4 793 | 5 033 |

## Notes

| Condensed consolidated<br>Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 Restated | Audited Year ended 31 December 2006 Restated |
|---|---|---|---|

**1. BEE IFRS 2 charge and transaction costs**

A once-off R320 million IFRS 2 charge has been brought to account in respect of the facilitation of the 18% BEE equity participation transaction. Advisory and other transaction related costs of R34 million have been brought to account.

**2. Hulamin unbundling and restatement of comparatives**

Pursuant to the listing and unbundling of Hulamin at the end of June 2007, Tongaat Hulett's 50 percent investment in Hulamin was fair valued through profit or loss by R3 348 million and thereafter unbundled as a distribution in specie. Comparative figures in the profit or loss and segmental analysis have been restated to reflect Hulamin as a discontinued operation, as required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

| Rmillion | **Unaudited Half-year 30 June 2007** | Unaudited Half-year 30 June 2006 Restated | Audited Year ended 31 December 2006 Restated |
|---|---|---|---|
| **3. Net financing costs** | | | |
| Interest paid | **(90)** | (22) | (38) |
| Financial instrument income | | 19 | 104 |
| Interest received | **53** | 18 | 22 |
| | **(37)** | 15 | 88 |
| **4. Tax** | | | |
| Normal | **(63)** | (38) | (85) |
| Deferred | **4** | (38) | (90) |
| Secondary tax on companies | **(47)** | (37) | (63) |
| | **(106)** | (113) | (238) |
| **5. Headline earnings** | | | |
| Profit attributable to shareholders | **3 198** | 317 | 723 |
| Less after tax effect of surplus on sale of fixed assets | **(5)** | (20) | (20) |
| Reversal of fair value adjustment of Hulamin | **(3 348)** | | |
| | **(155)** | 297 | 703 |
| **6. Capital expenditure commitments** | | | |
| Contracted | **196** | 115 | 169 |
| Approved | **1 298** | 199 | 640 |
| | **1 494** | 314 | 809 |
| **7. Operating lease commitments** | **20** | 34 | 45 |
| **8. Guarantees and contingent liabilities** | **27** | 51 | 79 |

**9. Trade and other payables**

Included in trade and other payables is the maize obligation (interest bearing) of R160 million (30 June 2006: R75 million and 31 December 2006: R130 million).

**10. Basis of preparation**

The condensed consolidated unaudited results for the half-year ended 30 June 2007 have been prepared in accordance with the accounting policies which fully comply with International Financial Reporting Standards and are consistent with the audited annual financial statements at 31 December 2006. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Tongaat Hulett continues to account for its Zimbabwean operations, including Triangle Sugar and Hippo Valley Estates, on a dividend received basis.

## DIVIDEND DECLARATION

Notice is hereby given that the Board has declared an interim dividend (number 160) of 150 cents per share for the half-year ended 30 June 2007 to shareholders recorded in the register at the close of business on Friday 24 August 2007.

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

| | | |
|---|---|---|
| Last date to trade ordinary shares "CUM" dividend | Friday | 17 August 2007 |
| Ordinary shares trade "EX" dividend | Monday | 20 August 2007 |
| Record date | Friday | 24 August 2007 |
| Payment date | Thursday | 30 August 2007 |

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 20 August 2007 and Friday 24 August 2007, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday 17 August 2007.

For and on behalf of the Board

**M M L Mokoka**
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal

27 July 2007

## CORPORATE INFORMATION

Tongaat Hulett Limited
(formerly The Tongaat-Hulett Group Limited)

Registration number: 1892/000610/06
JSE share code: TON
ISIN: ZAE 000096541

**Directorate:**
C M L Savage (Chairman), P H Staude (Chief Executive Officer)*, P M Baum, I Botha, E le R Bradley, B G Dunlop*, J John, J B Magwaza, M Mia, M H Munro*, T H Nyasulu, C B Sibisi, R H J Stevens

* Executive director

**Registered office:**
Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal
P O Box 3, Tongaat 4400

Telephone +27 32 439 4019, Facsimile +27 32 945 3333

**Transfer Secretaries:**
Computershare Investor Services 2004 (Pty) Limited
Telephone: +27 11 370 7700

**Sponsor:**
Investec Bank Limited
Telephone: +27 11 286 7000

Additional information about Tongaat Hulett is available at our website:
www.tongaat.co.za e-mail: info@tongaat.co.za