Tongaat Hulett

Audited Results for the year ended 31 March 2011

Condensed consolidated Rmillion	Audited 12 months to 31 March 2011	Pro forma 12 months to 31 March 2010	Audited 15 months to 31 March 2010
INCOME STATEMENT			
Revenue	**9 681**	8 789	11 136
Profit from operations	**1 338**	1 500	1 691
Bulk sales/capital profit on land	**23**	52	52
Capital profit on other items	**4**	13	13
BEE IFRS 2 charge and transaction costs	**(46)**	(26)	(35)
Defined benefit pension fund asset recognition	**288**		
Valuation adjustments	**(1)**	(4)	(3)
Zimbabwe consolidation take-on gain			1 969
Operating profit	**1 606**	1 535	3 687
Share of associate company's (loss)/profit	**(2)**		1
Net financing costs (note 1)	**(472)**	(365)	(452)
Profit before tax	**1 132**	1 170	3 236
Tax (note 2)	**(261)**	(158)	(208)
Net profit for the year	**871**	1 012	3 028
Profit attributable to:			
Shareholders of Tongaat Hulett	**833**	885	2 898
Minority (non-controlling) interest	**38**	127	130
	871	1 012	3 028
Headline earnings attributable to Tongaat Hulett shareholders (note 3)	**806**	815	858
Earnings per share (cents)			
Net profit per share			
Basic	**786,0**	856,2	2 791,6
Diluted	**764,3**	839,1	2 736,0
Headline earnings per share			
Basic	**760,5**	788,5	826,5
Diluted	**739,6**	772,7	810,0
Dividend per share (cents)	**250,0**	275,0	275,0
Currency conversion			
Rand/US dollar closing	**6,80**	7,39	7,39
Rand/US dollar average	**7,19**	7,81	8,23
Rand/Metical average	**0,21**	0,27	0,29
Rand/Euro average	**9,49**	11,03	11,40

SEGMENTAL ANALYSIS

REVENUE			
Starch operations	**2 357**	2 243	2 778
Land Conversion and Developments	**207**	260	274
Sugar			
Zimbabwe operations	**1 646**	1 325	1 636
Swaziland operations	**126**	133	134
Mozambique operations	**715**	447	463
SA agriculture, milling and refining	**2 991**	3 148	4 285
Downstream value added activities	**1 639**	1 233	1 566
Consolidated total	**9 681**	8 789	11 136
PROFIT FROM OPERATIONS			
Starch operations	**303**	251	301
Land Conversion and Developments	**166**	194	187
Sugar			
Zimbabwe operations	**454**	518	576
Swaziland operations	**17**	51	63
Mozambique operations	**135**	141	192
SA agriculture, milling and refining	**(7)**	136	158
Downstream value added activities	**241**	200	226
Centrally accounted and consolidation items	**29**	9	(12)
Consolidated total	**1 338**	1 500	1 691

STATEMENT OF CASH FLOWS

Condensed consolidated Rmillion	Audited 12 months to 31 March 2011	Audited 15 months to 31 March 2010
Operating profit	**1 606**	3 687
Profit on disposal of property, plant and equipment	**(35)**	(87)
Depreciation	**344**	521
Defined benefit pension fund asset recognition	**(288)**	
Growing crops and other non-cash items	**(622)**	(729)
Zimbabwe consolidation take-on gain		(1 969)
Tax payments	**(111)**	(257)
Change in working capital	**(212)**	789
Cash flow from operations	**682**	1 955
Net financing costs	**(472)**	(452)
Cash flow from operating activities	**210**	1 503
Expenditure on property, plant and equipment:		
New	**(396)**	(1 416)
Replacement	**(323)**	(280)
Major plant overhaul costs	**(87)**	(291)
Expenditure on intangible assets	**(26)**	(7)
Capital expenditure on growing crops	**(43)**	(76)
Proceeds on disposal of property, plant and equipment	**41**	110
Investments	**(5)**	8
Net cash flow before dividends and financing activities	**(629)**	(449)
Dividends paid	**(198)**	(283)
Net cash flow before financing activities	**(827)**	(732)
Borrowings raised	**1 103**	652
Non-recourse equity-settled BEE borrowings	**(26)**	(4)
Shares issued	**6**	14
Settlement of share-based payment awards	**(27)**	(22)
Net increase/(decrease) in cash and cash equivalents	**229**	(92)
Balance at beginning of year	**140**	229
Foreign exchange adjustment	**(18)**	(61)
Exchange rate translation loss	**(1)**	(5)
Subsidiaries consolidated		69
Cash and cash equivalents at end of year	**350**	140

CORPORATE INFORMATION

Tongaat Hulett Limited
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541

Directorate: J B Magwaza (Chairman), P H Staude (Chief Executive Officer)*, B G Dunlop*, F Jakoet, J John, R P Kupara^, A A Maleiane+, T N Mgoduso, M Mia, N Mjoli-Mncube, M H Munro*, C B Sibisi, R H J Stevens.
* Executive directors ^ Zimbabwean +Mozambican

Company Secretary: M A C Mahlari

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 (Pty) Limited
Telephone: +27 11 370 7700

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

- **Revenue of R9,681 billion** (2010: R8,789 billion)
- **Profit from operations of R1,338 billion** (2010: R1,500 billion)
- **Headline earnings of R806 million** (2010: R815 million)
- **Annual dividend of 250 cents per share**

COMMENTARY

The past year continued to be characterised by counteractive factors. Progress towards fully utilising Tongaat Hulett's installed sugar milling capacity of some 2 million tons per annum was hampered by the severe drought in the 2009/10 growing period in South Africa, coupled with poor growing conditions in Mozambique in the early part of 2010. The South African sugar production was the lowest in many decades for Tongaat Hulett. Exchange rates have been less favourable than in the prior year. Sugar realisations in the past year in the Mozambique local market and on exports from South Africa were constrained. Favourable prices were achieved on exports from Mozambique and Zimbabwe into the European Union and the United States. The 7 800 hectare increase in land under cane, with its corresponding root planting, as well as better expected future yields, crop positioning and improved sugar prices led to an increase in the value recorded for the sugar cane growing crop at the 31 March 2011 year end. The results of the starch operation improved substantially. The sale of development land remained depressed in the current economic climate. A defined benefit pension fund asset has been recognised in accordance with IFRS upon the splitting of the fund with Hulamin. Tongaat Hulett's headline earnings were R806 million for the year ended 31 March 2011, compared to the R815 million earned in the previous comparative 12 months.

Profit from the starch operations increased by 21% to R303 million from R251 million in the prior year. A margin increase was generated by improvements in manufacturing efficiencies, lower maize costs and higher international starch prices. This was partially offset by a firmer Rand and lower co-product prices. Higher international maize prices combined with favourable agricultural conditions resulted in a third consecutive annual South African maize surplus and local maize prices which traded close to or below international prices for most of the year. Starch and glucose volumes in the local market grew by 2,6 % following moderate growth in the food sectors and a recovery of demand in the paper making and paper converting sectors.

The Zimbabwe sugar operations increased production by 29% to 333 000 tons from 258 000 tons in the prior year. Initiatives are underway with farmers to increase the hectares under cane, as well as to improve yields and optimise cane age on the company estates, in order to grow cane supply. The opportunity exists for a further 80% growth in sugar production up to the installed milling capacity of 600 000 tons per annum and a reduction in the unit cost of production. The extended mill refurbishment programme during the previous off-season resulted in a late start at Hippo Valley Estates, consequently not all the cane could be crushed by the end of the season. The quantum of the increase in the value of growing crops in 2010/11 was lower than that of 2009/10 due to the re-establishment of the sugar cane crop and a greater price recovery in 2009/10. The profit from the Zimbabwe sugar operations was R454 million (US$ 63 million) compared to R518 million (US$ 66 million) in the prior year.

In Mozambique, sugar production increased by 24% to 166 000 tons, as the operations progress towards the recently expanded capacity of more than 300 000 tons per annum. Volumes were lower than expected as a result of crop positioning and weather conditions, which led to lower cane yields per hectare harvested and 18% less sugar extracted from the cane than expected, particularly in the latter part of the year. Consequently, some sugar cane originally targeted for milling in the 2010/11 season was carried over and will be milled early in the 2011/12 season. Following the rapid depreciation of the Metical during the year, domestic market prices lagged regional prices for a large portion of the year and had a negative impact on operating profit of some R120 million. In addition, the fixed cost nature of the business resulted in high costs per ton of sugar produced, with the cane expansion still being in the ramp-up phase. Profit from operations was R135 million (Metical 628 million) compared to R141 million (Metical 521 million) in the prior year.

The South African sugar milling, refining and agriculture operations made a loss of R7 million for the year compared to a profit in the prior year of R136 million. The extreme drought conditions in KwaZulu-Natal in the past season led to a reduction in the sugar crop and higher costs per ton of sugar produced. Sugar production reduced to 445 000 tons (prior year: 564 000 tons). Domestic sales volumes grew by 3,2%. In terms of the South African sugar industry legislated regulations, 83% of the sales in the 2010/11 season were deemed to be local and 17% were recognised and valued as exports. The export realisations did not fully reflect the higher world prices and were limited by the reduction in production. The average realisation for these raw sugar exports was R3 272 per ton (prior season: R3 070 per ton), including a world sugar price of 18,5 US c/lb at an average exchange rate of R7,62/US$.

The downstream sugar value added activities contributed R241 million to profit (prior year: R200 million). This includes Voermol animal feeds, South African refined exports, regional marketing, sales, packing and distribution activities.

In Swaziland, the Tambankulu sugar estate produced a raw sugar equivalent of 54 000 tons (prior year: 54 000 tons). The Swaziland sugar industry's EU export realisations were lower than last year. The increase recorded in the value of the sugar cane in 2010/11 was below the increase of 2009/10. Operating profit reduced to R17 million (prior year: R51 million).

Tongaat Hulett owns 13 654 gross hectares for development in South Africa. Land and property development activity continues to focus primarily on the areas north and west of Durban in anticipation of demand in the near term from urban growth. Good progress is being made, working with all spheres of government, on adding value for all stakeholders through processes of preparing for the conversion of agricultural land to optimal land usage and accelerated socio economic development at the appropriate time. In the present economic conditions the sale of development land across most sectors remains depressed and few hectares are being converted to development. Revenue in the past year was generated mainly from sales in the Cornubia, Umhlanga Ridgeside and Izinga areas, together with a benefit and associated land sale for the golf course at Zimbali Lakes, which is currently being constructed by Tongaat Hulett's joint venture partner. During this period, 144 developable hectares (209 gross hectares) were sold. Operating profit from land conversion and development amounted to R166 million (prior year: R194 million) with a further R23 million in capital profits (prior year: R52 million) being realised.

The centrally accounted and consolidation items, in profit from operations, included a gain of R130 million (prior year: R82 million) on the recognition of an unconditional entitlement to an employer surplus account allocation, which is funding an employer contribution holiday in the Tongaat Hulett pension fund.

Overall, profit from operations was R1,338 billion compared to the R1,500 billion earned in the previous comparative 12 months.

Tongaat Hulett's operating profit has increased to R1,606 billion from R1,535 billion in the prior year. It includes an amount of R288 million, relating to the recognition of an accounting surplus in the South African defined benefit pension fund, as required by international financial reporting standards (IFRS), following the formal splitting of the fund between Tongaat Hulett and Hulamin.

Finance costs for the year increased to R472 million from R365 million in the prior year. The capitalisation of interest on the Mozambique expansion project ended in the prior year, with the commissioning having been completed.

Cash inflow from operations, before a working capital absorption and tax payments, was R1,005 billion for the year. The last three years have seen significant capital expenditure on the Mozambique expansion and cash being absorbed in the establishment of the expanded cane crops, the replanting of sugar cane and mill refurbishment in Zimbabwe. Tongaat Hulett's net debt at the end of the year was R3,925 billion (prior year: R3,040 billion).

The Board has declared a final dividend of 140 cents per share, which brings the total annual dividend to 250 cents per share, compared to 275 cents per share in the fifteen month prior period.

Outlook

The large South African maize harvest in 2010 and the high maize stock levels from the previous two seasons should maintain local maize prices close to world prices and contribute to the competitiveness of the starch operation. Higher international starch prices are countering the impact of the exchange rate.

Tongaat Hulett expects to make further progress in growing sugar production towards the target of doubling the 2010/11 production, utilising the available milling capacity, with a simultaneous reduction in unit costs. Production in Mozambique is expected to increase by more than 50% in the 2011/12 season to between 250 000 and 270 000 tons of sugar, with an increase in hectares harvested, higher cane yields and improved sugar extraction from cane anticipated. Zimbabwe sugar production in the 2011/12 season is expected to increase to between 360 000 and 380 000 tons of sugar, with better cane age and yields on a similar number of hectares being harvested. In South Africa, sugar production is expected to increase in the 2011/12 season, notwithstanding the variable growing conditions at the beginning of the year, as the cane recovers from the drought of 2010. The strategy to increase cane supply in South Africa is focused on increasing Tongaat Hulett's influence in cane development through leasing land and collaborating with government to rehabilitate cane supply on its land and land reform farms that have gone out of cane. Tongaat Hulett expects to have new sugar cane planted on more than 8 000 hectares in South Africa in 2011/12, following the additional 9 696 hectares planted over the past two years.

Pricing of raw sugar into the European Union is reflective of demand exceeding supply. Regional sugar prices at the start of the new season are above those of last year, in line with current global sugar dynamics.

Considerable growth in profit from operations is expected in the year ahead. Tongaat Hulett's financial results remain sensitive to movements in the Rand, US dollar, Euro and Mozambique Metical. These impact on the revenue streams, costs incurred and the conversion of profits into Rands.

Agricultural land conversion and development activity is currently focused on development, partnership and bulk sale opportunities in the north and west of Durban, including industrial and business park land adjacent to the new international airport and at Cornubia. Industrial land in Durban/eThekwini remains in short supply. Tongaat Hulett has 13 654 gross hectares available for conversion to development over time in South Africa.

Renewable energy, both electricity generation and ethanol production from sugar cane, provides substantial future opportunities.

For and on behalf of the Board

J B Magwaza
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal 26 May 2011

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared a final dividend (number 167) of 140 cents per share for the year ended 31 March 2011 to shareholders recorded in the register at the close of business on Friday 15 July 2011.

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

Last date to trade ordinary shares "CUM" dividend	Friday	8 July 2011
Ordinary shares trade "EX" dividend	Monday	11 July 2011
Record date	Friday	15 July 2011
Payment date	Thursday	21 July 2011

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 11 July 2011 and Friday 15 July 2011, 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 8 July 2011.

For and on behalf of the Board

M A C Mahlari
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal 26 May 2011

STATEMENT OF FINANCIAL POSITION

Condensed consolidated Rmillion	Audited 31 March 2011	Audited 31 March 2010
ASSETS		
Non-current assets		
Property, plant and equipment	**7 665**	7 710
Growing crops	**2 608**	2 041
Defined benefit pension fund asset	**294**	
Long-term receivable	**135**	
Goodwill	**230**	240
Intangible assets	**32**	9
Investments	**7**	10
	10 971	10 010
Current assets	**3 520**	3 358
Inventories	**1 365**	1 373
Trade and other receivables	**1 457**	1 580
Major plant overhaul costs	**331**	256
Derivative instruments	**11**	9
Tax	**6**	
Cash and cash equivalents	**350**	140
TOTAL ASSETS	**14 491**	13 368
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**140**	139
Share premium	**1 524**	1 519
BEE held consolidation shares	**(868)**	(935)
Retained income	**5 305**	4 691
Other reserves	**(1 301)**	(841)
Shareholders' interest	**4 800**	4 573
Minority interest in subsidiaries	**840**	870
Equity	**5 640**	5 443
Non-current liabilities	**3 981**	3 708
Deferred tax	**1 365**	1 272
Long-term borrowings	**1 345**	1 103
Non-recourse equity-settled BEE borrowings	**761**	787
Provisions	**510**	546
Current liabilities	**4 870**	4 217
Trade and other payables (note 4)	**1 938**	2 131
Short-term borrowings	**2 930**	2 077
Derivative instruments	**2**	3
Tax		6
TOTAL EQUITY AND LIABILITIES	**14 491**	13 368
Number of shares (000)		
– in issue	**105 014**	103 677
– weighted average (basic)	**105 986**	103 811
– weighted average (diluted)	**108 984**	105 922

STATEMENT OF CHANGES IN EQUITY

Condensed consolidated Rmillion	Audited 12 months to 31 March 2011	Audited 15 months to 31 March 2010
Balance at beginning of year	**4 573**	3 059
Total comprehensive income for the year	**358**	1 689
Retained earnings	**833**	2 898
Movement in hedge reserve	**(3)**	17
Foreign currency translation	**(472)**	(1 226)
Dividends paid	**(191)**	(264)
Share capital issued - ordinary	**6**	14
BEE held consolidation shares	**42**	29
Share-based payment charge	**42**	39
Settlement of share-based payment awards	**(27)**	(22)
Reallocation	**(3)**	29
Shareholders' interest	**4 800**	4 573
Minority interest in subsidiaries	**840**	870
Balance at beginning of year	**870**	276
Total comprehensive income for the year	**(29)**	(106)
Retained earnings	**38**	130
Foreign currency translation	**(67)**	(236)
Dividends paid to minorities	**(7)**	(19)
Change of interest in subsidiary		(7)
Loan account movement	**2**	
Reallocation	**3**	(29)
Consolidation of subsidiaries	**1**	755
Equity	**5 640**	5 443

STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit for the year	**871**	3 028
Other comprehensive income	**(542)**	(1 445)
Movement in non-distributable reserves:		
Foreign currency translation	**(539)**	(1 462)
Hedge reserve	**(4)**	23
Tax on movement in hedge reserve	**1**	(6)
Total comprehensive income for the year	**329**	1 583
Total comprehensive income attributable to:		
Shareholders of Tongaat Hulett	**358**	1 689
Minority (non-controlling) interest	**(29)**	(106)
	329	1 583

NOTES

1. Net financing costs		
Interest paid	**(491)**	(577)
Interest capitalised	**7**	88
Interest received	**12**	37
	(472)	(452)
2. Tax		
Normal	**(72)**	(309)
Deferred	**(160)**	(14)
Rate change adjustment (deferred)		154
Secondary tax on companies	**(29)**	(39)
	(261)	(208)
3. Headline earnings		
Profit attributable to shareholders	**833**	2 898
Less Zimbabwe consolidation take-on gain		(1 969)
Less after tax effect of:		
Capital profit on disposal of land	**(23)**	(52)
Capital profit on other items	**(4)**	(11)
Fixed assets and other disposals		(8)
	806	858

4. Trade and other payables
Included in trade and other payables is the maize obligation (interest bearing) of R173 million (2010: R381 million).

5. Capital expenditure commitments		
Contracted	**134**	234
Approved	**51**	118
	185	352
6. Operating lease commitments	**42**	31
7. Guarantees and contingent liabilities	**35**	148

8. Basis of preparation
The audited results for the year ended 31 March 2011, from which these condensed consolidated financial statements were derived, have been presented in accordance with International Accounting Standard 34 Interim Financial Reporting, the AC 500 standards as issued by the Accounting Practices Board and the JSE Limited Listings Requirements. The accounting policies are consistent with those used for the audited 2010 annual financial statements which fully comply with International Financial Reporting Standards.

9. Audited results
The consolidated financial statements for the year ended 31 March 2011 have been audited by Deloitte & Touche. Their unmodified audit opinion is available for inspection at the registered office of the company.

10. Pro forma income statement and segmental analysis for the 12 months ended 31 March 2010
The pro forma income statement and segmental results for the prior period are presented for comparative purposes and comprise the audited results for the 15 months to 31 March 2010 minus the unaudited results for the 3 months to 31 March 2009. The pro forma detail and the requisite reporting accountants' report have been published on SENS and will be included in the Annual Report.