



Tongaat Hulett

AUDITED RESULTS AND FINAL DIVIDEND DECLARATION

for the year ended 31 December 2007

- Profit from Tongaat Hulett continuing operations of R838 million (2006: R726 million)
- Once-off BEE and corporate structuring costs of R370 million and STC cost of R56 million
- Headline earnings of R61 million – affected by corporate structuring transactions
- Annual dividend of 310 cents per share

COMMENTARY

In a challenging 2007, Tongaat Hulett continued to grow profit from operations and to build its competitive position as an agri-processing business which includes integrated components of land management, property development and agriculture. The unbundling of Hulamin, black economic empowerment equity participation and Tongaat Hulett share buy-back transactions were completed in 2007.

Tongaat Hulett's profit from continuing operations in 2007 increased by 15% to a record R838 million (2006: R726 million).

Operating profit from property developments increased by 32% to R428 million (2006: R325 million). In addition, capital profit of R48 million (2006: R26 million) was realised. 83 hectares of developable land were sold in Umhlanga Ridgeside, Izinga, Kindlewood, Ilala Ridge, Umhlanga Ridge Town Centre, RiverHorse Valley Business Estate, Briardene and Zimbali Coastal Resort. Late in 2007 the Umhlanga Ridgeside development framework plan (140 hectares) was approved. Tongaat Hulett's land and property development processes, together with the ongoing growth of Durban, are resulting in Tongaat Hulett's prime development land of some 14 000 hectares continuing to increase in importance and value.

Profit from sugar operations was R360 million (2006: R356 million), with the Zimbabwean operations being accounted for on a dividend received basis only. Total sugar production in 2007 was 1,119 million tons (2006: 1,067 million tons, before the acquisition of Hippo Valley). The five operations in Mozambique, Zimbabwe and Swaziland contributed R176 million (2006: R99 million) to profit from operations.

In Mozambique, the R1,3 billion expansion projects at Xinavane and Mafambisse are progressing well, with land preparation of 2 692 hectares having been completed. The impact of the expansion project activities on current operations continues to be managed. Sugar production in 2007 at Xinavane was 67 000 tons (2006: 65 000 tons) while at Mafambisse production at 41 000 tons remained unchanged from 2006. Average export price realisations increased by 27% in 2007 and continue to be optimised in attractive target markets, with access to Europe in terms of Least Developed Countries status and Everything-But-Arms agreements.

In Zimbabwe, the integration of Triangle and Hippo Valley is advancing well, incorporating the 50,35% shareholding in Hippo Valley and with an increasing ability to capitalise on synergies between these operations. In 2007, under extremely difficult circumstances, sugar production was 349 000 tons (including 156 000 tons from Hippo Valley). Triangle produced 240 000 tons in 2006. The business is presently contending, inter alia, with the extreme effects of hyperinflation, a distorted low domestic sugar price, exchange rate movements and foreign currency shortages in Zimbabwe. Dividends of R53 million were received from Triangle Sugar (2006: R61 million).

In Swaziland, Tambankulu Estates produced a record raw sugar equivalent of 58 000 tons (2006: 55 000 tons), with the sucrose yield exceeding 18 tons per hectare.

In South Africa, adverse weather and growing conditions contributed to a reduction in sugar production to 604 000 tons (2006: 666 000 tons). The small 2006 and 2007 crops resulted in lower export sales volumes in 2007 and an increased cost per ton of sugar produced. Raw sugar export volumes from South Africa reduced to 245 000 tons (2006: 316 000 tons) and were sold at an effective world sugar price of 11,8 US c/lb (2006: 12,8 US c/lb) at an average R7,12/US dollar (2006: R6,56/US dollar). South African domestic sales were 460 000 tons (2006: 469 000 tons).

Profit from starch operations was R105 million in 2007 (2006: R96 million). Margins remained under pressure with maize input costs being at import parity levels for a significant portion of the year. The last quarter saw improvements in international starch and glucose margins as markets responded to higher raw material costs. Sales volumes in the domestic market grew by 6% driven by strong growth across the alcoholic beverage, coffee and creamer, confectionery, mining and prepared foods sectors. Capacity optimisation and efficiencies at operations improved during the second half of 2007 as equipment upgrades and reliability initiatives started to yield benefits.

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

The corporate transactions concluded by Tongaat Hulett in 2007 also included a 25% BEE equity participation and a return of capital to shareholders by way of a share buy-back. The cost of the 18% (strategic partners, infrastructure and cane communities) BEE equity participation was measured and recognised at the grant date in June 2007, resulting in a once-off IFRS 2 cost of R320 million being charged to the income statement. The IFRS 2 costs relating to the 7% BEE employee transaction will be amortised over five years and commenced in the second half of 2007 with a cost of R13 million having been recorded. Once-off transaction related costs of R50 million have also been brought to account. The share buy-back, totalling R506 million including STC, was implemented in July 2007. The once-off BEE and transaction costs are not tax deductible.

Net finance costs were R119 million. The R88 million net finance income in 2006 in the Tongaat Hulett segment of the income statement includes finance income related to the Hulamin finance structure while the Hulamin discontinued operation segment includes finance costs. Finance costs in 2007 were affected by higher net borrowings and higher interest rates.

Net borrowings, after taking into account cash, as disclosed on the consolidated balance sheet reflect a balance of R991 million. It includes normal cash flow movements during the year, dividends paid and the impact of the share buy-back. The balance sheet also reflects the consolidation of the debt in the BEE equity participation entities, as required by International Financial Reporting Standards. This BEE debt does not have recourse to Tongaat Hulett and will effectively be equity settled.

Taking the aforementioned into account, attributable net profit totalled R3,457 billion. Headline earnings were R61 million, which includes the once-off transaction costs and BEE IFRS 2 costs and excludes the Hulamin fair valuation. The 2006 headline earnings of R703 million included the Hulamin contribution for a full year.

The Board has declared a final dividend of 160 cents per share, which brings the total annual dividend to 310 cents per share for the new Tongaat Hulett.

OUTLOOK

As the business moves forward, there are a number of relevant current factors and actions underway. Exchange rate movements will impact on local pricing and costs, as well as Tongaat Hulett's exports. Substantial cane expansions in Mozambique will be completed to enable sugar production above 260 000 tons in 2009. The South African sugar operations' focus includes new cane procurement initiatives, together with ongoing drives to increase competitiveness on costs, efficiencies and yields. The small 2007 crop will affect the results in the first half of 2008. A reasonable 2008 sugar crop in South Africa and higher international sugar prices would have significant benefits for results in the second half of 2008. Electricity cogeneration supply agreements are likely to be concluded during the year. The attention in Zimbabwe will be on restoring local prices to regional equivalents and on building towards full available capacity utilisation of 600 000 tons per annum, with particular emphasis on working with and increasing supplies of cane from outgrowers.

Going into 2008 with a limited stock of unconditional developable land, the immediate focus is on being able to proceed with Zimbali Lakes, Sibaya at Umdloti, Umhlanga Ridge Town Centre residential precincts and to accelerate the planning process in respect of Cornubia at Mt Edgecombe North, Shongweni and the land surrounding the new international airport. The development process around this new airport at La Mercy, Tongaat, will highlight the increasing value of land in that area.

Higher international maize prices coupled with improved local planting intentions and good early season growing conditions have resulted in local maize prices moving closer to export parity levels, which should benefit the starch operation during the second half of 2008.

Overall, sustained growth in profit from operations is expected in the 2008 year and this, together with the non recurrence of the significant once-off corporate structuring costs incurred in 2007, should lead to a considerable increase in headline earnings.

For and on behalf of the Board

C M L Savage Chairman
P H Staudé Chief Executive Officer
Amanzimnyama, Tongaat, KwaZulu-Natal 21 February 2008

SEGMENTAL ANALYSIS

Condensed consolidated Rmillion	Revenue	Operating Profit	Total Assets	Total Liabilities	Capital Employed	Capital Expenditure	Depreciation
2007							
Tongaat Hulett Starch	1 679	105	1 658	317	1 340	76	91
Tongaat Hulett Developments	892	428	1 671	699	972	8	1
Tongaat Hulett Sugar	3 824	307	4 260	193	3 807	671	130
Triangle dividend		53					
Centrally accounted costs		(55)	38	1 932	(5)		
Profit from Tongaat Hulett operations	6 395	838	7 627	3 141	6 090	755	222
Capital profit on land		48					
BEE equity and corporate structuring transactions		(383)		815			
Exchange rate translation loss		(1)					
Fair value adjustment of investment in Hulamin		3 348					
Consolidated total	6 395	3 850	7 627	3 956	6 090	755	222
2006 Restated (note 2)							
Tongaat Hulett Starch	1 316	96	1 530	250	1 280	101	89
Tongaat Hulett Developments	598	325	1 199	368	831	2	1
Tongaat Hulett Sugar	3 196	295	2 733	379	2 376	262	96
Triangle dividend		61					
Centrally accounted costs		(51)	513	1 314	506		
Profit from Tongaat Hulett operations	5 110	726	5 975	2 311	5 000	365	186
Capital profit on land		26					
Exchange rate translation gain		57					
Continuing operations	5 110	809	5 975	2 311	5 000	365	186
Discontinued operation							
Hulamin unbundling	2 738	211	3 081	613	2 608	117	86
Consolidated total	7 848	1 020	9 056	2 924	7 608	482	272

Condensed consolidated Rmillion	2007	2006 Restated (note 2)
BALANCE SHEET		
ASSETS		
Non-current assets		
Property, plant and equipment	3 210	4 270
Growing crops	353	212
Long-term receivable	203	203
Goodwill	42	21
Intangible assets	6	14
Investments	267	320
	4 081	5 040
Current assets	3 546	4 016
Inventories	1 331	1 595
Trade and other receivables	1 742	1 879
Derivative instruments	12	33
Tax	65	
Cash and cash equivalents	396	509
TOTAL ASSETS	7 627	9 056
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	138	107
Share premium	1 517	932
BEE held consolidation shares	(1 053)	
Retained income	1 796	3 868
Other reserves	337	50
Shareholders' interest	2 735	4 957
Minority interests in subsidiaries	223	76
Equity	2 958	5 033
Non-current liabilities	2 156	1 401
Deferred tax	673	1 055
Long-term borrowings	410	49
Non-recourse equity-settled BEE borrowings	812	
Provisions	251	297
Current liabilities	2 513	2 622
Trade and other payables (note 8)	1 494	1 388
Short-term borrowings	977	1 174
Derivative instruments	2	16
Tax	40	44
TOTAL EQUITY AND LIABILITIES	7 627	9 056
Number of shares (000)		
- in issue	103 005	106 591
- weighted average (basic)	104 987	105 497
- weighted average (diluted)	107 337	108 261

STATEMENT OF CHANGES IN EQUITY

	2007	2006
Balance at beginning of year	4 957	4 613
Net profit	3 457	723
Reallocation of minority interest	(7)	
Dividends paid	(531)	(506)
Share capital issued - ordinary	49	106
Share capital issued - B ordinary shares	227	
Share capital issued - A preferred ordinary shares	839	
Repurchase of ordinary shares	(450)	
BEE held consolidation shares	(1 053)	
Share issue expenses	(9)	
Share-based payment charge	374	22
Settlement of share-based payment awards	(81)	
Movement in hedge reserve		(1)
Foreign currency translation	19	
Distribution in specie on unbundling of Hulamin	(5 056)	
Shareholders' interest	2 735	4 957
Minority interests in subsidiaries	223	76
Balance at beginning of year	28	75
Share of profit	7	1
Reallocation of minority interest		
Dividends paid to minorities	(20)	
Equity contribution by BEE minorities	18	
Consolidation of subsidiaries	129	
Hulamin unbundling	(19)	
Foreign currency translation	4	
Equity	2 958	5 033

NOTES

- BEE IFRS 2 charge and transaction costs**
A once-off R320 million IFRS 2 charge has been brought to account in respect of the facilitation of the 18% BEE equity participation transaction as well as a R13 million IFRS 2 charge in respect of the 7% BEE employee share ownership plans. Advisory and other transaction related costs of R50 million have been brought to account.
- Hulamin unbundling and restatement of comparatives**
Pursuant to the listing and unbundling of Hulamin at the end of June 2007, Tongaat Hulett's 50 percent investment in Hulamin was fair valued through the income statement by R3,348 billion and thereafter unbundled as a distribution in specie. Comparative figures in the income statement and segmental analysis have been restated to reflect Hulamin as a discontinued operation, as required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- Net financing (costs)/income**
Interest paid (208) (38)
Interest capitalised 15
Financial instrument income 104
Interest received 74 22
(119) 88
- Tax**
Normal (98) (85)
Deferred (63) (90)
Secondary tax on companies (127) (63)
(288) (238)
- Capital expenditure commitments**
Contracted 539 169
Approved but not contracted 796 640
1 335 809
- Operating lease commitments**
23 45
- Guarantees and contingent liabilities**
35 79
- Trade and other payables**
Included in trade and other payables is the maize obligation (interest bearing) of R163 million (2006: R130 million).
- Audited results**
The consolidated financial statements for the year ended 31 December 2007 have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the registered office of the company.
- Basis of preparation**
The audited financial statements for the year ended 31 December 2007, from which these condensed financial statements were derived, have been prepared in accordance with the accounting policies which fully comply with International Financial Reporting Standards and IAS 34 Interim Financial Reporting and are consistent with those applied in the previous year. Tongaat Hulett continues to account for its Zimbabwean operations on a dividend received basis.

CORPORATE INFORMATION

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

Registration No.: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541
Directorate: C M L Savage (Chairman), P H Staudé (Chief Executive Officer)*, P M Baum, E le R Bradley, B G Dunlop*, J John, J B Magwaza, M Mlia, M H Muniro*, T H Nyasulu, C B Sibisi, R H J Stevens, J G Williams.
* Executive directors

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Sponsor: Investec Bank Limited
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INCOME STATEMENT

Condensed consolidated Rmillion	2007	2006 Restated (note 2)
Revenue - continuing operations	6 395	5 110
Profit from Tongaat Hulett operations	838	726
Capital profit on land	48	26
BEE IFRS 2 charge and transaction costs	(383)	
Exchange rate translation (loss)/gain	(1)	57
Fair value adjustment of investment in Hulamin	3 348	
Operating profit after corporate transactions	3 850	809
Share of associate company's loss		(4)
Net financing (costs)/income	(119)	88
Profit before tax	3 731	893
Tax	(288)	(238)
Net profit after tax	3 443	655
Discontinued operation	42	69
Hulamin unbundling		
Net profit for the year	3 485	724
Attributable to:		
Shareholders	3 457	723
Minority interest	28	1
	3 485	724
Headline earnings attributable to shareholders	61	703
Earnings per share (cents)		
Net profit per share		
Basic	3 292,8	685,3
Diluted	3 220,7	667,8
Headline earnings per share		
Basic	58,1	666,4
Diluted	56,8	649,4
Annual dividend per share (cents)	310,0	550,0
Interim paid	150,0	200,0
Final declared	160,0	350,0
Currency conversion		
Rand/US dollar average	7,05	6,77
Rand/US dollar closing	6,84	7,00
Rand/GB pound closing	13,61	13,73

HEADLINE EARNINGS

	2007	2006
Profit attributable to shareholders	3 457	723
Less after tax effect of:		
Surplus on disposal of property, plant and equipment	(48)	(21)
Estate closure costs		1
Reversal of fair value adjustment of Hulamin	(3 348)	
Headline earnings	61	703

CASH FLOW STATEMENT

	2007	2006
Operating profit	3 850	1 020
Profit on disposal of property, plant and equipment	(48)	(45)
Non-cash items:		
Depreciation	222	272
Corporate transactions	(3 011)	
Other non-cash items	(43)	(59)
Tax payments	(293)	(152)
Change in working capital	(175)	(407)
Cash flow from operations	502	629
Net financing costs	(119)	(23)
Cash flow from operating activities	383	606
Expenditure on property, plant and equipment:		
New	(516)	(281)
Replacement	(193)	(163)
Major plant overhaul costs capitalised	(46)	(38)
Expenditure on intangible assets	(4)	(3)
Movement on growing crops	(14)	7
Proceeds on disposal of property, plant and equipment	58	78
Investments	(2)	(257)
Net cash flow before dividends and financing activities	(334)	(51)
Dividends paid	(551)	(506)
Net cash flow before financing activities	(885)	(557)
Borrowings raised	712	358
Non-recourse equity-settled BEE borrowings	812	
Hedges of foreign loans		19
Shares issued	49	106
Equity contribution by BEE minorities	18	
Share repurchase	(450)	
Settlement of share-based payment awards	(73)	
Share issue expenses	(9)	
Net increase/(decrease) in cash and cash equivalents	174	(74)
Balance at beginning of year		