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

AUDITED SUMMARISED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

SALIENT FEATURES
• Recovery in financial results indicates substantial progress in the turnaround strategy, as well as hyperinflationary effects in Zimbabwe
• Significant improvement at all sugar operations, solid performance in starch and glucose with continued land sales
• Strategic transformational partnerships remain on track for finalisation
Group financial results (including the discontinued starch and glucose operation)
• Basic earnings per share improved by 109% to 89 cents (March 2019: loss of 948 cents)
• Headline earnings per share improved by 111% to 90 cents (March 2019: loss of 823 cents)
Group results from continuing operations
• Revenue up 18% to R15.4 billion (2019: R13.1 billion)
• Operating profit up 491% to R3.3 billion (2019: R551 million)
• Operations outside of Zimbabwe contributed in excess of R1.0 billion to the turnaround
• Adjusted EBITDA* up 397% to R3.0 billion (2019: R606 million)
• Hyperinflationary monetary loss of R1.3 billion
• Basic loss for the year improved by 81% to R286 million (2019: loss of R1.5 billion)
• Basic loss per share improved by 84% to 212 cents (2019: loss of 1,352 cents)

• Headline loss for the year improved by 79% to R285 million (2019: loss of R1.4 billion)
• Headline loss per share improved by 83% to 211 cents (2019: loss of 1,226 cents)
• Cash flow from operating activities increased by 62% to R2.1 billion (2019: R1.3 billion)
• No dividend was declared in the current year

(Tongaat Hulett's starch and glucose operation was reclassified as a discontinued operation in this period pending finalisation of the disposal. All financial results reflect the continuing operations, unless stated otherwise)

** Adjusted EBITDA is defined as profit from operations adjusted to exclude depreciation, amortisation, any impairment (or reversal thereof), any other non-trading items, as well as any fair value adjustments relating to biological assets.*

INTRODUCTION

Tongaat Hulett delivered improved results in a market characterised by weak economic growth as well as significant business uncertainty and volatility. The key focus in 2020 has been on ensuring the long-term sustainability of the Group, the protection of 23 000 jobs and safeguarding of the interests of shareholders, funders and other stakeholders.

Tongaat Hulett continues to implement decisive steps to stabilise and restructure its businesses to become more profitable and sustainable. It is encouraging that operational drivers are beginning to reflect notable advancement on several fronts and that this is translating into improved financial performance. It clearly demonstrates that Tongaat Hulett is successfully laying the groundwork for its return to sustainable value creation for stakeholders.

In terms of our turnaround strategy, we have in the past year:

- ✓ Enhanced our cash position and entered into a range of transactions to pay down debt
- ✓ Managed and brought down our cost base
- ✓ Improved our sugar production
- ✓ Grown our market share
- ✓ Appointed a strong leadership team and Board
- ✓ Strengthened governance and financial control
- ✓ Repositioned and revitalised assets
- ✓ Progressed transformation and empowerment
- ✓ Optimally improved and better positioned our human capital
- ✓ Worked to improve the safety of our workplaces, and deepened our relationships with stakeholders

We have made a promising start – much remains to be done!

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

Gross revenue from continuing operations increased by 18% to R15,382 million (2019: R13,061 million, reflecting solid performances in the operations and an improved mix towards more profitable local sales. Tongaat Hulett applied hyperinflation accounting for the first time in the 2020 financial year for its operations in Zimbabwe. This, together with the official interbank exchange rate used to translate the results in Rand being impacted by liquidity shortages more than the underlying economics in the country, increased revenue in Zimbabwe by 37%. Revenue for the continuing operations excluding Zimbabwe increased by 7%. Please refer to the section below for an analysis on the dynamics and impact of hyperinflation.

Tongaat Hulett has experienced marked improvements in operational performance across all sugar operations and the Xinavane refinery achieved pleasing maiden production volumes and earnings. The property operation concluded new land transactions amounting to R144 million during the period. The starch and glucose operation, now classified as discontinued, delivered a good performance with increased demand in the alcoholic beverages helping to offset the impact of higher maize prices.

Operating profit from continuing operations for the year ended 31 March 2020 increased by 491% to R3,257 million (2019: R551 million), which includes the impact of hyperinflation in Zimbabwe. The return to profitability in the Mozambican operations and the reduction in the operating loss in South Africa most clearly demonstrate the improvements that have been achieved in the past year. Operating profit excluding the Zimbabwean operations improved from a R650 million loss in 2019 to a R375 million profit in 2020, a turnaround in excess of R1 billion. Adjusted EBITDA increased by 397% to R3,010 million (2019: R606 million).

The table below reflects the operational performance of all operations excluding Zimbabwe, in order to provide insight into the underlying performance of the remaining operations once the distortions of hyperinflation have been removed.

Operational performance (all continuing operations excluding Zimbabwe)

R million			
	March 2020	March 2019	% change
Revenue (external)	9,347	8,699	7%
Operating profit	375	(650)	158%
Adjusted EBITDA	729	(40)	>1,000%

The strong recovery in operating profit was countered by a 22% increase in net finance costs to R1,620 million (2019: R1,331 million) and a first-time non-taxable net monetary loss arising from the adoption of hyperinflation accounting of R1,296 million. In the context of the disposal of the starch and glucose operation, a deferred tax asset has now been recognised for the Group's tax loss to the extent that it is probable that future taxable profit will allow for the recoverability thereof, thereby increasing earnings by a net R213 million.

The net effect is a significant turnaround in profitability: profit for the year generated from continuing operations (including Zimbabwe) was R137 million relative to a loss of R1,237 million in the prior year. The headline loss from continuing operations reduced by 79% to R285 million, relative to a loss of R1,378 million in 2019. Tongaat Hulett reduced the basic loss per share from continuing operations to 212 cents (2019: loss of 1,352 cents) and the headline loss per share to 211 cents (2019: loss of 1,226 cents), an improvement on the prior year of 84% and 83%, respectively. Earnings per share for total operations including starch and glucose were 89 cents, relative to a loss in the prior year of 948 cents. Headline earnings per share for total operations were 90 cents (2019: loss of 823 cents). No dividend was declared in the current year.

ZIMBABWE HYPERINFLATION DYNAMICS

The requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) have been applied to the financial results for the year ended 31 March 2020. A comprehensive discussion of the implementation of IAS 29 and the related assumptions are disclosed in the Basis of Preparation section of the annual financial statements.

Hyperinflation and currency dynamics in Zimbabwe continue to impact on the Group's results. Zimbabwe experienced compound inflation from March 2019 to March 2020 of 676%. Typically, exchange rate movements are a function of the relative inflation rates between two countries' economies. Foreign currency liquidity shortages in Zimbabwe have, however, caused a disconnect in this relationship, with the deterioration in inflation being disproportionate to the weakening of the official interbank exchange rate used for translating profits in Rands. Specifically, between July 2019 and March 2020, the official inflation rate was 288% whereas the official interbank exchange rate declined by 172% from ZWL$9.2 to ZWL$25 against US$1. This inconsistency has made it difficult to compare the results of the Zimbabwe sugar operations reported in Rand terms, to the Group's other sugar operations and to the previous financial year. The use of the unofficial rate, which has declined by 263% from ZWL$10.6 to ZWL$38.5 over the same period, would provide some mitigation for this distortion. It is pleasing to note that, with the recent introduction of the auction system, the two rates have become closer aligned.

The value of the Group's cash balances in Zimbabwe has been significantly eroded by the hyperinflationary environment. The Group continues to seek ways to preserve the value of its capital and minimise its cash holdings by accelerating capital expenditure and projects, and advance purchases of raw materials, amongst others.

Impact of hyperinflation on financial results

	Zimbabwe			Group (Continuing Operations)		
R million	As reported: official rate	Sensitivity: unofficial rate	% change	As reported: official rate	Sensitivity: unofficial rate	% change
Revenue	6,126	3,978	-35%	15,382	13,234	-14%
Operating profit	2,882	1,872	-35%	3,257	2,246	-31%
Net asset value	3,857	2,505	-35%	(1,595)	(2,947)	-85%

DISCONTINUED OPERATION – STARCH AND GLUCOSE

The starch and glucose business continued to operate as planned, generating strong cash flows successfully recapturing imported glucose volumes and enhancing its operating efficiencies. Revenue increased by 7% to R4,274 million, while operating profit and adjusted EBITDA both declined by 6% to R616 million (2019: R656 million) and R729 million (2019: R777 million), respectively. This reduction was in line with expectations and due mainly to higher maize costs.

Maize prices were impacted by lower plantings and dry conditions which affected some maize growing areas, further compounded in the latter part of the year by SAFEX price volatility. A total maize crop of 11,275 million tons was harvested, which represents a decrease of 10% from the previous season's crop. The operation mitigates against the risk of higher maize prices through its hedging strategy. The impact of the higher maize costs was also partially offset by improved co-product realisations.

Starch and glucose sales volumes increased by 2% to 509,100 tons, with domestic sales volumes up by 4% due to increased demand in alcoholic beverages, continued growth in the coffee creamer sector, and the recapture of imported glucose volumes within the confectionary sector. Export volumes declined by 12%, adversely affected by the operation's prioritisation of supply to the local market and reduced demand in Zimbabwe due to liquidity shortages in the country. The weaker exchange rate contributed to improved pricing on competitively priced prime products.

Co-product revenues were boosted by improved pricing and the weaker Rand, as well as the strategy by the operation to balance its sales mix between feedlots and the dairy markets.

Sales to the alcoholic beverage sector represent approximately 38% of the business' total domestic sales volumes. Alcoholic sales have been banned for periods within the lockdown, which strongly affected sales to the sector. With the most recent suspension from 12 July 2020, 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 2020 and early January 2021.

The lockdown also negatively 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 estimated maize crop at 15.5 million tons, being the second largest on record, the business will benefit from lower maize prices which supports higher profit margins.

- **Sale of starch and glucose operation**

Tongaat Hulett initiated the disposal of its starch operations to reduce debt and grow the business going forward. The sale of the starch business for R5.35 billion to KLL Group Proprietary Limited (KLL Group), a wholly owned subsidiary of Barloworld Limited, was announced in February 2020. In May 2020, KLL Group informed the Group that they believe the COVID-19 pandemic has triggered a material adverse clause event (MAC), which Tongaat Hulett disputes. Tongaat Hulett is driving the transaction by closing workstream activities in parallel with the adjudication of the MAC dispute, which has been referred to Rothschild and Co South Africa, an independent third party, for review. A final and binding determination is anticipated by 21 September 2020. We remain optimistic for a favourable outcome.

Our valuable assets provide the Group with choices and if the transaction should fail, Tongaat Hulett will consider the relaunch of the starch and glucose sales process, alternative asset disposals and the potential of raising equity. We are also well advanced with four strategic business partnerships, two of which are intended to raise proceeds in terms of the South African debt reduction plan. Further information on these debt reduction initiatives is provided below.

SEGMENTAL PERFORMANCE

R million	March 2020	March 2019	% Change
Operating profit	**3,257**	**551**	**491%**
Sugar	3,010	346	770%
Zimbabwe	2,882	1,201	140%
Mozambique	124	(471)	126%
South Africa	(130)	(482)	73%
Other SADC	134	98	37%
Property	658	273	141%
Corporate	(411)	(68)	(504%)
Adjusted EBITDA	**3,010**	**606**	**397%**
Sugar	2,760	395	599%
Zimbabwe	2,281	646	253%
Mozambique	285	(36)	892%
South Africa	64	(321)	120%
Other SADC	130	106	23%
Property	660	279	137%
Corporate	(410)	(68)	(503%)

Sugar

The Sugar operation experienced a strong turnaround in all operations. Active interventions to turn the various sugar operations around, as well as the effects of hyperinflation in Zimbabwe, contributed to an operating profit for the sugar operations of R3,010 million, relative to R346 million in the prior period.

- **Zimbabwe**

The Zimbabwean sugar operations generated operating profit of R2,882 million (2019: R1,201 million).

To achieve better cane yields in the long-term, the previous season's replant programme at Triangle was shifted to March/April 2019. This resulted in a short-term reduction in the area harvested, culminating in sugar production declining by 3% to 439,300 tons (2019: 453,700 tons).

Local sales volumes declined by 13% from 371,000 tons to 323,900 tons, due to the impact of the hyperinflationary economy on customers' affordability, as well as the need to responsibly control sugar supply into the local market to prevent sales arbitrage to surrounding markets. Ethanol sales, particularly into the fuel blending markets, grew by 30% to 30 million litres. Growing export sales into regional and other preferential markets to generate foreign currency, remains a key focus. Export sales volumes, representing 22% of total sales in the period (2019: 23%), were affected by infrastructural damage to logistics routes caused by Cyclone Idai.

Exchange control regulations allow Tongaat Hulett Zimbabwe to utilise up to 80% of its export revenue earned in US dollars within 30 days of receipt, which has allowed for strong progress in paying down foreign denominated debt and reducing the associated foreign exchange risk. Foreign denominated borrowings have declined to US$6.7 million from US$17.0 million at March 2019. These developments should assist with the repatriation of surplus cash from Zimbabwe in the short term and while no dividend was repatriated in the year under review, dividends totalling R84 million were received in South Africa from the Zimbabwe operations during June and July 2020.

Hyperinflation has distorted the fair value adjustments to biological assets, culminating in a gain for this period of R807 million.

Post year end, a moratorium on price increases from March to 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.

With the COVID-19 pandemic, demand for ethanol to make sanitisers 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.

- **Mozambique**

The Mozambican sugar operations experienced a notable turnaround with an operating profit of R124 million, relative to a loss in the prior period of R471 million.

Sugar production at the Xinavane mill of 176,800 tons, was in line with the previous season's production. The impact of Cyclone Idai reduced sugar production at the Mafambisse operation from 51,100 tons to 27,900 tons.

The industry's local market sales, of which Tongaat Hulett's share is 67% (2019: 66%), continued its recovery, increasing by 24% to 185,900 tons (2019: 149,700 tons). The 90,000-ton refinery at Xinavane ramped up production this year. The refinery produced 38,900 tons of refined sugar and generated R119 million in operating profit in its first full season of operation.

Cost containment across all business areas continued, with savings of R126 million realised (including proceeds from the auction of surplus assets), offset by a once-off cost of R72 million incurred in rightsizing the business and reducing headcount. The Mafambisse sugar mill reduced its operating loss from R110 million to R31 million.

The adoption of IFRS16 *Leases* resulted in the operations' cane haulage fleet being recognised as a right-of-use asset, which improved both operating profit and Adjusted EBITDA by R25 million and R109 million respectively, as the lease charge previously expensed is now apportioned between depreciation and finance costs.

The onset of the COVID-19 pandemic in Mozambique, as well as the introduction of VAT (at 17%) on sugar negatively affected sales volumes in the first few months of the new financial year. However, as part of the COVID-19 relief measures, the Mozambique government reinstated the VAT exemption for sugar until 31 December 2020 which has resulted in some recovery in sales volumes.

- **South Africa**

The South African operations produced significantly improved results across multiple areas of the business, including production, productivity and overall cost management. This recovery culminated in a notable decline in the operating loss in the South African sugar operations despite a number of once-off costs resulting from the turnaround initiatives in the business. The operating loss reduced to R130 million from R482 million in the previous year. After adjusting for depreciation and fair value movements on biological assets (i.e. Adjusted EBITDA), the operation reflected an operating profit of R64 million (2019: R321 million loss) for the year.

The sugar mills recorded one of the best performances in recent years, increasing sugar production for the season to 602,000 tons (2019: 598,000 tons), despite sugarcane tons crushed being lower.

Local market sales volumes for the financial year increased by 7% to 372,300 tons. Average pricing benefited from the full period impact of the 19.5% price increase in the prior year, as well as a further 6.5% increase in November 2019. At a sugar industry level, sales to industrial customers remained lower than historical levels, with the impact mainly being ascribed to product reformulation post the implementation of the Health Promotion Levy. Competition is fierce and a variety of trade incentives were required to support sales.

Exports sales volumes declined by 8% to 258,800 tons. These sales took place earlier in the year than normal, to bring forward cash flows. Export pricing benefited from the weaker exchange rate and improvement in world sugar prices.

The performance of Voermol, the animal feeds business, was impacted by lower production volumes arising from various challenges, including load shedding and less sugarcane pith. In addition, the pricing strategy was revised to increase competitiveness and regain market share, which will benefit the business in the new financial year.

The total sugar operation achieved cost savings of R403 million before once-off and retrenchment costs of R164 million. As an interim measure while the Group reassesses its transfer pricing policy and given the expiry of a technical service agreement with its operations in Zimbabwe, central costs totalling some R66 million have not yet been on-charged to other operations as was the case in the previous year.

Post year end, sugar sales in South Africa continue to outperform volumes for the comparative prior period, supported by the Group's strength in retail markets, combined with demand for food parcels. The mothballing of the Darnall sugar mill will assist the business to improve its factory capacity utilisation and reduce its fixed costs in the 2020/21 sugar season.

- **Other SADC**

Collectively, operating profit for the Botswana and Namibia packing operations and the Eswatini sugarcane farming operation increased by 37% to R134 million (2019: R98 million). The Namibia operation that was disposed of effective 1 July 2020 contributed R39 million to profit (2019: R42 million). The Botswana operation increased operating profit by 16% to R71 million (2019: R61 million) due to higher sales to industrial customers and the benefit of the weaker Rand on the cost of sugar purchased from South Africa. Higher sugarcane prices offset the impact of lower yields, resulting in the Eswatini operation achieving a profit of R24 million (2019: loss of R5 million).

Property business

Property profits increased notably, with operating profit up 141% to R658 million (2019: R273 million).

The property operation generated revenue for the financial year ended 31 March 2020 of R945 million (2019: R940 million). Revenue from new deals concluded and transferred to purchaser within the period totalled R144 million. The balance of revenue relates to several legacy transactions where considerable effort was made to secure the planning approvals and development rights necessary to conclude the deals and transfer the properties to the respective purchasers. In terms of the 2019 revised accounting policies, revenue from land sales is only recognised on the date the property is transferred.

Two large land sales in Tinley South (62 hectares) and Sibaya (213 hectares) were finalised during the year generating revenue of R316 million (2019: none). Township property sales equivalent to 239,000m² of new floor area (2019: 380,200m²), generated revenue of R629 million (2019: R940 million). Large land sales have no infrastructure obligations and, together with one township property in Ntshongweni where the municipality is contributing all bulk infrastructure, contributed to an improved profit margin of 70% (2019: 29%).

Cost reduction remained a focus in the year, realising savings of R46 million, with retrenchment and once-off costs incurred of R13 million.

The balance of historic deals concluded but not yet transferred is R312 million (net of provision for expected credit losses). Deals totalling R373 million have been cancelled or revised since 1 April 2019 (with deals to the value of R174 million having been cancelled or revised since the 30 September 2019 interim results).

During the COVID-19 lockdown, the processes necessary to transfer the ownership of properties to the respective purchasers, as well as to collect the resultant cash inflows, have been delayed. These delays extend to planning approvals required to convert and develop agricultural land for sale to third parties. The lockdown similarly prevented the installation of infrastructure for a period, with a consequential delay in the timing of cash outflows, which mitigated the delayed cash inflows somewhat. While the timing of expenditure remains uncertain, the Group is proactively monitoring cash flows and exploring various opportunities to realise savings.

The impact of the COVID-19 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, including a catalytic brewery project, that were in the final stages of negotiation, have either been cancelled or put on hold while potential purchasers reassess their risk exposure in the context of changing market demands for new property development stock. At the date of this report, deals representing R222 million of revenue are currently under negotiation.

As a result of unplanned expenditure in respect of COVID-19, municipal budget constraints have the potential to reduce its ability to contribute meaningfully to bulk infrastructure costs. This could negatively affect profit margins and future land sales or property transactions.

CORPORATE

The substantial increase in corporate costs is mainly transitory in nature with R214 million incurred in respect of retrenchments, the forensic investigation, various disposal transactions, the restructuring of debt and the restatement of the annual financial statements (including a provision for penalties from the JSE and FSCA, as discussed below). Temporary contracted-in resources were also required to support various activities. Certain Group-wide support costs have not yet been on-charged to other operations while the basis of allocating these overheads is under review.

KEY TRANSFORMATIONAL PARTNERSHIPS

An essential part of the turnaround strategy of the Group is to re-visualise the business models and associated structures of the Group to improve returns. Tongaat Hulett has put in place a number of strategic business partnerships to raise cash and reduce debt and/or accelerate the Company's transformation initiatives and build strong partnerships. These include:

- **FarmCo** - An initiative was launched within the South African farming operations, through which Tongaat Hulett is optimising its direct sugarcane farming activities in the country. Tongaat Hulett exited a significant portion of its direct sugarcane farming activities by leasing Company owned farmland to Uzinzo Sugar Farming (Uzinzo) and other third-party growers. The arrangement has established Uzinzo as the largest black grower in the South African sugar industry.

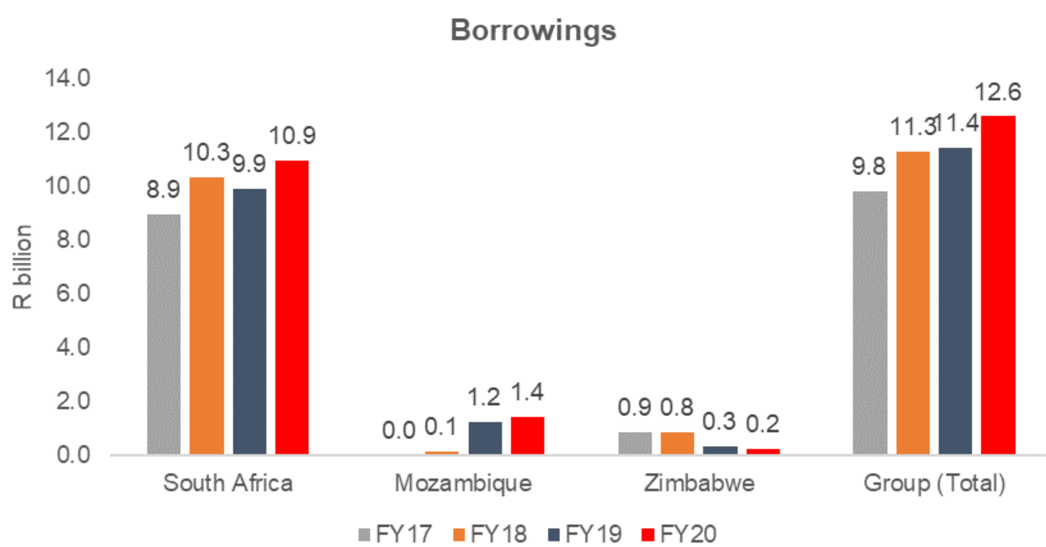
- **MillCo** - An initiative within the South African milling operations, aimed at establishing a well-structured competitive sugar business on the KwaZulu-Natal north coast that mills, refines and sells sugar and associated products, with equity held by farmers, amongst others.

- **PropCo** - In the property and land portfolio, a special purpose vehicle is being created to facilitate diverse investment partnership opportunities to deliver a stable and sustainable long-term earnings platform.

- **Kilimanjaro** - Tongaat Hulett officially launched project Kilimanjaro with the President of Zimbabwe in November 2019. The project aims to increase productivity of land through the development of 4,000 hectares of new land for sugarcane farming for the benefit of 200 local farmers, while creating 2,000 new jobs.

DEBT REDUCTION AND CASH FLOW

Tongaat Hulett regards rapid de-gearing as a key imperative to achieving sustainability. The first phase of the debt reduction programme, comprising the streamlining and rationalising of operations and the improvement and optimisation of business performance and accountability, is progressing well. The second phase involves the disposal of core and non-core assets, as well as a potential equity capital raise, to reduce its borrowings. The pending disposal of the starch and glucose operation forms the cornerstone of the debt reduction plan and will step-change efforts to reduce debt to a sustainable level.



Total borrowings have increased by 11% to R12.6 billion (2019: R11.4 billion), largely as a result of finance costs in South Africa which continued to be paid from borrowings. Net borrowings for the same periods were R11.4 billion and R10.5 billion respectively, with cash balances in South Africa of R707 million (2019: R nil) that could not be applied to reduce debt before the reporting date due to a five-day notice period required to repay the Group's new revolving credit facility.

- **South African debt**

In South Africa, total borrowings at 31 March 2020, were R10.9 billion (2019: R9.9 billion). Tongaat Hulett entered into new senior term-loan facilities, senior revolving credit facilities and overdraft facilities (New SA Facilities) on new commercial terms including the provision of security over South African assets that came into effect on 10 March 2020. The New SA Facilities were used to refinance amounts owing to lenders in South Africa under existing facilities.

As part of the debt refinance, Tongaat Hulett committed to reducing its South African debt levels by R8.1 billion by March 2021. To achieve this, Tongaat Hulett has initiated various asset disposals, many of which are at an advanced stage. Signed debt reduction transactions totalling R6.01 billion have been concluded, with R630 million of debt reduction proceeds received to date.

Asset disposals to reduce South African debt

Asset	Buyer	Contribution to debt reduction target *	Proceeds applied to debt reduction	Status
Liquidation of legacy pension fund (South Africa)	N/A	R512 million	R512 million	Liquidation is completed.
Disposal of 51% in sugar packaging and distribution (Namibia)	Bokomo Namibia	R109 million	R109 million	Effective 1 July 2020. Purchase price settled.
Disposal of various land sales (South Africa)	Balwin Properties and others	R101 million	R10 million	Remains subject to various suspensive conditions which are in the process of being concluded.
Disposal of Starch and glucose operation (South Africa)	KLL Group (wholly owned Barloworld subsidiary)	R4,916 million	None to date	Shareholders' approval obtained. MAC dispute resolution process underway.
Disposal of Tambankulu Estates (Eswatini)	Eswatini Public Service Pensions Fund	R372 million	None to date	Remains subject to various suspensive conditions. Shareholders' circular posted.
Total		**R6,010 million**	**R630 million**	

* *The contribution to the debt reduction target is determined as the agreed selling price per the sale agreement less the actual/estimated debt assumed by the purchaser, after transaction costs and, in the case of land sales, the estimated cost of any infrastructure obligations.*

Non-binding expressions of interest continue to be received in relation to various operations and assets within the Group. Any such transactions will be given due consideration and conducted in an orderly manner and at reasonable market-related prices.

The MillCo initiative is progressing well with bidder appetite remaining in excess of the available stake. 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.

As a result of the MAC dispute, uncertainty exists as to whether the disposal of the starch and glucose operation will proceed. Consequently, a risk exists that the Company could potentially not 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, uncertainty around the COVID-19 pandemic may delay other debt reduction transactions and cause further pressure on the achievement of other milestones.

To mitigate these risks, and to ensure the availability of funding for a period of at least 12 months following the release of these annual financial statements, the following actions have been taken:

- On 31 July 2020, the Group obtained a waiver letter from the South African lenders, whereby the lenders have waived their right to accelerate payment of the facilities should the starch disposal not be implemented, and the original debt reduction milestones are consequently missed, or if there is a breach of the 30 September 2020 financial covenants.
- A credit-approved short-form term sheet has been agreed with the South African Lenders to amend the common terms and other facilities agreements to redefine the financial covenants and amend the debt reduction milestones in respect of an event of default. The term sheet was signed by all parties on 31 July 2020.

The result of the above is that Tongaat Hulett has until 30 September 2021 (i.e. an additional six months), to achieve the R8.1 billion debt reduction commitment. The original milestones will, however, continue to be applied for the purpose of determining the interest rate ratchets. Therefore, the failure to conclude the starch disposal and any delay in concluding other debt reduction transactions will increase the cost of finance.

Further details are included in the Going Concern section of the Basis of Preparation note to the Annual Financial Statements.

- **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 the new season maize deliveries.

- **Debt in Mozambique**

Total borrowings in Mozambique was R1,429 million, compared to R1,213 million in the prior year, with the stronger Metical against the Rand contributing to R230 million of the increase. On a constant currency basis, borrowings were in line with the prior year with the benefit of improved operational cash flows offset by the higher cost of financing, once-off costs and the impact of normalising over-extended suppliers.

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 from improved operational performance. The objective of the debt restructure is to ensure there are sufficient 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.

The provision of a security package in favour of the 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.

In line with its commitment to dispose of non-core assets, the Mozambique operation disposed of its fleet of vehicles to Unitrans Mozambique Limitada for R75 million. The Mozambique operations will lease these vehicles back. The proceeds will be allocated evenly between debt reduction initiatives and liquidity support.

- **The way forward**

The Group has already met and exceeded the first debt repayment milestone agreed with the South African lenders of R500 million. Successful conclusion of the transactions above will allow Tongaat Hulett to effectively reduce debt by almost 50% and achieve the second and the majority of the third milestones, keeping the Group on track to achieve the targeted debt reduction level by the extended deadline of 30 September 2021. The disposal of the starch business will be complemented by transformational projects MillCo and PropCo to generate further debt reduction proceeds which, acknowledging some execution risk, should be sufficient to achieve the majority of the R8.1 billion debt reduction target. This will provide some "breathing room" for the Group to put in place measures to grow the business.

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 consequent reduction in finance costs.

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.

- **Cash flow**

Cash flow and liquidity are monitored on a daily basis by management with oversight by the Board. While Tongaat Hulett generated positive cash flow from operations after working capital in 2020, the majority of the improved operational cash flow was used to service the interest on the Group's borrowings.

The working capital cycle normalised following the year ended 31 March 2020, as deferred creditors from the previous financial year were settled and supply terms were aligned with the Group's terms. In particular, the property business settled R312 million owing to its suppliers for infrastructure and development costs where extended payment terms had been negotiated. Capital expenditure during the period was confined to essential replacement items, with the exception of Project Kilimanjaro in Zimbabwe.

To note

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 does not reflect 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 Zimbabwe economy.

OUTCOME OF REGULATORY INVESTIGATIONS

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 co-operate with the enquiries of the regulator. A proposed administrative penalty in respect of the misrepresentation of the Group's financial performance (in the financial years preceding the year ended 31 March 2019) is under discussion, and shareholders will be informed once this has been finalised. An amount of R33 million has been accrued in respect of this potential penalty.

JSE investigation

The JSE has concluded its investigation into the Company publishing financial information for the periods 2011 to 2018 that did not comply with IFRS and which was incorrect, false and misleading. The JSE found that the Company had failed to comply with the JSE Listings Requirements and imposed the maximum permissible fine of R7.5 million with R2.5 million of the fine being suspended for five years in recognition of the Company's cooperation in, and assistance with the investigation. The JSE's investigation into the conduct of individuals that presided over the Company during the periods in question is ongoing. At 31 March 2020, the Group accrued R5 million in respect of the fine payable.

CHANGES TO THE BOARD OF DIRECTORS

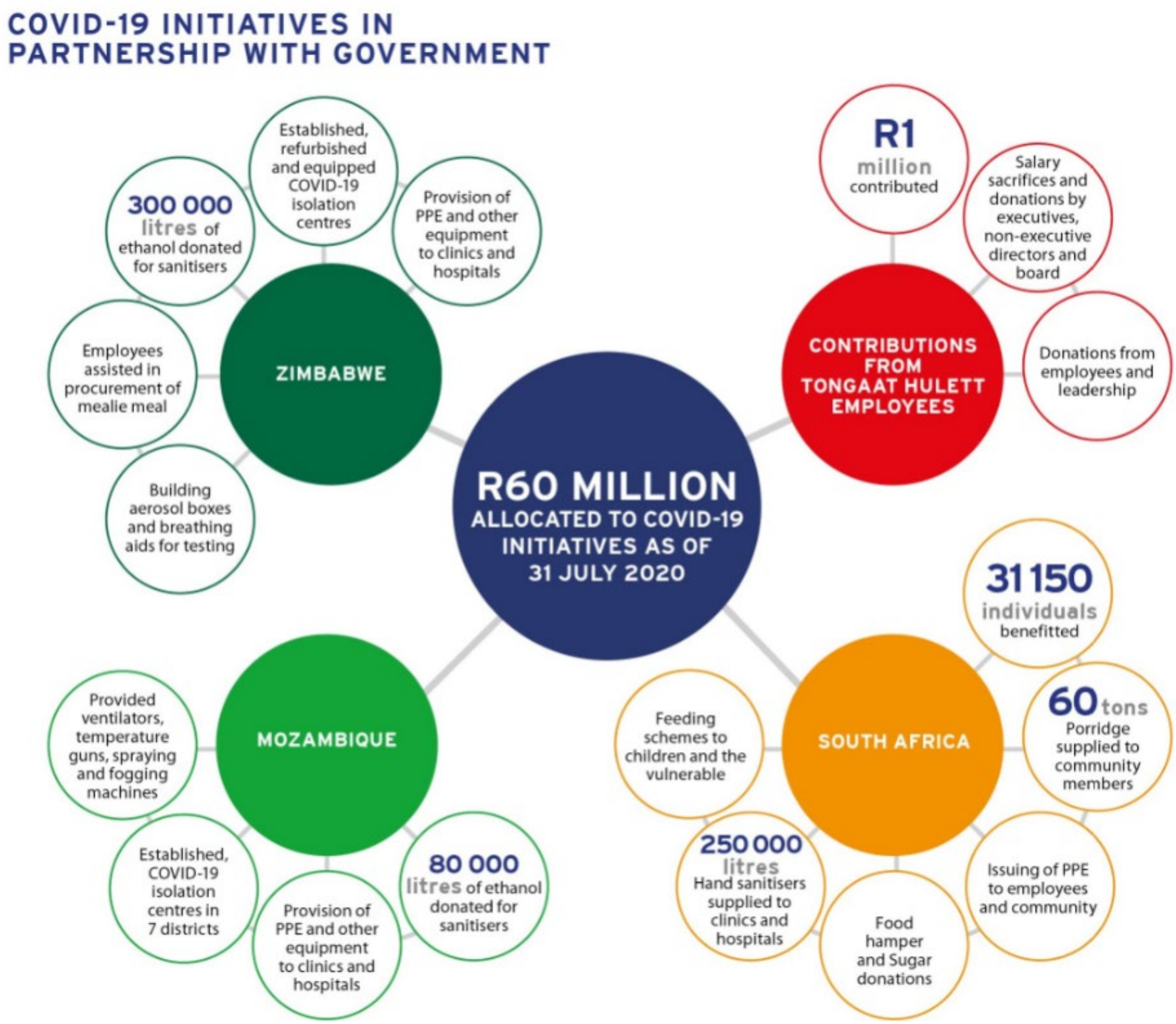
With effect from 1 July 2020, Mr David Noko was appointed as an independent non-executive director. Mr Noko will serve as the Chairman of the Social, Ethics, Health and Safety Committee and as a member of the Remuneration and Human Resources Committee.

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 of the Risk, Capital and Investment Committee.

COVID-19 PANDEMIC

The Group's operations are predominantly focused on the production, distribution and supply of food and food ingredients, considered in most part to be essential goods, and were allowed to operate during the lockdown restrictions. The annual results to 31 March 2020 were not materially impacted by the pandemic lockdown.

Tongaat Hulett's response to the COVID-19 pandemic has included remote working for all employees that are not required to be on site and stringent health and safety protocols and the provision of protective gear for onsite employees. The Group's plans take cognisance of the fact that its Zimbabwe and Mozambique operations are located in remote and/or rural parts of those countries, where the risk of infection is low but where access to medical care is constrained. To ensure a consistent response to the pandemic, the Group has relied significantly on its business continuity plans. These plans have been independently reviewed by regulatory authorities in relation to its COVID-19 interventions. Protocols and procedures in response to positive cases identified at the operations are continuously being improved with learnings from these incidents being applied.



On average more than 20 000 employees are screened for COVID-19 on a daily basis

Financial impact of the COVID-19 pandemic

For the new financial year commencing on 1 April 2020, the financial impact of the COVID-19 pandemic on the sugar operations has been limited, while the starch operation has seen a reduction in volumes related to the alcoholic beverage and confectionary sectors in South Africa, which was somewhat offset by increased demand in the coffee creamer sector. The reopening of the deeds office and municipal services will facilitate land development and further property transfers. While the full extent of the impact on the economy and on the Group's sales remains uncertain, the Group is actively monitoring the effect on the business operations and on its liquidity, whilst ensuring the protection of its employees, customers, businesses and communities.

In light of the macroeconomic impact of the COVID-19 pandemic, the Board has re-assessed the valuations of the underlying businesses and landholdings using a number of COVID-19 scenarios and are pleased to report no impairments, or inventory write-downs in the case of land, were deemed necessary at the year end.

A comprehensive social response

Tongaat Hulett has committed investments of some R60 million, including in-kind contributions, to prioritise the safety of employees and stakeholders. Current initiatives include:

- The Zimbabwe sugar business donated 300,000 litres of ethanol to the Government to produce sanitisers, is assisting its more vulnerable employees to purchase mealie meal and, in addition to resourcing its own hospitals, is working in partnership with the Ministry of Health to refurbish and equip several isolation centres, clinics and hospitals in the province.
- The interventions in Mozambique are focused on supporting the local hospitals and clinics through the provision of personal protective equipment, the donation of 80,000 litres of ethanol to produce hand sanitiser and the establishment of seven isolation centres for managing COVID-19 cases. There has also been a focus on improving hygiene practices in the areas surrounding the operations.
- Across all operations, Tongaat Hulett has built stackable aerosol boxes and custom non-invasive breathing aids to augment the testing undertaken by Tongaat Hulett's medical operations.
- Initiatives in South Africa have benefitted 31,150 individuals who are located in the areas that surround Company operations and include feeding schemes, sugar donations, food hamper donations providing two month's food security, a partnership to produce and supply a total of 250 000 litres of sanitiser to clinics in KwaZulu-Natal and the issuing of cloth masks to employees and community members. Employees, the executive and non-executive directors pledged more than R1 million to assist people in need.

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. Tongaat Hulett's MillCo initiative is aligned to the objectives of the sugar master plan.

AUDIT OPINION

These summary consolidated financial statements for the year ended 31 March 2020 have been audited by Deloitte & Touche, who have expressed an unmodified audit opinion in terms of the International Standards on Auditing, including a paragraph on material uncertainty relating to going concern. The auditors also expressed an unmodified opinion in terms of the International Standards on Auditing, with a paragraph on material uncertainty relating to going concern on the annual consolidated financial statements from which these summary consolidated financial statements were extracted. Events and other matters indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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.

The full auditor's report, including the key audit matters, is available on the link below.
https://www.tongaat.com/2020AFS.pdf

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the Annual Consolidated Financial Statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

OUTLOOK

Despite the considerable progress made to date, a substantial task remains ahead to ensure a sustainable growth path for the Tongaat Hulett Group.

We expect accelerated momentum in the turnaround of the sugar operations. The South African sugar operations will benefit from improved production and better pricing. The Kilimanjaro project is expected to increase throughput in Zimbabwe from the 2021 financial year, while continued focus on efficiencies and cost reductions will drive the journey to becoming the lowest cost producer in all three sugar regions in which the Group operates. The Group also continues to review ongoing diversification opportunities and will progress these as appropriate.

While sales in the property market are expected to be depressed in the near future, the ongoing interest in the property portfolio is encouraging. Tongaat Hulett will prioritise PropCo to generate steady annuity-based income and will work closely with local authorities to accelerate planning approvals.

The maize crop is estimated to increase by 35% in the 2019/20 maize season. This will improve margins in the starch business and together with ongoing cost savings initiatives, will assist to negate the negative impacts arising from the current suspension of alcohol sales.

The Group will continue to finalise the various asset disposals announced this year, in order to meet the milestones required to reduce debt. Together with efficiency improvements and cost reductions, the disposals are expected to have a positive impact on debt reduction initiatives and the decline in the South African and Mozambican interest rates will further reduce the cost of debt. The Group will also continue to pursue the sale of non-core assets.

Whilst significant progress has been made to date, there remains a strong focus on improving health and safety metrics, governance, people processes and leveraging our systems platform.

Tongaat Hulett is pleased with the pace and progress achieved towards establishing a foundation for a more profitable and sustainable Group. The Board and management remain committed to returning the Group to its rightful position as a leading diversified African agri business.

For and on behalf of the Board

Louis von Zeuner
Chairman

Gavin Hudson
Chief Executive Officer

Tongaat
14 August 2020

Sponsor
Investec Bank Limited

Tongaat Hulett Limited
Registration No: 1892/000610/06, **JSE share code**: TON, ISIN: ZAE000096541
Directorate Non-executive directors: L von Zeuner (Chairman), L de Beer, RM Goetzsche, JJ Nel, DC Noko, AH Sangqu, L Stephens
Executive directors: JG Hudson (CEO), RD Aitken (CFO), DL Marokane
Company Secretary: Johann van Rooyen
Registered office: Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal P O Box 3, Tongaat 4400. Telephone: +27 32 439 4019
Transfer secretaries: Computershare Investor Services (Pty) Limited, Telephone: +27 11 370 7700
Sponsor: Investec Bank Limited, Telephone: +27 11 286 7000
info@tongaat.com

TONGAAT HULETT LIMITED

SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED AUDITED STATEMENT OF FINANCIAL POSITION

R' million	Note	31 March 2020	31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	6 013	5 709
Right-of-use assets	4	340	-
Goodwill		53	48
Intangible assets		337	388
Investments in associates and joint ventures		35	6
Deferred tax assets		593	123
Other non-current assets		348	860
Total non-current assets		**7 719**	**7 134**
Current assets			
Inventories	5	3 281	3 673
Biological assets	6	2 572	1 552
Trade and other receivables	7	1 071	1 528
Derivative financial instruments		-	12
Current tax assets		124	72
Cash and cash equivalents		1 242	962
		8 290	**7 799**
Assets classified as held for sale	8	2 139	100
Total current assets		**10 429**	**7 899**
TOTAL ASSETS		**18 148**	**15 033**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium		1 679	1 679
Accumulated losses		(3 563)	(3 548)
Other reserves		(863)	(1 704)
Total equity attributable to owners of Tongaat Hulett Limited		**(2 747)**	**(3 573)**
Non-controlling interests		1 152	601
Total equity		**(1 595)**	**(2 972)**
Non-current liabilities			
Deferred tax liabilities		1 123	660
Borrowings	9	157	-
Lease liabilities	4	227	-
Post-retirement benefit obligations		504	585
Deferred income		115	173
Provisions	10	690	1 041
Total non-current liabilities		**2 816**	**2 459**
Current liabilities			
Borrowings	9	12 439	11 438
Lease liabilities	4	78	-
Trade and other payables		2 493	3 553
Post-retirement benefit obligations		51	58
Deferred income		167	129
Provisions	10	688	302
Current tax liabilities		76	46
		15 992	**15 526**
Liabilities directly associated with assets classified as held for sale	8	935	20
Total current liabilities		**16 927**	**15 546**
TOTAL LIABILITIES		**19 743**	**18 005**
TOTAL EQUITY AND LIABILITIES		**18 148**	**15 033**

TONGAAT HULETT LIMITED

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

for the year ended 31 March 2020

R' million	Note	31 March 2020	31 March 2019 Reclassified
Revenue	11	**15 382**	**13 061**
Cost of sales		(8 591)	(9 394)
Gross profit		**6 791**	**3 667**
Marketing and selling expenses		(1 023)	(919)
Administrative and other expenses		(2 836)	(2 271)
Net impairment (loss) / reversal		(4)	65
Non-trading items		(8)	-
Other operating income		337	9
Operating profit		**3 257**	**551**
Net finance costs		(1 620)	(1 331)
Finance costs		*(1 880)*	*(1 478)*
Finance income		*260*	*147*
Net monetary loss arising from hyperinflation in Zimbabwe		(1 296)	-
Share of net profit of associates		24	2
Profit / (loss) before taxation		**365**	**(778)**
Taxation	12	(228)	(459)
Profit / (loss) from continuing operations		**137**	**(1 237)**
Profit from discontinued operation	8	393	445
Profit / (loss) for the year		**530**	**(792)**
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)
Tax effect of remeasurement of post-retirement benefit obligations		71	8
Allocation of a retirement fund surplus to the employer		42	-
Tax effect of the allocation of a retirement fund surplus to the employer		(12)	-
Other comprehensive income / (loss) for the year, net of tax		**880**	**(2 758)**
Total comprehensive income / (loss) for the year		**1 410**	**(3 550)**
Profit / (loss) for the year is attributable to:			
Owners of Tongaat Hulett Limited		120	(1 063)
Non-controlling interests		410	271
		530	**(792)**
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Tongaat Hulett Limited		810	(3 320)
Non-controlling interests		600	(230)
		1 410	**(3 550)**
Earnings per share arising from loss from continuing operations attributable to the owners of Tongaat Hulett Limited (cents)	13		
Basic		(212)	(1 352)
Diluted		(212)	(1 352)
Earnings per share arising from profit / (loss) attributable to the owners of Tongaat Hulett Limited (cents)	13		
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.

TONGAAT HULETT LIMITED

SUMMARISED CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

R' million	Share Capital	Share Premium	Accumulated Losses	B-BBEE Held Consolidation 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 income for the year ended 31 March 2019	-	-	(1 083)	-	-	(2 236)	**(3 319)**	(230)	**(3 549)**
Profit 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.

TONGAAT HULETT LIMITED

SUMMARISED CONSOLIDATED AUDITED STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

R' million	Note	31 March 2020	31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	2 337	1 720
Taxation paid		(239)	(408)
Net cash inflow generated from operating activities		**2 098**	**1 312**
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income	B	23	90
Additions to property, plant and equipment	3	(538)	(1 090)
Expansion capital		*(322)*	*(466)*
Replacement and ongoing capital		*(116)*	*(280)*
Establishing new area under cane		*(31)*	*(15)*
Replanting of existing area under cane		*(69)*	*(329)*
Additions to intangible assets		(10)	(37)
Sharecropper and cane supply arrangements		*(6)*	*(22)*
Software and other		*(4)*	*(15)*
Proceeds on disposal of investments		8	2
Proceeds on liquidation of legacy pension fund		538	-
Proceeds on disposal of property, plant and equipment		45	9
Loans repaid by/(advanced to) growers and key / strategic business partners		3	(5)
Net cash inflow / (outflow) from investing activities		**69**	**(1 031)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid:		(52)	(120)
To shareholders of Tongaat Hulett Limited		*-*	*(66)*
To non-controlling shareholders		*(52)*	*(54)*
Finance costs	B	(1 310)	(1 107)
Borrowings:		1 312	542
Raised		*13 217*	*8 940*
Repaid		*(11 905)*	*(8 398)*
Lease liabilities		(88)	-
Net movement on non-recourse equity-settled BEE borrowings		-	(12)
Purchase of shares for delivery to employees		-	(27)
Net cash outflow from financing activities		**(138)**	**(724)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**2 029**	**(443)**
Cash and cash equivalents at the beginning of the year		962	2 723
Foreign currency translation effect on cash and cash equivalents		164	(1 309)
Hyperinflation effect on cash and cash equivalents [1]		(1 919)	-
Transfer from/(to) assets held for sale	8	6	(9)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1 242**	**962**

[1] Refer to Note 17 *Reporting on the Zimbabwean operations* for further detail on the hyperinflation effect on cash and cash equivalents.

R' million	31 March 2020	31 March 2019
A. CASH GENERATED FROM OPERATIONS		
Profit / (loss) for the year (including discontinued operation)	**530**	**(792)**
Adjusted for:		
Finance costs	1 946	1 509
Finance income	(269)	(148)
Share of profit of associate	(24)	(2)
Income tax	394	640
Net monetary loss	1 296	-
Operating profit	**3 873**	**1 207**
Adjusted for:		
Depreciation on property, plant and equipment	583	596
Depreciation on right-of-use assets	103	-
Amortisation of intangible assets and lease incentives	57	57
(Reversal of)/impairment losses on property, plant, equipment and intangibles	4	(65)
Allowance for expected credit losses	(56)	(103)
(Profit) / loss on disposal of property, plant and equipment	(11)	96
Loss on disposal of intangible assets	5	-
Movement in fair value of biological assets	(889)	(470)
Foreign exchange (gains)/losses	76	31
Share-based payments - BEE charge	1	2
Share-based payments - Employee share incentive scheme	15	38
Movement in provision for retirement benefit obligations	(62)	(111)
Deferred income (government grants) released to statement of profit or loss	(20)	(19)
Other non-cash items:		
Financial instruments and non-cash income	(35)	5
Valuation adjustment on investment	48	2
Operating cash flows before movements in working capital	**3 692**	**1 266**
Working capital		
Movement in inventories	(380)	184
Movement in trade and other receivables and contract assets	(361)	(114)
Movement in trade and other payables and contract liabilities	(532)	516
Investment in development of land portfolio	(82)	(132)
Net movement in working capital	**(1 355)**	**454**
Cash generated from operations	**2 337**	**1 720**

R' million	31 March 2020	31 March 2019
B. NET FINANCE COSTS		
Finance Income		
Per statement of profit or loss and other comprehensive income	**260**	**148**
Finance income relating to discontinued operation	9	-
Pension fund employer surplus account	(57)	(58)
Financial instrument income	(16)	-
Exchange gain on revaluation of borrowings	(125)	-
Lease liabilities	(48)	-
Per statement of cash flows	**23**	**90**
Finance Costs		
Per statement of profit or loss and other comprehensive income	**1 880**	**1 509**
Finance costs relating to discontinued operation	66	-
Unwind of discount on provisions:		
Retirement gratuity	(6)	(16)
Post-retirement medical aid	(44)	(44)
Development expenditure	(130)	(104)
Non-recourse equity-settled BEE interest	-	(48)
Financial instrument expense	(5)	-
Exchange loss on revaluation of borrowings	(363)	(190)
Interest paid on right-of-use lease liability	(7)	-
Interest accrued	(81)	-
Per statement of cash flows	**1 310**	**1 107**

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 Segment 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').

BASIS OF PREPARATION

Statement of compliance

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

The summarised consolidated audited financial statements have been prepared under the supervision of Mr. R Aitken CA (SA), Chief Financial Officer and were approved for issue by the Board of Directors on 14 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 in the consolidated annual financial statements for the year ended 31 March 2020.

Presentation

The financial statements are presented in South African Rand, which is Tongaat Hulett's functional and presentation currency, rounded to the nearest million. Accounting policies are presented in terms of IFRS and are consistent with those applied in the consolidated annual financial statements for the year ended 31 March 2020, except for the adoption of IFRS 16 *Leases* ("IFRS 16"), which has resulted in a change in accounting policy. Accordingly, the Group has recognised assets and liabilities for leases where it is the lessee, except for leases of low value or terms less than 12 months. The Group adopted IFRS 16 using the modified retrospective approach with no restatement of comparative figures.

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 exceeds 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, as 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).

BASIS OF PREPARATION (continued)

- 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 twelve months.

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.

Solvency and liquidity

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 reintroduction 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.

BASIS OF PREPARATION (continued)

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.

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**

BASIS OF PREPARATION (continued)

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 Report Date.*

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

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 twelve 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 6-month period ending on 30 September 2020, 31 March 2021 and 30 September 2021.

</td></tr>
</table>

BASIS OF PREPARATION (continued)

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 focussing 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.

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 a 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 excussion.

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 renegotiated 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.

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
Operating lease commitments as disclosed as at 31 March 2019	**54**
Inclusion of additional operating lease commitments	90
Restated operating lease commitments as at 31 March 2019	**144**
Discounted using the Group's incremental borrowing rate at the date of initial application	(36)
Add: Finance lease liabilities recognised as at 31 March 2019	1
(Less): Short-term leases recognised on a straight-line basis as expense	(47)
(Less): Low-value leases recognised on a straight-line basis as expense	(2)
Add: Adjustments as a result of a different treatment of extension and termination options	48
Lease liabilities recognised as at 1 April 2019	**108**
Categorised as follows:	
Current	46
Non-current	62
	108

The recognised right-of-use assets relate to the following types of assets:

R' million	Group
Land	16
Buildings	27
Plant and equipment	10
Cane haulage vehicles and equipment	55
Total right-of-use assets	**108**

Earnings per share decreased by 8 cents per share for the twelve months to 31 March 2020 as a result of the adoption of IFRS 16.

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 12 *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 have been expanded to include 'other non-current assets' excluding the pension fund employer surplus account.

Business segments

12 months ended 31 March 2020	**Continuing Operations**											**Discontinued 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**	**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 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**											**Discontinued 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 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**	**-**	**-**	**532**	**304**	**121**	653
EBITDA [3]	**(296)**	**(375)**	**114**	**(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**	**20**	**-**	**11 191**	**8 016**	**1 901**	**13 092**
Segment cash flows [7]	**(354)**	**(263)**	**(14)**	**(631)**	**184**	**(447)**	**730**	**(88)**	**-**	**195**	**11**	**1 026**	**1 221**
Capital expenditure [8]	**237**	**632**	**12**	**881**	**201**	**1 082**	**-**	**-**	**-**	**1 082**	**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*

Notes:

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.

2. SEGMENTAL REPORTING (continued)

Reconciliation of segmental assets

R' million	31 March 2020	31 March 2019
Segment assets	**15 882**	**13 092**
Add: Unallocated 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 equivalent	**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 & Middle East	Asia - Pacific	Discontinued Operations	Total
Revenue									
- 2020	8 602	1 123	5 234	3 139	362	372	824	(4 276)	**15 380**
- 2019	8 369	658	3 641	2 601	278	542	980	(4 008)	**13 061**

3. PROPERTY, PLANT AND EQUIPMENT

R' million	Land and Buildings	Cane Roots	Plant and Machinery	Transport and Vehicles	Irrigation Infrastructure 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**
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, including the effect of hyperinflation	(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**

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: None) 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 immoveable 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 immoveable 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 CGU's 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:

Cash-generating unit (CGU)	Segment	31 March 2020			31 March 2019		
		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 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).

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 assets 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.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment and reversal of impairment (continued)

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 8 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.

	Sugar - South Africa				Sugar - Zimbabwe		Sugar - Mozambique		Other SADC
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

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).

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

	Sugar - South Africa				Sugar - Zimbabwe		Sugar - Mozambique	
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

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

RIGHT-OF-USE ASSETS

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 - ongoing capital	-	4	-	303	**307**
New expansion capital	-	-	-	-	**-**
Ongoing [1]	-	*4*	-	*303*	***307***
Assets classified as held for sale	-	(21)	(3)	-	**(24)**
Current year depreciation charge	(3)	(6)	(4)	(90)	**(103)**
Foreign currency translation, including the effect of hyperinflation	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.

LEASE LIABILITIES

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

R' million	31 March 2020
First time adoption of IFRS 16 - 1 April 2019	**(108)**
New IFRS 16 leases recognised during the year	(307)
Gain on foreign currency denominated leases	49
Lease payments during the year	131
Interest during the year	(48)
Liabilities attributable to assets held for sale	27
Foreign currency translation, including the effect of hyperinflation	(49)
Total lease liabilities at the end of the year	**(305)**
Categorised as follows:	
Current	(78)
Non-current	(227)
	(305)
In respect of:	
Land	(14)
Buildings	(3)
Plant and machinery	(5)
Cane haulage vehicles and equipment	(283)
	(305)

5. INVENTORIES

R' million	31 March 2020	31 March 2019
Raw materials	49	240
Work in progress	-	15
Finished goods	989	892
Consumables	584	681
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**
Less: allowance for inventory write-downs	(32)	(16)
Net inventories	**3 281**	**3 673**
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.

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 8 *Discontinued Operations and Assets Classified As Held For Sale*). The starch operation's inventory balances at 31 March 2020 are R482 million.

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. Prior to the debt restructure, none of the Group's landholdings were encumbered.

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

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

6. BIOLOGICAL ASSETS

R' million	31 March 2020 Livestock and Orchards	31 March 2020 Standing Cane	31 March 2020 Total	31 March 2019 Livestock and Orchards	31 March 2019 Standing Cane	31 March 2019 Total
Reconciliation of the carrying amounts 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**

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 15. *Commitment 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.

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

	South Africa		Swaziland		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	77
Average maturity of cane as at 31 March (%)	55	61	67	63	65	57	66	62
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' millions)	135	234	122	109	1 868	927	395	250
Changes in fair value (R' millions)	-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.

6. BIOLOGICAL ASSETS (continued)

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 analyses 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 achieved in the 2019/20 season.

	South Africa		Swaziland		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 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.

7. TRADE AND OTHER RECEIVABLES

R' million	31 March 2020	31 March 2019
Trade receivables		
Trade receivables from contracts with customers relating to:	493	965
- sale of sugar and other related products	476	923
- sale of land	17	42
Less: allowance for expected credit losses	(35)	(55)
Net trade receivables	**458**	**910**
Other receivables subject to expected credit losses		
VAT receivable	127	185
Infrastructure cost recovery	77	11
Pension fund employer surplus account	53	-
Overpayment of cane growers in Mozambique	42	50
Other receivables [1]	179	201
	478	**447**
Less: allowance for expected credit losses	(70)	(108)
Net other receivables subject to expected credit losses	**408**	**339**
Other receivables not subject to expected credit losses		
Prepayments	193	279
Lease incentives	12	-
Total	**1 071**	**1 528**

[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 sales (refer to Note 8 *Discontinued Operations and Assets Classified As Held For Sale*).The starch operation's trade and other receivables balances at 31 March 2020 are R564 million.

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 14.2 *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%

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 twelve-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.

7. TRADE AND OTHER RECEIVABLES (continued)

The following table details the risk profile of trade receivables:

R' million	31 March 2020	31 March 2019
Past due:	**252**	**263**
Less than 1 month	157	196
Between 1 to 2 months	11	39
Between 2 to 3 months	5	4
Greater than 3 months	79	24
Not past due	**241**	**702**
Gross trade receivables	**493**	**965**
Less: allowance for expected credit losses	(35)	(55)
Net trade receivables	**458**	**910**

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

R' million	31 March 2020	31 March 2019
Gross 'other receivables subject to expected credit losses'	**478**	**447**
Performing	394	368
Non-performing	41	14
In default	43	65
Less: allowance for expected credit losses	**(70)**	**(108)**
Performing	(9)	(45)
Non-performing	(19)	-
In default	(42)	(63)
Net 'other receivables subject to expected credit losses'	**408**	**339**

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 14.2 for further details on the payment terms for the Group's customers.

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.

R' million	31 March 2020	31 March 2019
Analysis of movement in loss allowance on trade receivables:		
Balance at beginning of the year	**55**	**63**
Increase in loss allowance recognised in profit or loss during the year	11	24
Reclassification to other receivables	(8)	-
Amounts written off as uncollectible	(3)	(1)
Amounts recovered during the year	(1)	-
Foreign currency translation, including the effect of hyperinflation	(19)	(31)
Balance at end of the year	**35**	**55**
Analysis of movement in loss allowance on 'other receivables subject to expected loss allowances':		
Balance at beginning of the year	**108**	**111**
Increase in loss allowance recognised in profit or loss during the year	32	58
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**

7. TRADE AND OTHER RECEIVABLES (continued)

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 it's 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 it's 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.

8. 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 twelve 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 18 *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 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 November2019, 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 18 *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 twelve 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.

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

Discontinued operations - financial performance and cash flow information

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

R' million	31 March 2020	31 March 2019
Revenue	4 274	4 008
Cost of sales	(3 329)	(3 053)
Gross profit	**945**	**955**
Marketing and selling expenses	(49)	(56)
Administrative and other expenses	(287)	(252)
Other operating income	7	9
Profit from operations	**616**	**656**
Net finance costs	(57)	(30)
Profit before tax	**559**	**626**
Taxation	(166)	(181)
Profit from discontinued operations	**393**	**445**
Other comprehensive income for the year, net of tax	-	1
Total comprehensive income for the year from discontinued operations	**393**	**446**

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

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

9. BORROWINGS

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

R' million	Currency	Interest Rate %	31 March 2020	31 March 2019
Borrowings in functional currency				
Secured borrowings at amortised cost				
Senior term loan	ZAR	1 month JIBAR plus 4.60%	8 592	-
Senior revolving credit loan	ZAR	1 month JIBAR plus 5.13%	1 550	-
Term loan	MZN	Lower of MZ prime 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
Trade finance - Sugar	ZAR	None	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
Bonds	ZAR	3 month JIBAR plus 2,60% - 2,85%	-	1 100
Development finance	ZAR	3 month JIBAR plus 0,50% - 2,70%	-	662
General short-term	ZAR	8,00% - 9,75%	-	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
			12 478	**11 134**
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**
Unamortised transaction costs relating to the New SA Facilities			**(88)**	**-**
Total borrowings			**12 596**	**11 438**
Categorised as follows:				
Current			12 439	11 438
Non-current			157	-
			12 596	**11 438**

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.

9. 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
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.	
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.			

[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.

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 financial year.

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 18 *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 USD10m 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.

9. BORROWINGS (continued)

Zimbabwe

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

- Term loans denominated in USD totalled R121 million (31 March 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 (31 March 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.

10. PROVISIONS

	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**

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.

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.

11. REVENUE

The Group generates revenue primarily from the sale of land, sugar, starch, glucose and other related products.

Revenue is derived from the transfer of goods and services over time and at a point in time in respect of the following:

R' million	31 March 2020	31 March 2019
Revenue from contracts with customers is disaggregated below:		
Sugar operations		
South Africa	**5 294**	**5 077**
Sugar sales - local market	3 029	2 959
Sugar sales - export market	1 296	1 108
Molasses	169	189
Animal feeds	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**
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**
Starch and glucose - local markets	3 036	2 784
Starch and glucose - export markets	493	542
Co-products	745	682
Total revenue	**19 656**	**17 069**
Less: revenue from discontinued operations	(4 274)	(4 008)
Total revenue from continuing operations	**15 382**	**13 061**
Timing of revenue recognition		
At a point in time	15 282	12 853
Over time	100	208
	15 382	**13 061**

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'.

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

12. TAXATION

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

R' million	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)
- Prior year under / (over) provision	32	(4)
- Current year tax losses not recognised	-	355
- Previously unrecognised deferred tax asset on tax losses	(272)	-
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**
Withholding / non-resident tax	23	23
Taxation charge / (relief) for the year	**394**	**640**
Attributable to profit/(losses) from:		
Continuing operations	228	459
Discontinued operations	166	181
	394	**640**

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.

	31 March 2020		31 March 2019	
R' million	%	R	%	R
Profit / (loss) before taxation - continuing and discontinued operations		924		(152)
Tax using the South African statutory tax rate	28,0%	259	28,0%	(43)
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)
Adjusted for:				
Disallowed finance costs	9,5%	88	(50,7%)	77
Non-deductible administrative penalties	2,2%	20	-	-
Reduction of statutory tax rate in Zimbabwe	(4,0%)	(37)	-	-
Exempt government grant income	(0,6%)	(6)	3,9%	(6)
Impairment of assets and group investments	-	-	(38,8%)	59
Net monetary loss arising from hyperinflation	36,1%	334	-	-
Miscellaneous non-deductible expenditure [3]	4,0%	38	(20,1%)	31
Portion of capital gain / loss not subject to tax	(7,6%)	(70)	11,2%	(17)
Prior year (over) / under provision	(0,8%)	(7)	(48,0%)	73
Current year tax losses not recognised	6,4%	59	(306,6%)	466
Previously unrecognised deferred tax asset on tax losses	(29,4%)	(272)	-	-
Withholding / non-resident tax	2,5%	23	(15,1%)	23
Tax using the effective rate of taxation	42,6%	**394**	(421,1%)	**640**

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.

12. TAXATION (continued)

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 R653m (2018: R594m) has been applied to the deferred taxation balance. The Group's estimated tax losses are summarised below.

	31 March 2020			
R' million	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**

	31 March 2019			
R' million	Estimated tax loss - gross	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 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.

13. 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

	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)**

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

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 Empowerment ("B-BBEE") equity transaction involving Yomoba SPV and TH Infrastructure SPV, two special purpose vehicles, 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.

	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)

14. RISK MANAGEMENT

14.1 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.

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 6-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 18. 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 9 *Borrowings*, excluding Zimbabwe borrowings of R231 million (2019: R337 million) and deducting cash balances available to reduce revolving credit facilities of R707 million (2019: nil)) 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 [3]	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 amount rather than on an amortising basis. Therefore, a meaningful debt service cover ratio cannot be calculated at present.

14.2 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 twelve-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 table 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 reporting date
- for foreign currency options – option pricing models, and
- for other financial instruments – discounted cash flow analysis.

14.2 FINANCIAL RISK MANAGEMENT (continued)

R' million	Fair value level	GROUP (Per Statement of Financial Position) 31 March 2020	GROUP (Per Statement of Financial Position) 31 March 2019	HELD FOR SALE (Assets and directly associated liabilities) 31 March 2020	HELD FOR SALE (Assets and directly associated liabilities) 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]		2 277	3 316	410	19
Borrowings [6]		12 596	11 438	261	-
Fair value through profit or loss:					
Derivative financial instruments	2	-	-	3	-
Total		**14 873**	**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 twelve 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**

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.

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 customers 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 7 - 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 7 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.

d) Zimbabwe sugar operations: With the hyperinflationary environment, credit terms provided to sugar debtors have reduced from 28 days in 2019 to 7 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 7 *Trade and Other Receivables.*

14.2 FINANCIAL RISK MANAGEMENT (continued)

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 Mozambique 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.

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.

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

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 AND 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**

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 9 *Borrowings* .

15. COMMITMENTS & CONTINGENCIES

Capital Commitments

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

R' million	31 March 2020	31 March 2019
Contracts for capital expenditure authorised	82	43
Approved but not contracted	103	46

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 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

R' million	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

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 10 *Provision*s. 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 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.

16. 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.

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

R' million	31 March 2020	31 March 2019
Goods and services		
Sugar sales to Distribuidora Nacional de Açúcar, Limitada (joint venture)	1 037	629
Cane purchases from Uzinzo Sugar Farming Proprietary Limited	80	-
Brokerage fee paid to TM Insurance Brokers Proprietary Limited	-	6
Interest paid to related parties		
Paid to Tongaat Hulett Pension Fund 2010	(11)	(9)
Property transactions		
Purchase of land from Tongaat-Hulett Pension Fund	9	-
Loans received from related parties		
Tongaat Hulett Pension Fund 2010	(108)	(112)

Key management personnel

Key management personnel remuneration is set out in further detail in the Group's annual financial statements.

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**

17. 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 twelve 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 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.

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 unofficial 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 unofficial 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	Unofficial Rate ZWL 38.5 : USD 1	Sensitivity vs OMIR	Sensitivity vs Unofficial 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

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 Zimbabwe economy.

18. 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 5 *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 7 *Trade and Other Receivables* .

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

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.

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.

18. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

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.

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.

18. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

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 twelve 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.

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 rate in the unofficial market devalued significantly. To mitigate further deviation between the official interbank and unofficial 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 twelve-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.

18. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

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.

Financial Services Conduct Authority investigation

The investigation by the FSCA into potential contraventions of Section 81 of the Financial Markets Act is ongoing, and the Group continues to co-operate 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.