THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

INTEGRATED REPORT 2016

CONTENTS

01 ABOUT THIS REPORT
2 Message from the Chairman

02 HIGHLIGHTS

03 WHO WE ARE
4 Our vision
4 Our values
4 Our story
5 The way we work
6 Five-year review

04 OUR STRATEGY
7 Strategy overview
8 Office of strategy management – Facilitating delivery
10 Simama 20-20 strategy map
12 Message from the Managing Director

Stakeholder relations
14 The principles underpinning our approach
14 Stakeholders and materiality
16 Corporate citizenship
17 Environment

Managing risk
19 2016 Risk register – Top 8
19 Adequacy and effectiveness of the risk management process

05 OUR BUSINESS
20 Our business model
22 Our business world
23 The ethanol market
24 Procurement
24 Human resources
29 Health and wellness

06 OUR OPERATIONS
30 Factory performance
31 Crop performance
32 Distillery performance
35 Water resources
37 IYSIS
38 Property services
40 Outlook

07 OUR GOVERNANCE FRAMEWORK
42 Overview
42 Our Board of Directors
46 Our Board committees
49 Our Group Executive Committee
50 Internal audit

08 ABBREVIATIONS AND ACRONYMS

09 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
54 Statement of responsibility by the Board of Directors
55 Independent Auditor's report
56 Directors' report

Consolidated financial statements
58 Statements of financial position
59 Statements of profit or loss and other comprehensive income
60 Statements of changes in equity
61 Statements of cash flows
62 Basis of preparation
63 Significant accounting policies
71 Notes to the financial statements

01 ABOUT THIS REPORT

This is the fifth Integrated Report of the Royal Swaziland Sugar Corporation (RSSC), and it outlines the issues, activities, relationships, interactions and performance of the RSSC within its operating and marketing contexts during the period between 1 April 2015 and 31 March 2016. The aim of the report is to provide a balanced and integrated insight into the ability of RSSC to create value in the short, medium and long term, not only to shareholders, but to all stakeholders with an interest in the Corporation's activities.

While the scope and boundary of the report remains unchanged from those of the prior year, the material issues have been identified and reported upon with regard to – and in cognisance of – the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) outlined in the International Integrated Reporting Council (IIRC) framework. The report was also prepared in line with the principles contained in the King Code of Governance for South Africa (King III, 2009).

Certain forward-looking statements are made in the report, particularly in relation to the impact of the drought on strategy, capital expenditure and operational processes. These statements are necessary, not just for the completeness of reporting, but because the drought will be materially felt in the current year of production with significant implications for value-creation. This will not just be in the short term, but in the medium and long term as well.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors acknowledges its responsibility to ensure the integrity of this report, and has applied its collective mind in the presentation and preparation of this report. The Board believes that this is a fair representation of the performance of the Group and its material matters. On the recommendation of the Audit and Risk Committees, the Board of Directors has approved the 2016 Integrated Report. The Financial Statements were audited by KPMG.

A STATEMENT ON MATERIALITY

While no formal process was undertaken during the year under review to further identify the material aspects that form the basis of the scope and boundary for this report, the material aspects previously identified have not changed in any significant manner, save for one pressing issue – the drought that has profoundly influenced the strategic thinking and the production capacity of RSSC to the extent of affecting the sustainability of the Corporation in the medium and long term, under the current circumstances. The remainder of the material issues, such as growth, expansion and resource management, including human resources, have been subsumed into the one overriding imperative of devising short-term solutions to the lack of water, and ensuring that these solutions fulfil the objective of sustaining the Corporation in the medium and long term. Further materiality issues as they pertain to ongoing stakeholder management are elucidated in our *Stakeholder relations* section of this report on page 14.

01 ABOUT THIS REPORT

MESSAGE FROM THE CHAIRMAN

> The year 2016 has been an extremely difficult one, primarily because of the drought. Even though its threat has not yet diminished, we take comfort in the fact that rainfall projections indicate that 2017 might be a slightly better year.

Once the drought does subside, we will be back on track to benefit all our stakeholders. We are extremely thankful to the Government of Swaziland for listening to us and according us the extra allocation of water which has been instrumental in our drought survival mission. Given the intensity and length of the drought, I am proud to say that we have managed the situation extremely well, and that we have been able to stretch our water to produce the results that we have.

BOARD MATTERS

As the Board, we have reviewed and approved all King III-related policies in our quest to achieve good governance.

In the quest to improve the efficiency and efficacy of our Board committees, we have reviewed the number of meetings, and cut them down from four to three, taking care not to reduce the oversight role or compromise controls.

The Board's principle is that members should fully understand their role, and participate from an informed position. The Board has continued to ensure that members are equipped to fully discharge their role, and we are confident that we will continue to see enhanced engagement within the Board, for the benefit of the Corporation.

THE QUEST FOR PREPAREDNESS

As a company we will continue to engage the Government of Swaziland in the quest for more dams to be constructed. We have to, and we will, continue to lobby all stakeholders for the common understanding that as a country, and as the sugar industry, we have to plan better for threatening situations such as the drought, when it strikes again.

EXCEPTIONAL ACHIEVEMENTS

While our profit budget for the year 2016 was set at E72 million, we were able to end the period with E273 million. This achievement was made possible by the highest ever cane production along with a record amount of sugar and ethanol manufactured. On the financial side, in addition to the exchange rates working in the Corporation's favour, hedging was also done effectively. It must be noted that this achievement came from within the very hostile operating environment represented by the drought.

THE NEED FOR GROWTH

The Board's current strategy is growth for the company. The development of the RSSC Integrated Growth Plan (IGP) has been delegated to Management because growth is central not only to RSSC's future success but to its sustainability as well. The drought has, for the time being, slowed the progress of the IGP in its intended shape and form, but it is nonetheless critical that it remains the focus, and that it is brought back for the Board's consideration.

VOLATILITY

While the pending change in the European sugar regime, which will take effect in October 2017, has generally informed RSSC's survival strategies, the persistent drought has been extremely disruptive, with a huge impact on crop, game and livestock. One of the successful accomplishments, however, was the deployment of the Employee Voluntary Exit Programme, which was necessary for the survival of the Corporation as part of its unit cost reduction strategy, Simama 20-20.

SHAREHOLDER VALUE

Shareholders will be pleased with the turnaround in performance that was not really expected, given the prevailing circumstances under which RSSC has had to operate during 2016. Dividends of E196 million far exceeded the anticipated and budgeted dividends.

THE WAY FORWARD

Recovery from the drought is critical for RSSC. The Corporation must ensure that the drought has minimal damage by keeping the ratoons alive. In the medium term, growing more cane and driving down the unit cost will be the focus. In the longer term, diversification and potentially co-generation will shape the long-term vision.

For all these initiatives to succeed, we will require enhanced engagement with all our stakeholders. For better prospects, the new industry vision will have to prosper. The current industry structure has served us well for the past 50 to 60 years, but with the times having changed in the ways that they have, it has become necessary to re-look at ways in which we can reposition the industry so that we can all continue to benefit and succeed in line with modern trends.

RELATIONSHIPS

The sugar industry represents about 16% of the country's GDP. We are thankful to the efforts of Management in managing this difficult situation, protecting the value in the business for all stakeholders. Even in this harsh economic environment we have generally continued to enjoy healthy relations with our employees, community, customers and suppliers.

We encourage the Government to step up discussions with all stakeholders for an improved water-sharing environment, and as a company, we wholeheartedly support the development of new water storage infrastructure.

I would like to congratulate Management and all the employees of RSSC, and recognise their enthusiasm and drive in managing the worst drought we have seen in many decades. Their efforts in managing the operation under such a difficult situation are highly commended.

I am heavily indebted to my colleagues on the Board for their insights and wisdom, qualities which, given the prevailing circumstances, have contributed immensely to the success of the Corporation and its performance during this financial year.

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02

HIGHLIGHTS

E273 million
TOTAL COMPREHENSIVE INCOME IN 2015/16

3.6 million tonnes
CANE DELIVERED TO FACTORIES PER ANNUM

2 500
FAMILIES INVOLVED IN SUGAR CANE PRODUCTION

E196 million
DIVIDENDS PAID IN 2015/16

160 000 tonnes
SUGAR REFINED AT MHLUME MILL

20 000
PEOPLE LIVING ON RSSC ESTATES

15 607ha
AREA OF IRRIGATED SUGAR CANE

147 000 tonnes
WAREHOUSE STORAGE MANAGED ON BEHALF OF SSA

52%
CANE SUPPLIED BY OUTGROWERS TO MHLUME MILL

5 018ha
AREA OF LAND MANAGED FOR THIRD PARTIES

35.3 million litres
ETHANOL PLANT'S NOTIONAL CAPACITY AT SIMUNYE MILL

03 WHO WE ARE

OUR VISION

To be the leading producer and marketer of sugar and renewable energy

Our vision serves as the foundation for the way we do business and provides the basis for our strategy, methodology and capacity to create value for all our stakeholders through continued growth over the short, medium and long term.

To this end, we depend on the ongoing realisation of our values and the expression of these in the way we work.

OUR VALUES

Integrity
We conduct ourselves in an honest, fair and open manner in all our dealings

Delivery
We meet our targets and deadlines

Respect
We respect, value and care for our people

OUR STORY

1955 Commonwealth Development Corporation (CDC) undertakes sugar cane trials at Mhlume. Mhlume (Swaziland) Sugar Company Limited registered as a sugar factory and cane estate

1957 Komati River Barrage, with 88km gravity canal, is commissioned to provide the irrigation. Known as Mhlume Water, this system is managed by Inyoni Yami Swaziland Irrigation Scheme (IYSIS)

1958 Mhlume Sugar Estate is incorporated

1960 Mhlume Mill is commissioned with a production capacity of 90 tonnes cane per hour (TCHR)

1966 CDC assumes sole ownership of Mhlume Sugar Company

1973 Tibiyo TakaNgwane, in conjunction with CDC, carries out a pre-investment study for the expansion of sugar production

1975 Third mill is planned and developed by Tate and Lyle Technical Services Ltd. Tate and Lyle Technical Services Ltd enters into partnership with the Swaziland Government and Tibiyo TakaNgwane

1977 His Majesty King Sobhuza II, OBE, Ingwenyama of Swaziland, acquires 50% of share capital in trust for the Swazi nation

1978 The Ingwenyama names the country's third mill Simunye Sugar Estate

1979 The Royal Swaziland Sugar Corporation Limited is created in a Joint Venture between the Swaziland Government and Tibiyo TakaNgwane, with the agreement to subscribe for E40.1 million in equity share capital

1980 Simunye Sugar Mill, capable of producing 120 000 tonnes sugar per annum, is commissioned

1992 RSSC is listed on the Swaziland Stock Exchange

THE WAY WE WORK

RSSC

MHLUME (SWAZILAND) SUGAR COMPANY	100%
ROYAL SWAZI DISTILLERS	100%
MANANGA SUGAR PACKERS	50%
INYONI YAMI SWAZILAND IRRIGATION SCHEME	50%
SIMUNYE PLAZA	25%
QUALITY SUGARS	25%

2001
RSSC merges with Mhlume Sugar Company

2002
A new, enlarged RSSC is launched, employing more than 3 500 permanent staff and producing two thirds of the country's sugar

2004
Mananga Sugar Packers is established at Mhlume Mill in a Joint Venture between RSSC and Tsb Sugar

2006
RSSC completes construction of a distillery at Simunye to produce ethanol and potable spirit from Simunye molasses

2007
Distillery expansion is commissioned to utilise all Mhlume and Simunye molasses in order to increase its notional capacity to more than 32 million litres of ethanol per year

2009
Purchase of 50% shareholding in IYSIS by RSSC at a cost of E46 million.

2011
Installation of the 30MW turbo alternator at the Simunye mill, at a cost of E120 million.

2012
RSSC acquires a 25% shareholding in Quality Sugars Pty Limited

2012
Purchase of Swazican citrus lease at IYSIS and the conversion of 600ha from citrus to cane thereby increasing cane and sugar production

FIVE-YEAR REVIEW

	March 2016 Actual	March 2015 Actual	March 2014 Actual	March 2013 Actual	March 2012 Actual
Production					
Sugar (96º Pol) (tonnes)	**485 529**	471 208	433 255	458 134	455 470
Ethanol (‘000 litres)	**35 316**	31 344	29 667	31 032	29 857
Financial results (Em)					
Revenue (RSSC)	**2 837**	2 522	2 701	2 532	1 989
Profit attributable to shareholders	**273**	234	372	414	278
Balance sheet and cash flow (Em)					
Total assets	**2 620**	2 537	2 480	2 465	2 232
Shareholders’ funds	**1 755**	1 677	1 574	1 412	1 256
Net borrowings	**–**	53	68	31	119
Net cash from operating activities	**382**	365	426	531	384
Financial ratios					
Operating margin (%)	**12.5**	12.0	18.8	21.2	17.5
Return on net assets (%)	**17.7**	15.5	25.9	29.4	22.4
Return on shareholder’s equity (%)	**15.6**	14.0	23.6	29.1	22.1
Gearing (%)	**–**	3.0	4.1	2.1	8.6
Interest cover (times)	**48.2**	32.4	50.3	42.8	37.0

Recovery from the drought, with minimal damage, will be the focus for RSSC in 2016/17

04 OUR STRATEGY

RSSC's strategy is intended to underpin the continued growth of the business in the short, medium and long term, in line with our vision of being a leading producer and marketer of sugar and renewable energy.

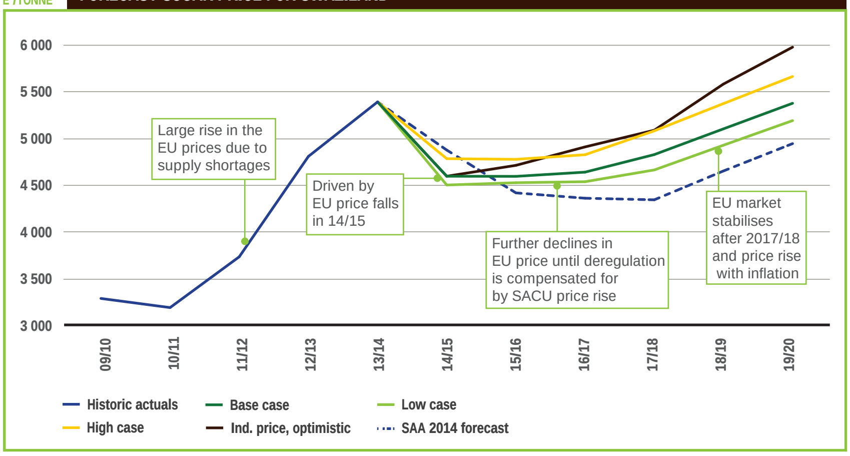
STRATEGY OVERVIEW

Our strategy was validated by McKinsey, who were engaged in 2014 and presented a report which proposed the steps to be taken to ensure the Corporation's continued capacity to grow and deliver value over the long term.

McKinsey confirmed that RSSC could not maintain its status quo and 'do nothing' in the face of the changing world of sugar production costs and marketing. The impact of costs rising faster than revenues was clearly unsustainable. The prospect of lower EU prices and the impact on profits is demonstrated in the two McKinsey graphs that we show here.

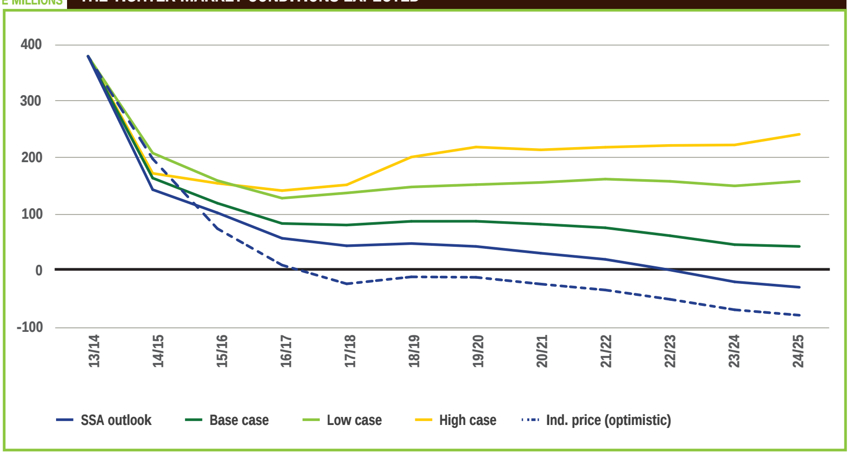
E'/TONNE

FORECAST SUGAR PRICE FOR SWAZILAND



NPAT, E'MILLIONS

CHANGE IS REQUIRED IN ORDER TO IMPROVE PROFITABILITY AND MAXIMISE SHAREHOLDER VALUE IN THE TIGHTER MARKET CONDITIONS EXPECTED



In light of the then recent downward shift in EU prices, the Mhlume expansion as proposed in 2013 was unaffordable, and would have resulted in a breach of borrowing covenants. Affordability represents the maximum possible funding that could be raised without breaching borrowing covenants. The current RSSC gearing limit (Debt/Debt plus Equity) is 35%.

A suite of clearly defined interventions was thus required to ensure the Corporation's sustainability in the medium term.

Drawing the observations and conclusions arising from these indicators, the McKinsey brief was extended to conduct a holistic review of the business and to determine the most profitable way forward. Their scope of work was adjusted to focus on:

- How operations across the company could be optimised
- What size and scope of expansion project, under moderately conservative future sugar price assumptions, would be affordable

Integrated Growth Plan

The outcome of that work was a strategic road map for the future of the Corporation, with a clearly identified set of operational "levers" in conjunction with a growth strategy. These two elements were assessed and found to be both technically feasible and financially viable under moderately conservative assumptions. Collectively these interventions constitute the IGP, which effectively forms the company's strategic business plan.

The essential aim of the IGP is to achieve a sustainable reduction in production costs and a consequent improvement in margins through a combination of:

- A targeted expansion of the Mhlume factory and associated cane supply, leading to greater economies of scale
- An improvement in operational efficiencies leading to unit cost reduction throughout the RSSC production chain
- The optimisation of procurement spend and other costs within RSSC, which would include, among others, a headcount reduction and energy-improvement initiatives

The IGP comprises capital intensive items, which the Board has yet to approve, and non-capital items which are being progressed, in line with the operational environment.

While the Corporation's fundamentals are good, and the company is one of the most efficient and lowest-cost sugar producers in the region, we cannot afford to be complacent. Against a background of changing global, EU, regional and domestic sugar markets and prices, we need to enhance productivity and lower unit costs of production in order to remain competitive domestically, regionally and globally.

Thus, the validity of the McKinsey recommendations and RSSC's aims over the long term notwithstanding, certain external factors, most notably the drought that Swaziland has been experiencing without remission over the past two years, have compelled us to conduct a review of our strategy as it is reflected in the IGP. (To read more about the drought and its effects, see *Message from the Chairman (page 2), Managing risk (page 19), Message from the Managing Director (page 12), Agriculture (page 31), Water resources (page 35), IYSIS (page 37), Electricity (page 38), Corporate citizenship (page 16), and Outlook (page 40).*

The broad base of the IGP represents a comprehensive transformation of significant complexity, requiring a complete cultural and mindset shift within RSSC. It will necessitate investment in talent acquisition and capability building, and the setting up of a robust and comprehensive governance structure to drive the necessary actions that will ensure the timely and professional execution of these initiatives.

THE OFFICE OF STRATEGY MANAGEMENT – FACILITATING DELIVERY

The Office of Strategy Management (OSM) was established to facilitate and measure performance against strategic targets and objectives and to drive a culture of continuous improvement throughout RSSC. It is a corporate-level entity that falls within the office of the Managing Director, and is staffed by four high-calibre and high-potential staff members, who have been recruited from within the RSSC business.

The OSM manages nine cross-functional processes in an integrated fashion. These nine processes all support and facilitate the execution of the transformative IGP.

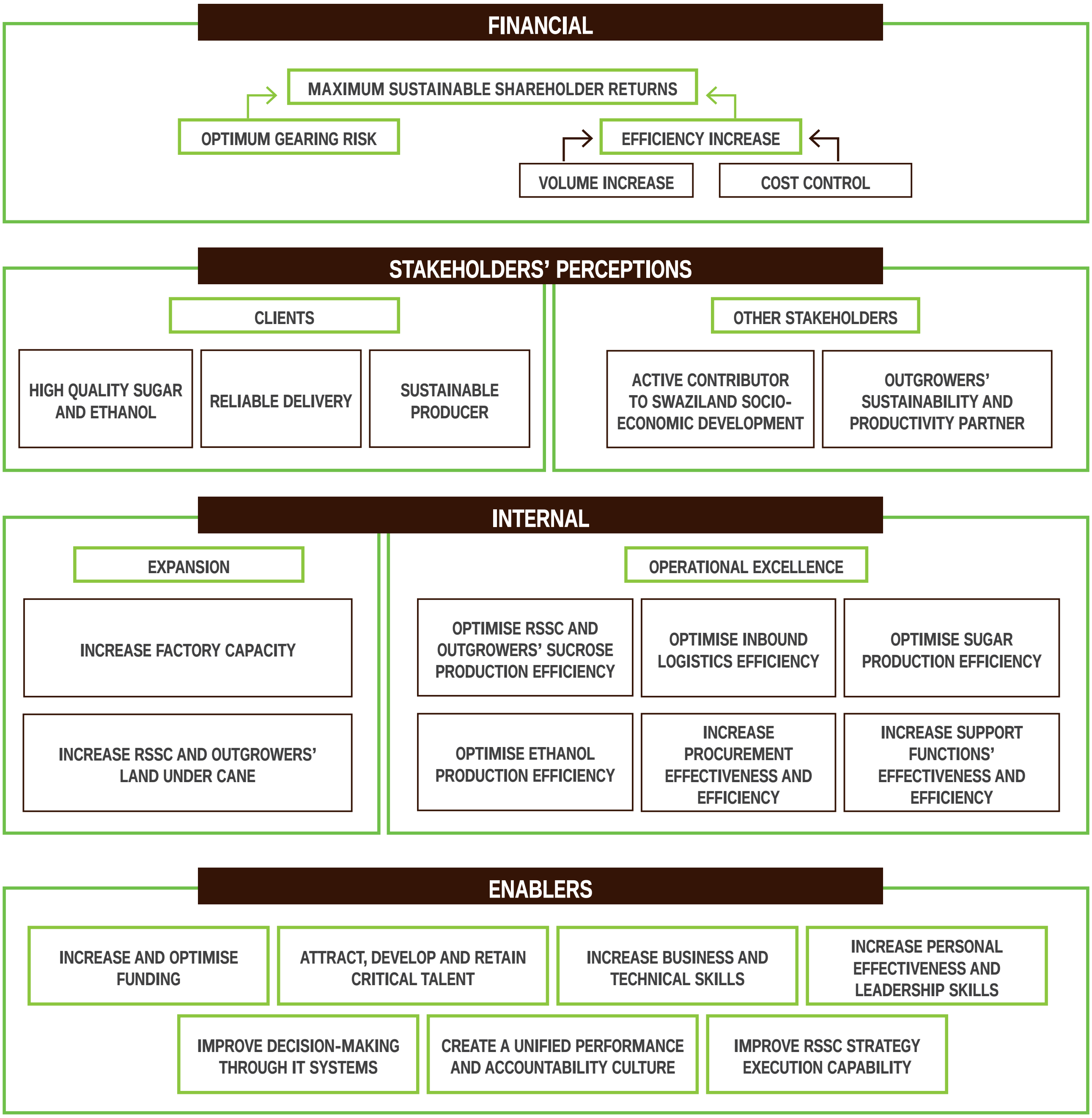
Each of the interventions under the IGP will have its own project management structure and OSM sponsor, as well as a governance and reporting structure appropriate to the individual project.

The OSM is currently engaged on introducing:

- Balanced scorecard performance management
- Improved organisational alignment
- Strategy reviews
- Strategy communication
- Strategic initiatives management
- Workforce alignment

One of the two factories, which collectively crush 741TCHR

The scorecard

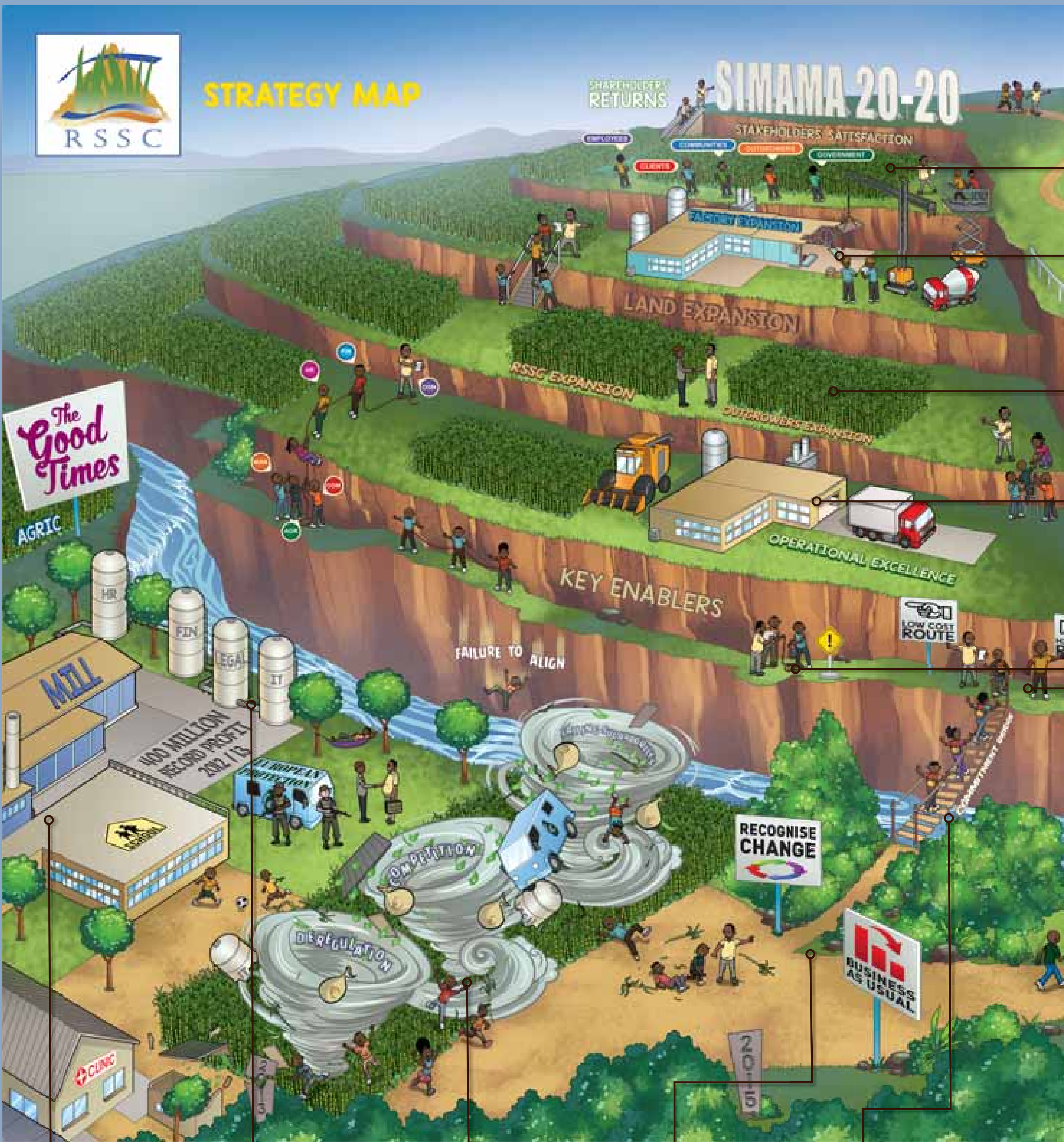


Simama 20-20

In collaboration with RSSC divisions and industry experts, the OSM has designed a corporate strategy map that identifies the main objectives of what we want to achieve, and that will assist us in reaching our target of a 20% reduction in unit cost by the year 2020.

The name Simama 20-20 reflects this aim, and in progressing towards its achievement, quarterly targets have been set and are monitored monthly. Updates to management are also provided quarterly.

Simama 20-20 has been conceived as a project that belongs to all employees, with every person, regardless of seniority or pay-grade, having a role to play in ensuring that its goals are achieved. The aim is to ensure coherent and ongoing action by effectively communicating the strategy to every employee.



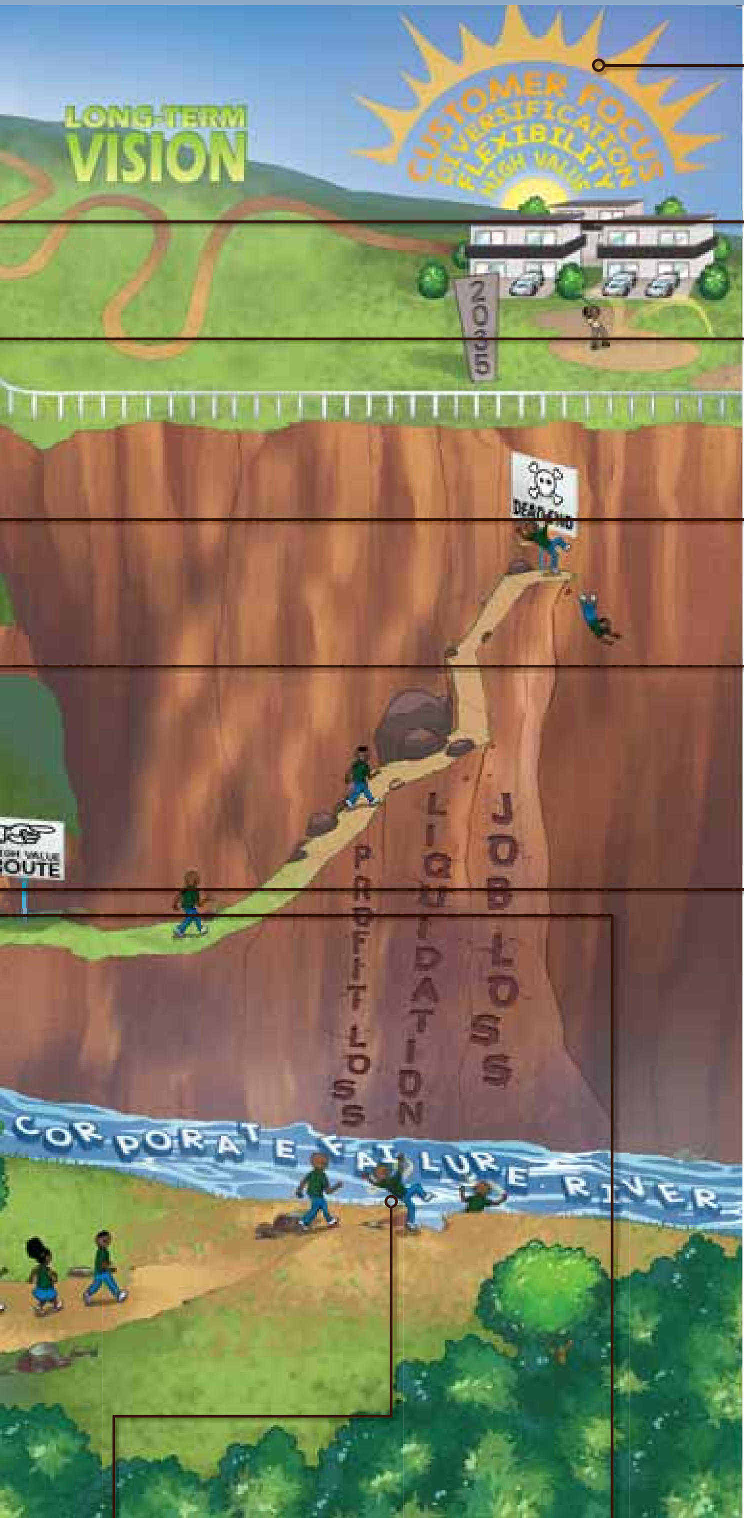
THE GOOD TIMES
Going back in history, the sugar market environment was favourable. The industry made good profits, under the protection of EU quotas.
1

HOW WE DID BUSINESS
We could afford to do business leisurely and operate in silos.
2

THE PRESENT
The economic environment is changing rapidly. A storm is brewing, prices are falling and the EU quotas will soon be removed. Profits are diminishing.
3

WE MUST DECIDE
We have to recognise that continuing business as usual will only lead to failure. Time for change has arrived.
4

COMMITMENT
The route to sustainability requires commitment, flexibility and adaptability from all of us.
5



LONG-TERM VISION
In the year 2020, once we get to the summit of Simama 20-20, we can then be ready to pursue our long-term vision to 2035.

13

STAKEHOLDER SATISFACTION
The goal of creating a sustainable business will be achieved resulting in profitability and stakeholder satisfaction.

12

FACTORY EXPANSION
We will need bigger factories for the extra cane resulting from the RSSC and Outgrower cane expansion. This will require skills and funding.

11

CANE EXPANSION
As part of reducing the unit cost, RSSC and Outgrowers will have to expand so that we can produce more, under the low price environment. Partnership is a prerequisite for a win-win.

10

OPERATIONAL EXCELLENCE
Systems and processes that will enable us to do business quicker and more accurately will enable us to operate optimally.

9

THE PRICE OF BUSINESS AS USUAL
The consequence of not changing the way we do business is marked by losses and possible closure.

6

LOW COST/HIGH VALUE?
We will have to be patient and choose the low cost route, which requires that we reorganise ourselves.

7

RATIONALISATION
We will have to collaborate more, share resources and operate in an integrated fashion.

8

MESSAGE FROM THE MANAGING DIRECTOR

During the year under review it became apparent that the long hoped-for return to a normal rainfall pattern was not to be realised. The scarcity of water, and the careful use of our natural and manufactured capital became the overwhelming priority in order to ensure the Corporation's ability to survive this dry period, and remain productive in the medium and long term.

Droughts of a moderate nature have been experienced in the past, but the current one is the worst in a long time, affecting the whole of Southern Africa, with most cane producers expecting a significant drop in yield. Despite the extreme weather conditions, RSSC managed not only to sustain the crop for the second year, but to produce a record crop which contributed the very good profit after tax of E273 million. The immediate strategy is now to keep all the cane alive until the drought breaks.

SURVIVAL STRATEGIES AND INITIATIVES

Maguga Dam is at 31.5% and Sand River Dam at 20%, there is water stored for the 2016/17 season for the Mhlume and IYSIS estates. However, with Mnjoli Dam at 5.28%, the Ngomane and Mlawula estates are at much higher risk of lack of water. Inter-basin transfers were agreed with the Government, allowing Mlawula to obtain water via the Komati system, which then left Ngomane as the highest-risk estate.

RESOURCE ALLOCATION

In order to mitigate the risk posed by the drought situation, exploratory boreholes were drilled, and the treatment and priority ranking for watering fields was put in place. Planting was deferred, as the Corporation adopted new irrigation regimes, procured improved water measuring devices and created a new solution for Simunye factory water requirements. A 16km pipeline from Sand River Dam to Ngomane at a cost of E120 million was considered, but later abandoned due to its high cost after an evaluation of its benefits in relation to other water security initiatives under consideration.

Although the Simunye estates suffered three previous droughts since 1991, the historical analysis showed that recovery was reasonably quick with cane loss at less than 10%.

Discussions held with the Government helped to avert a planned suspension of irrigation of sugar cane and prompted them to re-look at proposals for new dams (Silingane, Mkhombane and Isilele), which would be of benefit to RSSC and other surrounding areas. The capacity and costs in respect of each were discussed with the Board, also with reference to the most attractive one for RSSC in terms of maximum benefits and least complication.

Estimates indicate a 23% reduction in 2016/17 tonnes cane, compared to 2015/16

RSSC has a strong graduate trainee programme, and currently has a total of 17 trainees within the Operations and Human Resources divisions

E273m

The after tax profit that was achieved despite the extreme weather conditions. This was because RSSC successfully managed not only to sustain the crop for the second year, but to produce the most sugar and ethanol ever seen by the company.

Additional talks took place with the Government on the Corporation providing land to plant maize to address food shortages in Swaziland, in return for water to RSSC. The plan was to offer pockets of Ekuthuleni farm which had not been cleared and were not in use, a strategy that could be a win-win situation for both parties. More about these matters can be found under *Water resources* on page 35 of this report.

As a result of the drought, it is estimated that tonnes cane in 2016/17 will diminish by 23% when compared with the actual achieved in 2015/16, with a forecast of total sugar estimated at 26% lower than the 2015/16 achievement.

We place some hope in the fact that the El Nino drought that we are experiencing is expected to start weakening, with autumn and early winter weather being close to normal and rainfall returning to normal by October 2016.

Our strategy in the interim, however, has been to save the cane to avoid a costly replant. While we have had some success in managing our water during such difficult times, the lessons learnt from this drastic situation will need to be taken on board as tools for the management of similar situations in the future.

SHORT-TERM OUTLOOK

With ample near-term supply and high global sugar stocks, and production prospects for 2015/16 lower, we see consumption growth at around 2% per year. After five years of surpluses, a deficit of about five million tonnes is predicted.

We expect short-term prices to be a function of exchange rates versus the US Dollar, with reference notably to the Brazilian Real, speed of cumulative stock run down and production by Brazil, India and other global players.

Towards the very end of 2015/16, I made a presentation to the Board, against the backdrop of the drought being our highest ranking risk.

I was pleased to be able to show that despite the extreme weather conditions, RSSC has managed to sustain the crop for the second year.

I am gratified to note that despite the drought, our output for 2015/16 has been excellent, with record crop and production indicators. However, due to the impact of the drought it was decided to delay the budgeting process and to complete it during the course of April and May 2016.

Our Human Capital Rationalisation Project is going well, with 76 people granted voluntary exit packages, out of the 306 who had applied. These employees left at the end of March 2016. We discuss this initiative in more detail in our Strategy section of this report.

THE MEDIUM AND LONG TERM

Despite the pressures and exigencies we are experiencing as a result of the drought, the medium and long-term prospects for RSSC and the sugar industry in general are excellent. Much depends on our resolve now in weathering the demands made upon us by the lack of water, and in adapting our strategies in the short term to enable us to maximise what we have and what we produce.

I am very grateful to the Executive Committee and Management team for all their dedicated hard work and backing in developing, devising and executing the measures we have been forced to take, and to the Board for its unstinting support, understanding and direction during these demanding times. No company can operate, however, without the commitment, dedication and efforts of all the people who work in it. I would like to commend all employees for their hard work in making 2015/16 an excellent year under the circumstances, and for assisting in preparing the ground for our sustained efforts in the coming year.

NM Jackson

STAKEHOLDER RELATIONS

At RSSC, we recognise that effective communication is fundamental in building a sense and knowledge among our stakeholders that the value we create is of benefit to everyone associated with – and having an interest in – the continued success of the company.

We regularly engage the following stakeholders:

- Government, Regulators
- Investors, Banks
- Employees, Organised labour
- Public, Media
- Suppliers, Contractors
- Customers, Organised business, Industry
- Communities

We engage these stakeholders in the following ways:

• Meetings • Interviews • Surveys • Presentations and Q&A • Shareholder meetings • Training interventions • Collective bargaining • Partnerships with key stakeholders • Corporate Social Investment • Reports to stakeholders • Integrated report • Special publications and articles • Social media • Website • Emails • Press releases • Site visits • Donations • Roadshows • Workshops and forums • Employee engagements • Lunch with the MD • Wellness campaigns • Monthly management brief

1 800

The number of young boys and girls that we have targeted to play soccer as part of RSSC's contribution to youth talent development, under the Siyakha 1800 Youth Soccer Development initiative, in partnership with the Lubombo Football Association.

THE PRINCIPLES UNDERPINNING OUR APPROACH

In our efforts to identify and engage our stakeholders, we make due provision for their interests and needs. In that regard we:

- Communicate our commitments and performance relating to social responsibility
- Ensure our activities respect, promote and advance internationally recognised principles for consumer rights and obligations
- Are responsible for direct and indirect impacts associated with our distribution of goods and services
- Account to our stakeholders for our actions and omissions
- Respond, whether positively or negatively, to legitimate stakeholder claims
- Are transparent about our actions and communicate progress made with regard to our social responsibility performance
- Consistently disclose our material information to appropriate regulators, stakeholders and the public fully, accurately and in a timely and verifiable manner
- Aim to contribute to the economic wellbeing, social development and upliftment of neighbouring communities

Towards these ends, we make sustained efforts to:

- Invest in community affairs and functions, and respect cultural and social diversity
- Strive to have a positive impact on people, cultures and neighbouring communities
- Be respectful of all people, their values, traditions and culture
- Ensure communities in which we operate are informed, in a timely manner, and are involved in the organisational developments which affect them

STAKEHOLDERS AND MATERIALITY

There are a number of stakeholder issues that have an impact on our ability to create value, and which we determine through consultation with our stakeholders and in cognisance of the concerns that they raise. The process is a dynamic one, and includes regular assessments of the current position against the desired position with regard to these material matters, as well as actions and timelines to achieve our objectives. This planning allows us to clearly define and act on focus areas for future engagements, with the ultimate aim of maintaining strong and mutually beneficial relationships with our stakeholders.

While RSSC has a broader range of stakeholders which are managed on a daily basis through a variety of methods, this stakeholder plan outlines the key issues in relation to RSSC objectives for 2016/17, and the different ways each key stakeholder will be engaged to manage their various expectations and to increase the likelihood of succeeding in achieving the objectives listed below.

Impact on RSSC

Low ⟷ High

Importance to stakeholder (High ↕ Low)

Materiality matrix

Confidence in the RSSC strategic direction and achievement of return on investments	Human capital rationalisation
Government is under pressure over food security, a result of the drought	Workplace issues
Challenges in acquiring planned and unplanned permits (TRPs)	The need to keep cane ratoons alive at all costs as the drought threatens sustainability
Localisation and training	Water security
Food security and increased unemployment	There is an increased focus on tax collection with insufficient regard to its impact on business operations
The Hlane Road levy	The current industry structure is not favourable to RSSC
Customer relations	The reduction of yields and the adverse economic impact on farmers and RSSC as a result of the drought
	Industry vision
	The SEA understanding RSSC's business dynamics with growers
	Drought and reduced profitability impact the scope of contracts
	The perception of RSSC procurement processes
	The approval of the IGP
The tracking of talent	The potential influence on RSSC labour formations

The Corporation is fully committed to first class learning for children of employees and non-employees

CORPORATE CITIZENSHIP

As the largest private-sector employer in Swaziland, RSSC recognises that the sustainability of our organisation occurs through the success of others. The effective operation of our business is enabled by employees and communities with shared values and cultural norms, trust and communication. We believe that RSSC's continued profitability and success should contribute to trade and the wider functions of our society by our being a responsible corporate citizen.

Thembelisha Preparatory School offers the Independent Examination Board curriculum

People

We take our CSI responsibilities very seriously and have developed a culture of annual interaction with many organisations, to which we donate considerable amounts of money, including contributions towards social issues, such as drought relief, poverty alleviation, health and education.

Drought relief

In the wake of the drought that continued to worsen during the year under review, we have, in conjunction with the sugar industry, undertaken to supply vulnerable communities with water. We dispatch a tanker twice a day, three days a week, to areas such as Shewula, Lomahasha and Mafucula, and two days a week to areas in Hlane and Khuphuka. We have also drilled and set up a borehole to benefit 150 families in the Khuphuka community through joining hands with our business partners to raise funds via the RSSC Managing Director's Charity Golf Tournament.

Donations

In recognition of the important role that charitable organisations play in our society, we support various causes through our well-defined donations programme. Standing beneficiaries of the programme include, among others, Hospice At Home, Cheshire Homes, Good Shepherd Hospital, St Joseph's Mission, Hope House, and the School for the Deaf.

Community services and development

We provide and manage a wide range of recreational facilities at two RSSC-owned country clubs, state-of-the-art gym, as well as others that are located within the villages. We are also sponsors of cultural and national duties and sporting activities, with participation in all recreational and cultural activities open to employees' dependants and the community members residing within RSSC sugar estates.

Education

RSSC is fully committed to supporting education, including schools, and provides a first-rate learning environment at Thembelisha Preparatory School, a private English-medium institution with around 400 learners, which boasts a 21% enrolment of pupils who are not children of employees. There are three campuses catering for children from crèche age to Grade 7.

We further subsidise teachers in seven Government-owned schools on the sugar estates, as well as 50% of education costs for their children at Thembelisha Preparatory School. In addition to contributing significant funds towards incentivising teacher excellence, we also top up the salaries of head teachers in order to attract and retain them, a measure that assists the Governmental educational agenda.

RSSC is also a responsible member and stakeholder of Mananga College Foundation, a high school facility established to improve the availability of high-quality education in the Lubombo region, and we administer the RSSC Bursary to the value of about E1 million a year. This scholarship fund supports 10 students with a bursary for the duration of their high school education. The learners all attend Metropolitan International College, a boarding school that leases the Mananga College Foundation facility and offers the Independent Examination Board certification. We always see to it that there is an ongoing pipeline of 10 recipients.

Health

The fight against HIV and Aids remains a top priority for the Corporation. An important milestone was the award and retention of our "Five Ribbons" status in the Management of HIV and Aids in the Workplace programme. We also participated in the national male medical circumcision campaign by facilitating the conducting of operations at the estates' clinics. The campaign saw a good response from both employees and the community.

RSSC Medical Services provides primary health care to a population of about 30 000 people, of whom around 2 500 are employees who live on the estate. There are three static clinics based at the Lusoti, Mhlume and Ngomane estates, which provide outpatient, and limited in-patient, radiology, laboratory, dispensing, occupational health, community health, TB and HIV/Aids services. (To read more about RSSC's involvement in the fight against HIV and Aids, see *Health and wellness*, page 29.)

Entrepreneurship

To help foster the development of an entrepreneurial culture, RSSC assists three Government-owned high schools every year to participate in the Junior Achievement (JA) entrepreneurship programme. We strongly believe that through this sponsorship, the entrepreneurial development that is fundamental for economic growth is inculcated, as in addition to being guided in life skills, pupils are provided with essential knowledge on starting and running a small business.

Sport

In 2015 we instituted Siyakha 1800, a development programme for youth soccer for children from the age of six in Lubombo region. The aim of Siyakha, which means "we are building", is to have 1 800 participants playing in three different leagues, with 22 teams currently playing within the promotional league which is sponsored by RSSC. The second round of the tournament began in January 2016, and continued until mid-April. Also taking place under the Siyakha 1800 programme is the Under 13 tournament, in which scores of Swazi boys and girls are playing soccer within our communities, under the tutorship of the Lubombo Football Association. The games, played every second weekend, have attracted children from Ngomane, Mhlume, Tshaneni and Mafucula, among others.

ENVIRONMENT

Expansion authorisations

Expansion projects are a key strategic initiative, necessary for the benefit of both RSSC and the Swazi economy. By law, RSSC may not undertake any project that might have an environmental impact without the written consent of the Swaziland Environment Authority (SEA).

Since April 2014, a total of five environmental clearances for expansion projects related to sugarcane production and sugar production have been received. One environmental assessment study is ongoing, and is currently at final public review stage. These projects are summarised in the table below.

RSSC is committed to managing the natural resources at its disposal in a sustainable way by complying with all applicable Swaziland environmental legislation and all other requirements. To this end, we are implementing and maintaining an environmental management system based on the requirement of ISO 14001.

Irrigated sugarcane development

Project name	Description of project	EA requirement	Milestones achieved
Proposed new irrigated sugarcane development at PS 21 (Ngomane)	Conversion of 93ha of pristine land into irrigated sugarcane farm	Category 2: Initial Environmental Evaluation (IEE) and Comprehensive Mitigation Plan (CMP)	• Screening process was completed • IEE report was submitted to SEA • Report reviewed and approved by SEA
Proposed new irrigated sugarcane development at PS 29 (Ngomane)	Conversion of 74ha of pristine land into irrigated sugarcane farm	As above	As above
Proposed new irrigated sugarcane development at PS5 (Mlawula)	Conversion of 36ha of pristine land into irrigated sugarcane farm	As above	As above
Proposed new irrigated sugarcane development at IYSIS Homestead, Tshaneni	Conversion of 2 300ha of pristine land into irrigated sugarcane farm	Category 3: full EIA and CMP	• Screening phase • Scoping phase • Specialist studies • Draft EIA Document – Public review not yet complete – Environmental compliance certificate has not yet been issued
Mhlume factory expansion			
Proposed expansion of Mhlume Sugar Mill from 350TCHR to 440TCHR	Proposed boosting of capacity of the diffuser line, by 90TCHR, from the current 180TCHR to 270TCHR	CMP	• Audit report • CMP • The report and CMP were approved by SEA in November 2015

Sanitary facilities

A new incinerator for medical waste was commissioned during the course of the year. This will offer some relief to RSSC's Health and Wellness Department, as it will no longer be necessary to travel more than 40 kilometres to the nearest incinerator at Siteki. The new incinerator will also be beneficial to neighbours such as the piggery abattoir and the supermarkets.

Operating licences for wastewater treatment facilities

Ten new licences were issued to the Corporation by SEA. The Special Waste Management Licences are for RSSC's effluent treatment facilities which discharge into natural water courses. These cover the eight municipal wastewater stabilisation ponds and two facilities for industrial effluent treatment.

Sharing information

With both domestic and industrial water supply affected by the drought, the MD's office facilitated the sharing of tips for saving water with our employees. Communication was conducted via e-mail, posters and newsletters, and employees were encouraged to forward the water-saving tips for everybody's benefit. Furthermore, the Managing Director has held several meetings with employees during the Lunch with the MD sessions, over and above the company-wide briefings that have taken place to share information.

Strategic initiatives:

In accordance with ISO 14001:2004, RSSC divisions have been setting and implementing their own environmental objectives, targets and programmes, with limited inter-unit collaboration. While previous focus had been on monitoring and reporting on several environmental key performance indicators to Government, the Board, shareholders and interested parties, emphasis has now shifted to strategic initiatives aimed at improving the environmental performance of the Corporation as a whole. These strategic initiatives are in line with an integrated corporate risk-based approach to resource management, and will enable a seamless transition from ISO 14001: 2004 to ISO 14001: 2015.

Two strategies were initiated in FY2016 – the 10-year (2016-2026) Solid Waste Management Strategy, and the 25-year (2016-2041) Effluent Treatment and Wastewater Management Master Plan (WWMP). The draft reports of both strategies have been completed by the consultants and are currently under review by RSSC. The strategies will serve as roadmaps for Corporation-wide infrastructure planning, investment and implementation.

Challenges

Two main challenges have remained during the year under review:

- **Coliform content in municipal wastewater:** We have not achieved compliance with the Water Pollution Control Regulations, 2010, largely because our current facilities are outdated, and not designed for disinfection of final effluent. While there is no real threat of nearby downstream communities drawing domestic water from the receiving water bodies, as a good corporate citizen we are striving to comply with the law. This issue is thus a standing item on the agenda of the Risk Committee, and the WWMP study has been commissioned to address the challenge.
- **Air pollution:** This is in relation to emissions from cane fields during harvesting, and excessive smoke that may be generated from the boilers during sugar production because of combustion inefficiencies or a lack of scrubbers at the chimney stacks. Stacks are monitored by the Corporation, and, as legally required, the report is sent to the SEA annually.

To improve our performance, all chimney stacks at the Mhlume factory were equipped with scrubbers, while at the Simunye factory two out of the four stacks have been fitted. The current challenge, in light of the prevailing economic conditions, is to secure funding to fit the remaining two.

All our cane is cut by hand, which plays a part in improving the socio-economic environment of our communities

MANAGING RISK

2016 RISK REGISTER – TOP 8

Risk ranking 2013	Risk issue	Cause(s)	Consequence	Residual risk ranking
1	Low rainfall	a) El Nino effect	a) Drought b) Low level of stored water in dams c) Low flows in rivers d) Reduced cane crop e) Negative revenue impact f) Negative profit impact g) Negative funding impact	100
2	Insufficient factory capacity	a) Plan remains to increase cane yield in future b) Additional land under cane in future c) Negative impact on IGP due to drought	a) Threat to business sustainability	80
3	Negative macro-economic sugar market impacts	a) Implementation of EU sugar regime change (EUR750 to EUR450) b) Currency weakened significantly supporting exports	a) Decreased profitability b) Negative impact on sustainability	70
4	Fire incidents (in factories and field)	a) Human-induced veld fires b) Sudden changes in wind directions during cane burning c) Non-compliance with procedures d) Lightning e) Drought	a) Injuries/fatalities b) Loss of property and equipment c) Decreased production/factory downtime d) Negative reputational impact	64
5	Safety incidents	a) Inadequate health and safety culture b) Negative safety trends experienced in some areas c) Insufficient awareness and focus on well-being of employees and contractors	a) Injuries/fatalities b) Decreased production/factory downtime c) Increased burden on medical support systems d) Increased sick leave cost	56
6	Increasing cost of production	a) Establishment not aligned to strategic reality b) Scarcity of skills in the market c) Sub-optimal structures d) Isolated business location	a) Unsustainable operating cost b) Reduced profitability	49
7	Insufficient procurement enablement	a) Organisational-based release strategy b) Non-stock material still on free text c) Maintenance equipment master data not yet fully in place d) Integrity of released reservations	a) Inefficient procurement b) Insufficient stock management (obsolete stock)	49
8	Inadequate IT enablement	a) Adjustment issues due to process changes and more robust control environment b) Delay in training strategy (transactional training was done, but process training/embedment not yet done) c) Budget module not in SAP (HTML interface)	a) Unavailability of operational, management and real time reports b) Increased workaround time for reporting c) Inability to achieve ROI on SAP implementation and unlocking organisational value	49

The Royal Swaziland Sugar Corporation risk matrix

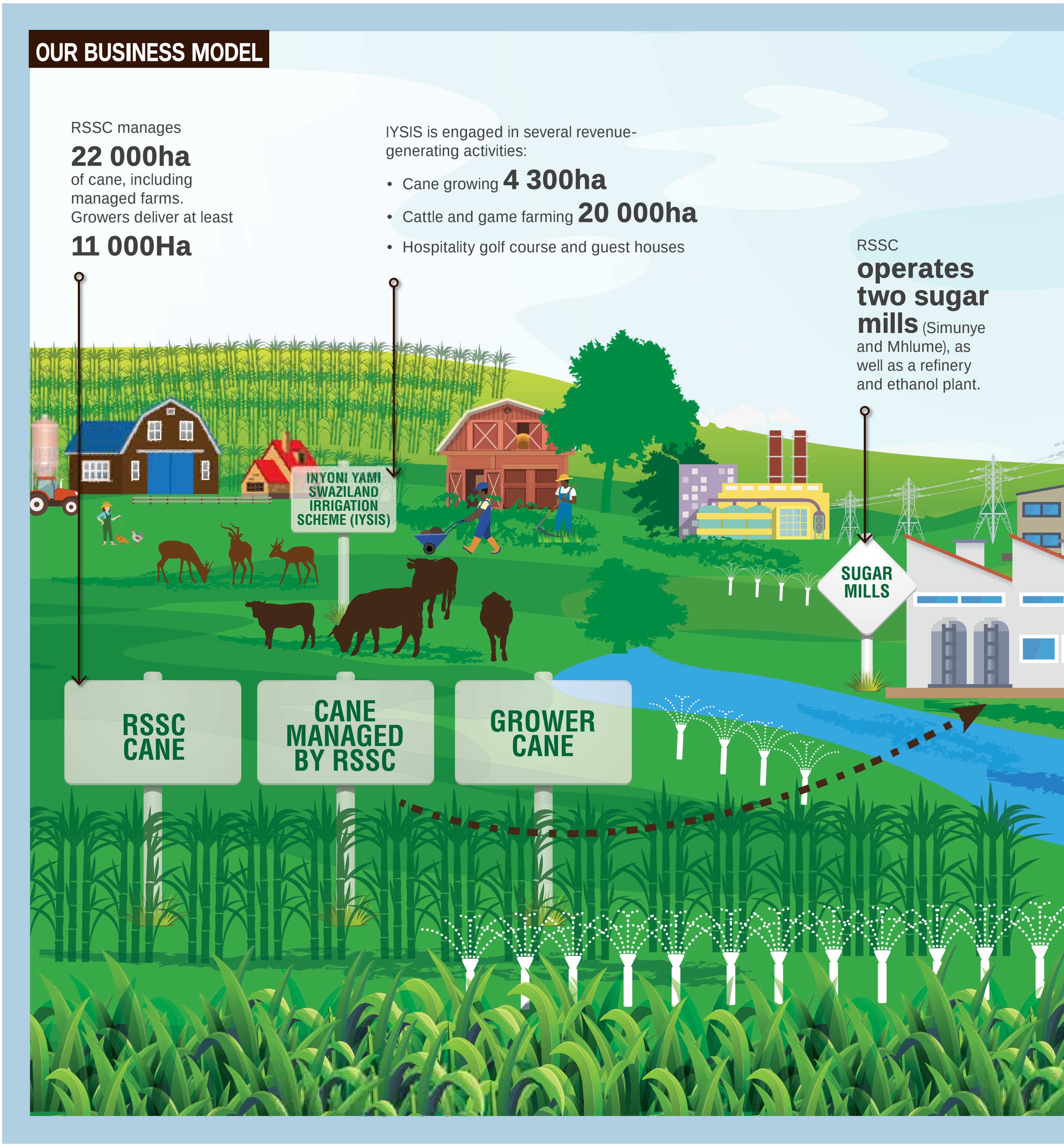
Severity	7	8	9	10	Safety/health	Operations/BI	Reputation/environment	Earnings/capital
10		2 3		1	>5 fatalities	BI >3 years	Prolonged international condemnation	>E100m
9					Disastrous event	Total failure	International media coverage	E75m – E100m
8	8	5 6	4		Long-term liability	>50% failure	Irreparable damage to natural resource	E50 – E75m
7		7			Multiple fatality	Critical	Senior executive prosecuted	E30m – E50m
6					>1 fatality	Production loss >6 months	Significant fines	E20m – E30m
	6 months	3 months	1 month	Weekly				
	Could easily happen		Happens often					

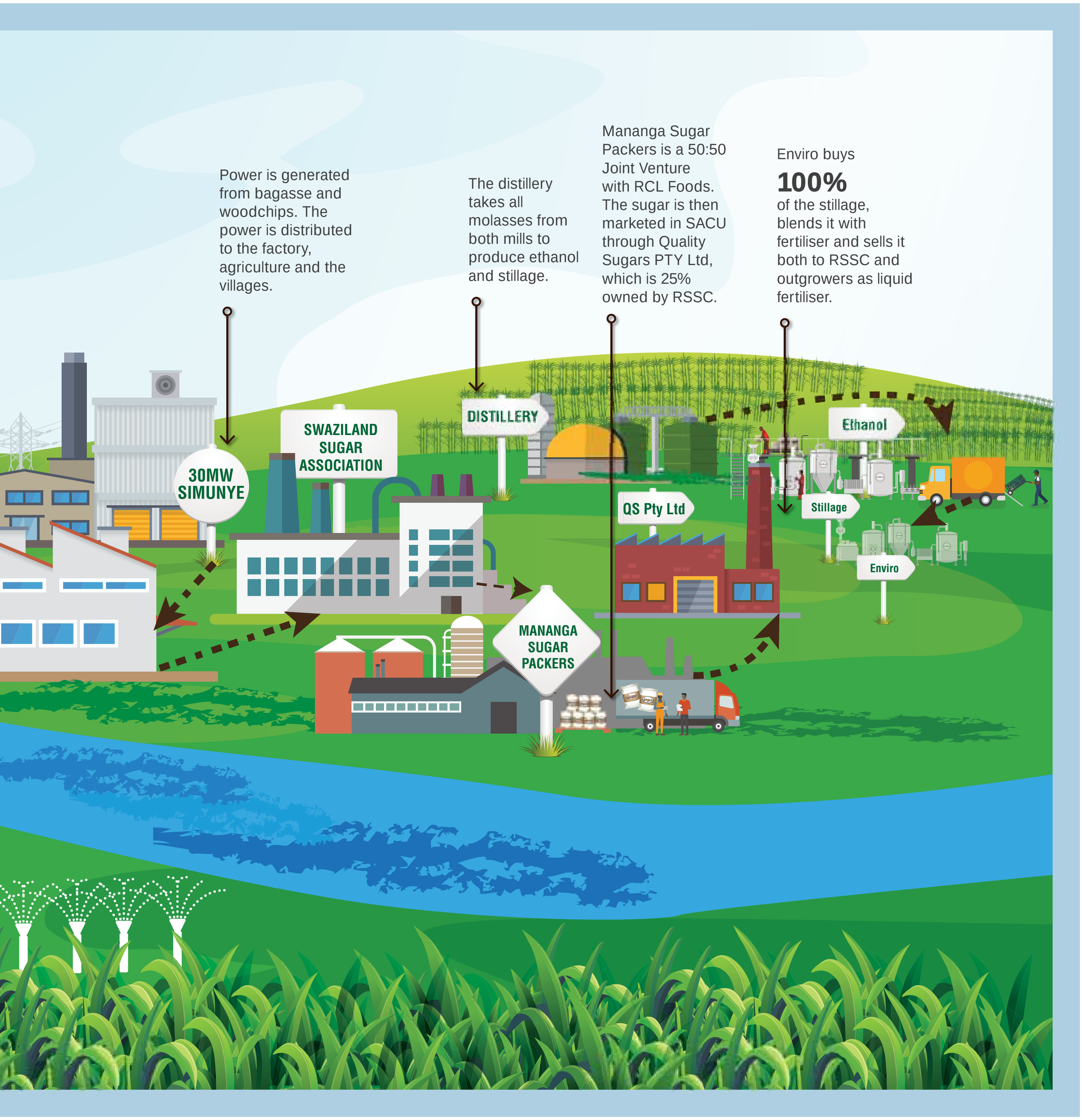
ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS

Given the current risk profile of the organisation in the context of recent changes made to the business, the material impact of the drought and regulatory changes in the global sugar industry, it is Management's opinion that the risk management process is adequate and effective in identifying the risks to which the business is exposed and in addressing those risks as far as possible.

05 OUR BUSINESS

OUR BUSINESS MODEL




Power is generated from bagasse and woodchips. The power is distributed to the factory, agriculture and the villages.
The distillery takes all molasses from both mills to produce ethanol and stillage.
Mananga Sugar Packers is a 50:50 Joint Venture with RCL Foods. The sugar is then marketed in SACU through Quality Sugars PTY Ltd, which is 25% owned by RSSC.
Enviro buys
100%
of the stillage, blends it with fertiliser and sells it both to RSSC and outgrowers as liquid fertiliser.
30MW SIMUNYE
SWAZILAND SUGAR ASSOCIATION
DISTILLERY
Ethanol
QS Pty Ltd
Stillage
Enviro
MANANGA SUGAR PACKERS

OUR BUSINESS WORLD

With our primary business being the production of sugar and associated ethanol products, our traditional premium market has been the European Union (EU), with the USA, regional African markets and those of the Southern African Customs Union (SACU) members remaining lower-priced adjuncts.

The international and regional context

In their 2014/15 benchmarking exercise, LMC International reported that Swaziland's cost of production of raw sugar, calculated on an Free On Board (FOB) basis, was second only to that of Brazil in that year. On a three-year average, taken over the period 2012/13-2014/15, Swaziland was placed third, behind Brazil and Thailand, while the same rankings applied to refined sugar. Regionally, Swaziland's cane and sugar yields also ranked third, behind Zambia and Malawi over the same three-year period.

COST CURVE FOR SELECTED MAJOR SUGAR PRODUCERS, 2011/12

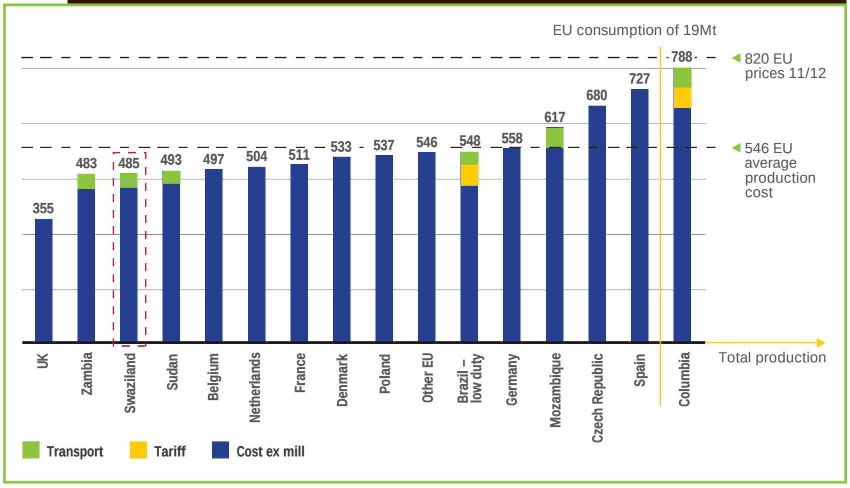


Fig.1 Major sugar producers

Despite expectations that the world sugar supply balance will move out of the surplus which has dominated the market conditions in the past five seasons and return to deficit, a decisive price recovery has continued to be elusive.

The world sugar market

As the world's population rises and those in emerging markets gain higher incomes that enable them to move from consuming sugar in order to meet basic calorific needs, to the consuming of sugar in convenience foods and drinks, global sugar consumption is increasing by 2% per year – equivalent to 3.0-3.5 million tonnes per year or 35 million tonnes over the next decade.

World supply

Nonetheless, forecasts by sugar market experts and industry players continue to report supply and demand progressing towards a deficit. As early as May 2014, the International Sugar Organisation (ISO) forecast that the period between October 2015 and September 2016 would be a deficit season. Also, according to the ISO forecast, world sugar supply consumption is now expected to stand at 5.018 million tonnes in deficit, the first time in five years that the deficit is expected to exceed the four million tonnes mark.

World consumption

World sugar consumption is expected to increase in 2015/16 from that of previous years by 1.75%, a factor that is still lower than the 10-year average of 2.01%. This slowing growth in consumption is driven mainly by macro-economic concerns, including a slowdown in emerging market economies and the collapse of the oil price.

THE OUTLOOK FOR GLOBAL SUGAR CONSUMPTION

Fig. 2: Projected global sugar consumption (Source: LMC International)

Much of the consumption growth will be in Asia, with China, Indonesia and India showing very significant increases. However, Africa will begin to emerge as a major consumer and there will be pockets of growth on the continent considerably above the global average as rising populations and incomes see an associated rise in levels of consumption

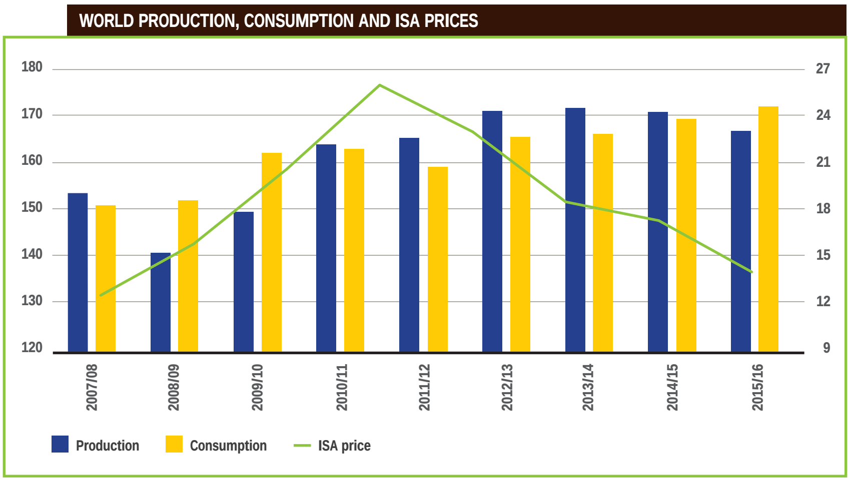


Fig. 3 Movement in production, consumption and the ISA price since 2007/08 (Source: ISO)

Recent price trends

While in November 2015 raw sugar prices of around 14.25 cents/lb were reported, and by early December the ISA daily price had improved to a 10-months high of 15.16 cents/lb, the price has since seen a downward trend, reaching as low as 12.65 cents/lb in early 2016.

This trend notwithstanding, spot white sugar prices (the ISO white sugar price index) have been more resilient. At the beginning of November 2015 white sugar prices stood in the region of USD400/tonne (18.14 cents/lb), and by mid-January 2016 had moved up to USD424.15/tonne (19.24 cents/lb). However, they then suffered a setback in late February, falling to USD367.65/tonne (16.68 cents/lb).

The nominal white sugar premium continued to strengthen, reaching USD106.4/tonne in January 2016 as against USD86.42/tonne in December 2015.

The average price for refined sugar in the EU has been on an upward trend, reported at EUR423 per tonne in November 2015, and increasing in December to EUR427 per tonne. The graph in Fig 4 tracks the movement of EU prices versus world sugar market prices.

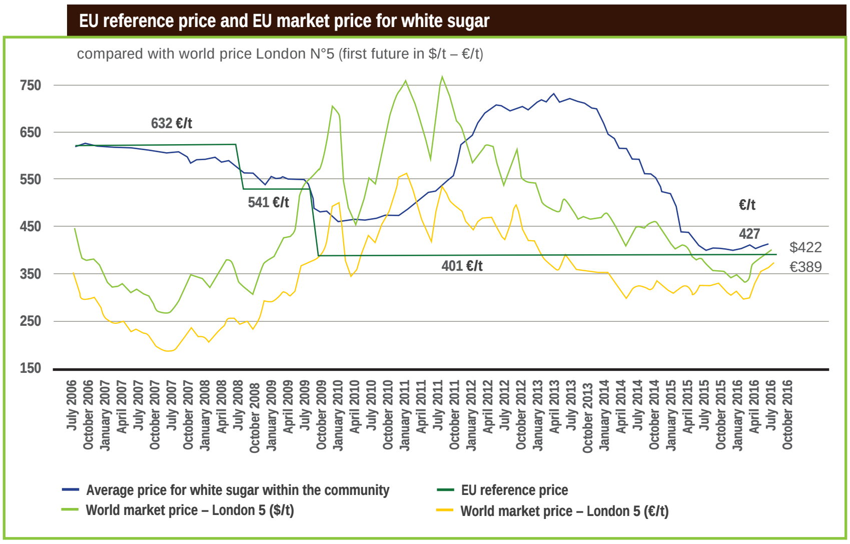


Fig. 4 White sugar prices

Over the past 18 months, prices in the EU market have declined significantly and until relatively recently, the Euro/Rand exchange rate also impacted negatively on local currency receipts from EU sales. World prices, primarily driven by high global stocks, production surpluses and developments in Brazil, recovered somewhat towards the end of the 2015, and are indicative of the kind of changing market dynamics which can be expected going forward. For this reason it will be important for Swaziland to maintain a flexible market strategy in order to 'chase value' and maximise returns according to the movement in relative prices and opportunities across the markets.

THE ETHANOL MARKET

While the global ethanol market has been generally depressed, it is showing slight signs of recovery in some regions. The lowest point in EU prices was reached in mid-2015, but there has been a modest improvement since then. In the Regional market, new distilleries are creating more competition, although Regional and SACU markets are still offering better prospects than the EU. The marketing strategy for ethanol is therefore based upon flexibility and the pursuing of value according to changing market circumstances. (To read more about ethanol, see *Operations*, page 30.)

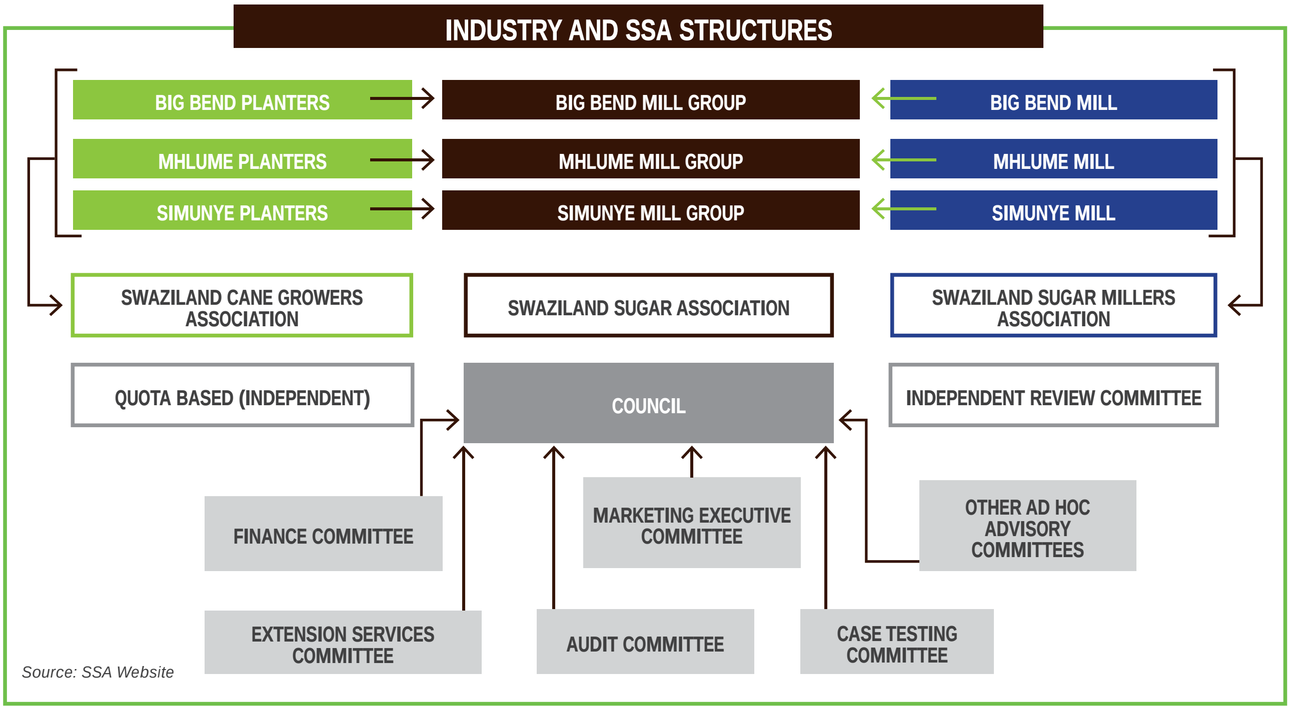
THE SWAZILAND SUGAR ASSOCIATION

The Swaziland Sugar Association (SSA) is an umbrella organisation that brings together all sugarcane growers and millers in the country, under the Sugar Act of 1967, which also legally empowers the Sugar Industry Agreement (SIA), which regulates the relationship between growers and millers.

The SIA provides that all cane delivered to mills should be crushed for the optimum production of sugar. In terms of the SIA, this sugar, and its molasses by-product, is owned by the SSA, which markets it to the best advantage of growers and millers, who then share the proceeds on the basis of an agreed formula.

The SSA is also mandated to regulate and promote the sugar industry, providing the necessary services for industry development to ensure optimum returns for both growers and millers.

THE SWAZILAND SUGAR INDUSTRY



Source: SSA Website

PROCUREMENT

The Procurement department is a key stakeholder in the strategy initiative of RSSC, whose objective is to increase operational efficiency in the plant. To this end, a number of specific action plans have been devised and adopted.

Process gaps

All services from various contractors need to be coded with fixed-term prices and loaded onto SAP, and RSSC has now integrated the base from which this can be done. The focus has been on trying to place all the support purchases into the mainstream, and to code them so that spend can be analysed, and better sourcing strategies implemented, for various commodities and services.

> **Local procurement and economic stimulus**
>
> We have a procurement policy that formally allocates points to submitters of tenders who have established their businesses in Swaziland, or who either employ or have sub-contracted local Swazis.

Success factors

The major part of procurement savings derives from contracts, and we are starting to realise and record savings and negotiate discounts. Savings are grouped within three categories, all of which add value to the business:

- **Direct savings** – These represent formal engagements with the supplier on any particular purchase, and have been recorded.
- **Market-related savings** – These are linked to the number of RFQs or quotations that have been issued, and have not been recorded.
- **Contract-based savings** – These arise when a tender has been awarded, and after three or five years we negotiate a reduction in the price. These have also not been recorded.

Matching contracts

Our focus has been the integration of our processes, with the result that our major contracts have not yet gone through three-way matching. This means that we are unable to track annual spend against a particular contract-holder. We will concentrate on this during the coming year, and have already engaged consultants to help facilitate this.

HUMAN RESOURCES

> Significant progress has been achieved in the last 12 months in repositioning Human Resources (HR) in order to optimise service delivery efficiencies and effectiveness.

Due mainly to the drought and partly to the implementation of the early stages of the Human Capital Rationalisation Project (HCRP), the number of people employed by RSSC in FY2016 fell from the long-term average of 4 000 to 3 351. Based on an average household of six members, it is therefore estimated that excluding third-party service providers, around 20 000 people are indirectly dependent on RSSC.

The main activities undertaken by HR during the year under review fall under five broad categories, with the key activities and achievements summarised as follows:

- **Strategy initiatives** – including:
  - 76 successfully completed voluntary exits (VEs) as part of Phase 1 of the HCRP

- Board approval for the development and communication of Phase 2 HCRP, subject to availability of funding
- Attracting, developing and retaining employees in critical roles especially engineering. The vacancy rate for this group is down from 16% to 13%
- A succession plan with talent management framework approved by Exco; talent review panels appointed and launched, and a new framework and guiding principles for the identification and retention of critical roles approved by Exco
- Competency Framework developed, approved by Exco and is being implemented. Funding secured for a business, leadership, personal effectiveness and technical skills assessment/audit;

- **Operational efficiencies** – including:
  - 4.67% Lost Time Available (LTA) at Simunye exceeding the budget of 7%, and outperforming the industry benchmark of 5%. Overall recoveries (85.5%) were better than budget. However, LTA (11.9%) and extraction (96.4%) lagged budget
  - Optimisation of the EIT programme with a full complement recruited and retained over the past two years; 70% of engineers are now locals, and the programme is now run entirely within RSSC as of April 2016
  - A review of the Performance Management System (PMS), and extending it to cover all permanent employees and the introduction of the balanced scorecard format
  - The Short-term Incentive Bonus (STI) with a total sum of E37.02 million paid in performance bonuses to 2 471 scheme participants, including eligible seasonal employees, and the STI entrenched as an integral part of the RSSC employee value proposition and strategy to improve business competitiveness and long term sustainability.
- **Limitation of financial exposure and cost reduction** – including:
  - A freeze on external recruitment, with 59 out of 102 approved vacancies filled during the year under review, and only four (7%) of those filled from outside the Corporation
  - The rationalisation of insured benefits, with an agreement with the Swaziland Royal Insurance Corporation (SRIC), signed in December 2015 and implemented in the January 2016 payroll, and the savings realised from this agreement expected to grow from the E6.3 million achieved against the 2015/16 budget to a cumulative total of over E36 million in five years
  - The annual leave liability standing at E19.1 million, higher than the targeted 3% of the wage bill, although with inflation taken into consideration, this is an improvement of 11% over the prior year's liability of E21.5 million. To improve controls and minimise the risk of possible creep, annual leave records in SAP HCM are audited quarterly and identified action items monitored for proper closure
  - Establishing the severance allowance liability and compliance with the SRA ruling against tax structuring, with the limitation of RSSC exposure in line with the Industrial Court decision confirming that there is no legal obligation to pay severance for retiring employees, and the restructuring of the payroll to comply with the SRA ruling banning salary sacrifice arrangements for retirement funds. To prevent future exposure, a decision was made and implemented in May 2015 to restrict the payment of severance allowance on retirement to serving employees as at 31 May 2015, and converted it into an ex-gratia payment, regulated by a formal HR procedure
  - Cost-of-living (COL) adjustments and a review of salaries and wages for FY2016, with COL adjustments awarded to non-represented employees, employees in the staff (SAMASA) bargaining unit and the union (SAPWU) bargaining unit at 4.5%, 5.49% and 6.3% respectively.
- **Risk management** – including:
  - Industrial relations, with a Tripartite (SAPWU, SAMASA and management) Forum set-up during the year under review to discuss issues of common interest, and a target being set to finalise all long-pending negotiations by end of the 2016/17 financial year
  - Over 95% of existing Workplace Forums revived and fully operational at year-end, with the objective of resolving issues at the earliest possible stage to improve workplace relations and collaboration
  - Improved efficiencies in discipline and grievance handling processes, with 24 disciplinary cases reported, and improved tracking and follow-up of pending issues by HR and Heads of Department
  - CMAC and Industrial Court cases, with a number of long-pending matters at the Industrial Court, the Corporation is working closely with legal counsel to utilise all available avenues within the limits of the Industrial Court process to clear the backlog and establish a quicker processing of cases
  - The current CPI with the persistence of the drought certain to have a major impact on COL negotiations for 2016/17
  - Safety, with the tragic case of a fatality at the Mhlume factory, investigations highlighted poor adherence to safety procedures, with the following responses:
    - Action was taken against those employees, including senior managers, found to have a case to answer in respect of the accident
    - Workplace fatalities have been incorporated into the newly revised PMS penalty provisions
    - Increased effort and attention in raising and sustaining safety awareness
  - Chronic illness and notifiable disease trends reflected in the following records:
    - A general decline in tuberculosis (TB) among employees, with only 23 cases reported in FY2016
    - An average of 1 053 monthly cases of upper respiratory tract infections (URTIs), a decline of from the 1 320 in the prior year
    - A monthly average of 153 cases of diarrhoea, reflecting a need to promote general hygiene among employees and community members
    - Three cases of malaria, all of which were imported – a significant achievement for both the company and the community. Nevertheless, stringent surveillance and prevention measures will continue to be implemented (To read more about health and safety issues, see *Health and wellness*, page 29).
- **Optimal use of SAP ERP and HR service levels** – including:
  - The target of zero payroll errors by March 2016 not entirely met although it was achieved in some months of the past financial year. All errors now cleared prior to each pay run. With intensified user training and support, and the introduction of a help desk, major improvements will be seen
  - Significant progress in repositioning HR in optimising service delivery efficiencies and effectiveness
  - A review of the HR structure in October 2015 in line with changes in the RSSC operating model, and the key HR focus areas reviewed for alignment to business strategy and operational requirements. (To read more about business strategy and Simama 20-20, see *Our strategy*, page 7.)

Appendix A: Human capital statistics and figures for 2015/16

E1 Establishments and strengths

	Corporate administration	Agricultural	Manufacturing	Commercial
Full-time (FT) employees	**52**	**917**	**411**	**101**
Seasonal employees (average)	**–**	**1 198**	**392**	**3**
Total	**52**	**2 115**	**803**	**104**
Graduate trainees	**2**	**0**	**10**	**–**
Apprentices	**0**	**7**	**44**	**–**
Interns (annual average)	**2**	**10**	**27**	**–**
Casuals (annual average)	**–**	**29**	**3**	**–**
Grand total – RSSC	**56**	**2 161**	**887**	**104**

E2 Establishment control

	FT employees	Wage bill (Em)
Budget	1 958	543.6
Actual/filled	1 737	515.2
Variance	221	28.4
Variance (%)	11	5

FT employees = permanent and fixed term employees, excludes casual and third party contractors.

E3 Human Capital Rationalisation Project

	Phase 1	Planned Phase 2	Planned Phase 3
Planned (Em)			
Savings achieved to date	16.9	–	–
Cost of exits (E)	29.5	–	–
Pay back period (yrs)	1.8	–	–
Total employees exited	76	–	–

E4 Training and development

	Physical		
	Budget	**Actual**	**Variance**
Management development	416	420	4
Technical/skills development	3 128	2 992	(136)
Other	381	438	57
Total	3 925	3 850	(75)

E5 Industrial relations

E5.1 Represented employees

	Eligible	Subscribed	% Subscribed
SAPWU: Seasonals	1 520	436	29
Permanents	1 399	1 115	80
SAMASA	232	165	71
Total	3 151	1 716	46

E5.3 Analysis of historical COL settlements by employee category

	2010/11	2011/12	2012/13
CPI	5.40	4.20	9.30
Union actual	6.00	5.80	8.70
Staff association actual	6.00	5.50	8.70
Non-represented actual	6.00	5.50	8.50

	Finance	Human Resources	Total
	182	**74**	**1 737**
	18	**3**	**1 614**
	200	**77**	**3 351**
	–	**–**	**12**
	–	**–**	**51**
	–	**1**	**40**
	–	**–**	**32**
	200	**78**	**3 486**

Notes

The 1 737 full time (FT) employees in 2015/16 mark the lowest FT strength since 2009, due mainly to the 76 voluntary exits at the end of March;

a) Staff turnover (STO) is the highest at 12.57% vs long-term mean of 5%

b) STO for grades T16 stood at an all time high of 16.7% (LTM = 10.8%). This consitutes a significant positive for the HC Rationalisation exercise.

		Recruitment	
		Employees	Amount

E28.4m (5% of budget) saving was made from positions not filled. Given the relatively strong production and general performance results, the immediate impact is positive.

		Total	
		75.0	Balance
		16.9	58.1
		29.5	
		1.80	
		76	

Phase 1 of the Human Capital Rationalisation Project was implemented in March 2016, resulting in cost savings calculated at E16.9m (23% of targeted overall savings).

Phase 2, which includes the Section 40 statutory lay-off process, will be revised at a later stage, once funding becomes available.

	Financial		
	Budget	Actual	Variance
	176 563	199 055	(22 492)
	4 134 241	5 662 674	(1 528 433)
	2 126 655	2 715 517	(588 862)
	6 437 459	8 577 246	(2 139 787)

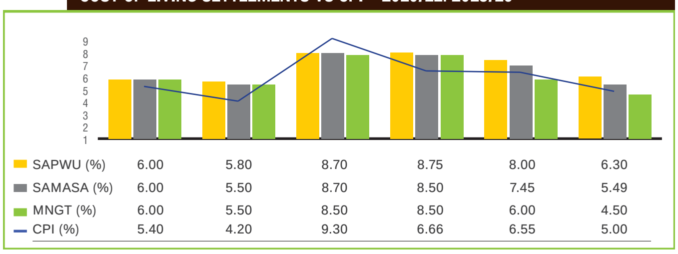
	E5.2 Non-represented and exclusions	
	T07 – T11	15
	T12 – T15	33
	T16 – T22	67
	Total	115

	2013/14	2014/15	2015/16
	6.60	6.55	**5.00**
	8.75	8.00	**6.30**
	8.50	7.45	**5.49**
	8.50	6.00	**4.50**

a) The 29% subscribed amongst seasonal employees is rather low. However, the combined membership (seasonal + permanent) at 53% does meet the basic criterion of 50 + 1.

b) The subscribed membership to the Staff Association is stronger at 71%.

COST OF LIVING SETTLEMENTS VS CPI – 2010/11: 2015/16



Appendix A: Human capital statistics and figures for 2015/16 *(CONTINUED)*

E6 Analysis of wage bill

	2010/11	2011/12	2012/13
Fixed salary – budget (Em)	365.4	378.1	446.0
Fixed salary – actual (Em)	330.1	369.9	442.4
Discretionary overtime (E)	18.2	22.6	30.5
OTd % fixed salary	5.5	6.1	6.9

Fixed salary = total wage bill includes STI provision but excludes utilities and housing.
Discretionary overtime (OTd) = Overtime, other than the mandatory shift work overtime.

E7 Productivity

	2010/11	2011/12	2012/13
Tonnes sugar (mttq)	384 239	420 950	425 537
Sugar revenue (Ebn)	1 390	1 794	2 621
#FT + Seasonal employees	3 311	3 417	3 633
Tonnes sugar per employee	116.0	123.2	117.1
Revenue per employee (Em)	11.98	14.57	22.37

E8 Staff turnover trends

	2009/10	2010/11	2011/12	2012/13
All grades (RSSC) (%)	6.0	5.7	4.2	4.5
Grades T16: T22 only (%)	14.1	5.8	10.1	13.9

We have adopted the theme **"Good Health is Good Business"** and in realising it we are committed to:

- Actively engaging in health and wellness (H&W) interventions derived from the assessment of the baseline level of wellness in the organisation
- Carrying out the Health Risk Assessment to combat specific elements and or risks
- Designing metrics to measure the impact of interventions
- Supporting comprehensive H&W initiatives that will address chronic lifestyle diseases as well as the pandemics of HIV and TB
- Providing primary health care (PHC) to all who need medical attention
- Undertaking measurement of the H&W Programme in order to be able to illustrate the Return on Investment

HR – Remaining challenges

- While improved recoveries at RSSC clinics saw E1.9 million (85%) achieved against the budget of E2.3 million, the non-availability of a reliable client/patient administration system for the clinics requires significant improvement. IT has been requested to prioritise the sourcing of a reliable system aligned to SAP.
- Improve the quality of records kept of the issues discussed at Workplace Forums.
- Training for initiators and chairman on discipline handling has been prioritised as a major area for improvement to be addressed from July 2016.
- Sick-leave management with a total of 36 580 hours lost due to illness, and the cost of sick leave increasing significantly from E1.47 million in 2014/15 to E2.3 million in the year under review.
- Challenges remain in updating the HR personal files and the basic records required to maintain and pay employees in SAP HCM, and a special HR project team has been set up to drive data and record improvement.
- Injury-on-duty, with fatalities remaining an ongoing challenge for the Corporation. The issue had been prioritised, but the current system does not reflect sufficient sensitivity to fatalities. Corporate IMS will investigate and submit proposals to Exco for review in FY2017.

	2013/14	2014/15	2015/16
	513.5	502.1	**543.6**
	444.1	478.9	**515.2**
	34.1	58.1	**66.2**
	7.7	12.1	**12.8**

1) At 13% of the wage bill, overtime has become a major cost at RSSC. This year's cost of E66.2 million represents 88% of the targeted cost savings of E75 million. For this reason, OT will be prioritised as a significant area for the cost reduction drive.

2) The health/people risk of extended OT will also be investigated for appropriate attention as part of the HCR project.

	2013/14	2014/15	2015/16
	402 058	437 465	**485 529**
	2 446	2 636	**2 824**
	3 917	4 105	**3 828**
	102.6	106.6	**126.8**
	23.83	24.73	**22.27**

1) Even with the record sucrose production achieved last year (26% higher than 2009/10), the 16% increase in people employed has kept the improvement in sucrose per employee only 9% higher than the 2010 results.

2) Revenue per employee shows strong growth (86%).

	2013/14	2014/15	2015/16
	5.0	4.5	**12.6**
	6.1	9.2	**16.7**

The impact of the March 2016 VEs, raised the turnover from the long term mean (LTM) of 5.0% to 12.6% (All groups) and from 9.9% to 16.7% (T16+)

HEALTH AND WELLNESS

> As part of our goal of being an employer of choice, the provision of services and facilities that cater for integrated health and wellness management of our employees and their dependants is of great importance to us.

Core to this function is the promotion of a healthy lifestyle, provision of primary health care and disease prevention. And as part of the corporate social investment, our facilities are also open to members of surrounding communities at a minimal cost. We have therefore introduced an Integrated Health and Wellness (H&W) initiative that includes Primary Health Care, Occupational Health, and Wellness.

Clinic staff are highly qualified and have additional skills in emergency medicine, dispensing and HIV/Aids. There is also a limited radiology and laboratory service. (To read more about RSSC involvement community health, see *Corporate citizenship*, page 16).

HIV/Aids

The effective management of HIV/Aids is a strategic business focus area and related initiatives receive recognition and support at the most senior management level. The creation of awareness, free condom distribution, support programmes for the Peer Education Programme, availability of Voluntary Counselling and Testing (VCT) centres and the availability of a free Anti-Retroviral Treatment (ART) programme are central to our integrated approach to managing health and wellness. The ART programme is one of a number of Public Private Partnerships (PPPs) entered into with the Ministry of Health and National Emergency Response Council on HIV and Aids (NERCHA). In addition we have a memorandum of understanding with the National TB Control Programme through which free TB medication is provided.

Continuous improvement is a core part to the provision of high service levels and users of the clinics are encouraged to provide feedback using processes designed for that purpose.

Workplace health and safety

Health and safety in the workplace and the management of related incidents has been prioritised as a key focus area, particularly with regard to the prevention of fatalities and the risk of injury. To achieve this, injury on duty (IOD) cases are monitored closely to enable the implementation of effective solutions for the prevention of injuries and the reduction of incidents. Save for the fatality that occurred at the Mhlume Factory in June 2015, the IOD trends during the year under review have shown a significant improvement. Year-to-date (YTD) injuries for 2015/16 are 49% and 29% lower than FY2014 and FY2015, respectively.

06

OUR OPERATIONS

FACTORY PERFORMANCE

ORGANISATIONAL STRUCTURE

The General Manager heads up the Operations Division, and is assisted by the Head of Factories (HOF) and six agricultural heads of departments.

Manufacturing

RSSC's Manufacturing department comprises the Mhlume and Simunye sugar factories and a back-end sugar refinery at Mhlume. The mills collectively crush 741TCHR.

The HOF is responsible for milling activities in both factories.

The Engineering Support Services department, headed by the Engineering Support Services Manager, is responsible for engineering support to the two factories and the distillery, covering all maintenance and production processes, as well as the implementation of projects.

SUGAR

Mill performance

	Year to date			
Description	**Actual**	**Budget**	**Variance**	**%**
Tonnes cane crushed (t)	**3 605 154**	3 572 429	32 725	0.9
Total sugar (M & E) (mttq)	**450 253**	441 790	8 463	1.9
Total refined sugar (t)	**159 888**	165 000	(5 112)	(3.1)
Tonnes coal burnt (t)	**13 299**	18 388	(5 089)	(27.7)
OR Sugar – Simunye (%)	**85.5**	85.4	0.1	0.2
OR Sugar – Mhlume (%)	**87.4**	87.1	0.3	0.3
No cane stops	**483**	646	(163)	(25.3)
Woodchips burnt	**118 195**	139 557	(21 362)	(15.3)
Coal equivalent	**75 506**	91 839	(16 333)	(17.8)
Export from 30MW set	**15 854**	26 126	(10 275)	(39.3)

Significant shortcomings in respect of insoluble matter were noted in very high polarisation (VHP) sugar quality during the season, with almost 80 000 tonnes affected.

Supplementary fuel burnt during the season was 39.3% below budget. This is attributable to good time-efficiency and low power export.

Factory expansion

In line with the intent of the IGP, the expansion initiative has been outlined as follows:

- Proposed expansion of Mhlume by 90TCHR from 350TCHR to 440TCHR
- Work to be undertaken over two off-crops during 2016/17 and 2017/18
- Rehabilitation of existing equipment
- Operational improvements for improved efficiency and LTA part of expansion
- Additional 115 000MT (96°Pol) sugar

CROP PERFORMANCE

AGRICULTURE

Overview

The Agric Manager – Production is responsible for the management of the four estates that comprise the land farmed – Mlawula, Ngomane, Mhlume West, and Mhlume East, with each of these roughly 5 000ha in size. Each estate in turn operates under a Field Manager who is in charge of eight sub-sections of around 600ha each.

The season begins with harvesting in April, and finishes early December, with the spring planting lasting from late June to September. Roughly 1 700ha is replanted every year, with autumn replanting taking place from mid-February to March. Cultivation is done internally, while harvesting is outsourced. Harvesting is done manually, with the resulting safety issues requiring strict rules and policies. Snakebite and equipment-related injury are the two main areas in which vigilance is key to maintaining the safety of workers.

While the use and allocation of water has been massively impacted by the drought, the proliferation of pests, such as aphids, has been another consequence of the dry conditions, with more than 5 600ha being affected. This has resulted in added costs because chemicals are required to treat the problem. (To read more about the water situation, see *Water resources*, page 35).

Sucrose is the critical component that determines the quality of the crop from a production perspective. Our target is to reach 16 tonnes of sucrose per hectare over the next five years.

The cane crop

End-of-season total cane crushed and sucrose tonnes were 4.7% and 5.2% above budget respectively, due to higher cane yields in tonnes cane per hectare (TCH) and a high polarity (Pol) percentage, with the high yields attributable to good climatic conditions during the season. The 2015/16 harvesting season was completed in the week ending 10 December 2015 with a total of 2 220 297 tonnes crushed in the year.

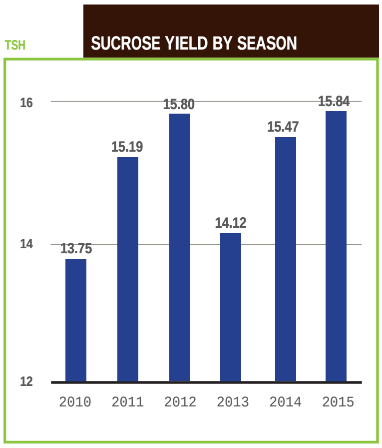
TCH were 3.3% above budget at 110.7, as against 107.2. Pol percentage cane was 0.5% above budget. Tonnes sucrose per hectare (TSH) was 3.8% above budget.

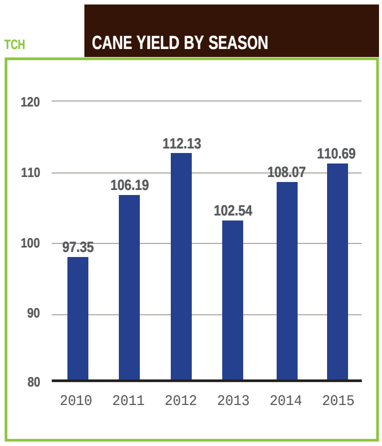
RSSC crop performance 2015/16 (excluding managed farms, including IYSIS)

	2015/16 actual		
	Actual	**Budget**	**% Var**
Tonnes cane crushed	**2 220 297**	2 120 965	4.7
TCH	**110.7**	107.2	3.3
Hectares cut	**20 058.2**	19 788.7	1.4
Tonnes sucrose	**317 629**	301 900	5.2
TSH	**15.8**	15.3	3.8
Pol %	**14.31**	14.23	0.5
Cane age	**11.8**	11.8	0.0

Season comparison

The sucrose yield of 15.84TSH was a record for the period since the merger. However, TCH were below the record of 112.13TCH achieved in 2012, due to a lower average harvest age of 11.7 compared to 12.57 months.





The 2015/16 autumn replant of 490.4ha was deferred for planting in the spring of 2016 because of the prevailing drought. A total of 46.8ha of immature cane was burnt by lightning strikes, with an estimated loss in revenue of E1.8 million, and there was an increased incidence of pests and disease, with the table below showing a summary of the areas affected in the 2015/16 season.

Off-crop

Simunye % progress	Simunye % target	Description	Mhlume % progress	Mhlume % target
74	70	Front end operations	76	76
67	70	Front end mechanical	73	76
56	70	Boiler mechanical	82	76
66	70	Back end operations	74	76
71	70	Back end mechanical	80	76
60	70	Instrumentation	80	76
71	70	Electrical	82	76
N/A	N/A	Refinery maintenance	75	76
77	70	Service workshop	72	76
67	70	Overall	72	76

Fig. 6 Off-crop progress and targets [at 19 March 2016]

DISTILLERY PERFORMANCE

ETHANOL

Production

The distillery performed exceptionally well during the year under review, achieving record production of 35 314 269.41 litres of absolute alcohol (LAA), against a budget of 32 579 194 LAA, thereby exceeding its annual budget for the season by 8.4% (see Fig. 7). It also achieved record recovery of 236 LAA/mt of molasses against prior year of 225 LAA/mt.

Marketing

By the end of February 2016, the ethanol margin was 66% (E31.7 million) above the YTD budget. This improved performance was due to various factors, among them the diversion of product between markets and product grades. In addition to favourable exchange rates, above-budget sales, as well as the diversion of ENA drummed sales to bulk ex-works sales, contributed to this result.

This shift between bulk and packaged sales resulted in savings in packaging, as well as haulage costs, while the higher than budget recoveries resulted in savings in unit cost.

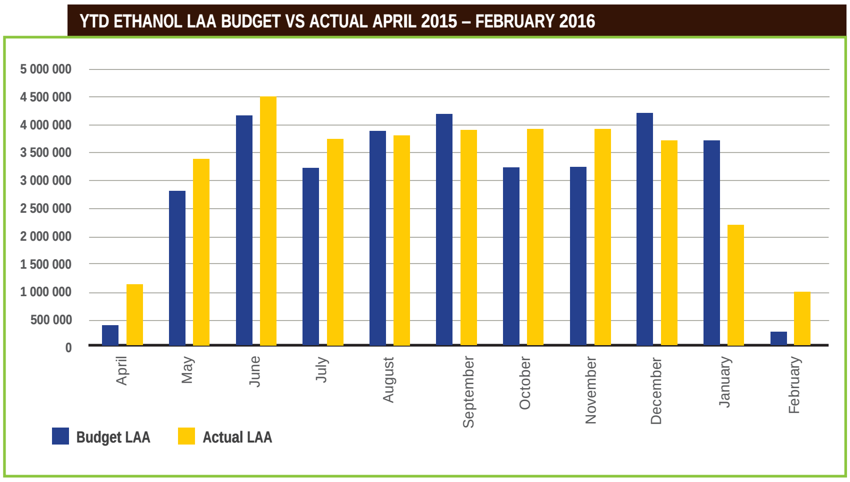


Fig. 7

Between January and February 2016 the prices of ethanol in the EU market improved slightly before stagnating at EUR655 per kilolitre (KL). According to petrochemical market information provider ICIS LOR, the prices of potable ethanol delivered to Central Europe remained depressed at EUR655/KL, as indicated in Fig. 8:

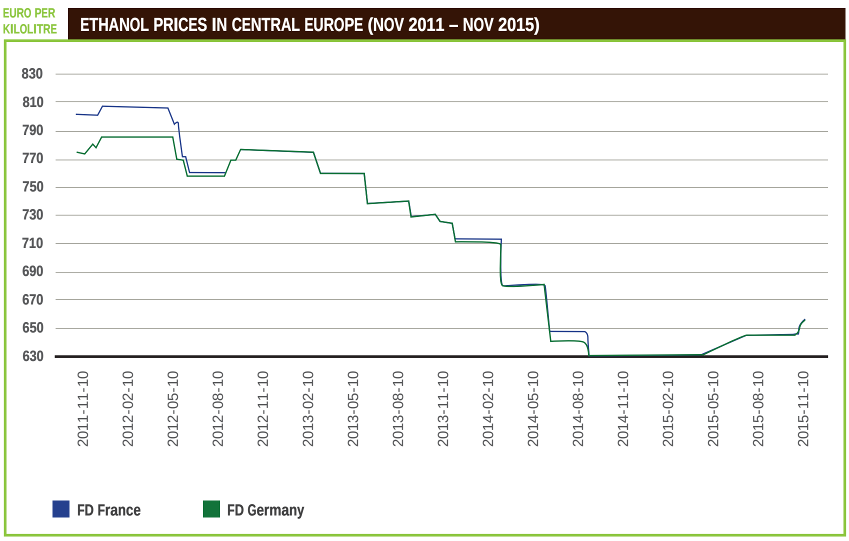


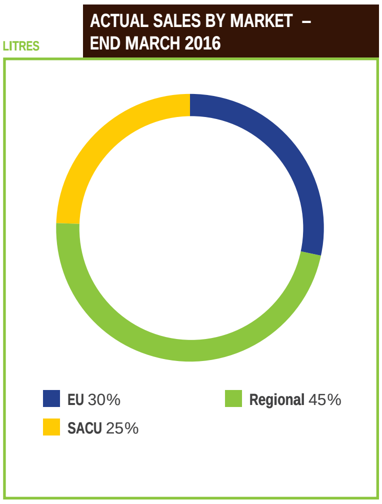
Fig. 8

By the end of February 2016 T2 duty-free imported beverage-grade ethanol was trading between EUR0.56 and EUR0.57 per litre Free On Board (FOB) at Rotterdam. The negative effect of poor ethanol prices in this market segment was cushioned by the strengthening of the Euro against the Rand.

The East African Community (EAC) market, however, is still oversupplied with relatively cheaper products from Asia and South America. Both Indian and Brazilian producers have been able to afford lower prices due to the depreciation of their currencies against the US Dollar.

Sales performance by market

By the end of February 2016, the EU market accounted for 27% of total YTD ethanol sales compared to 25% annual contribution budgeted for this market segment, as evidenced in Fig. 9.



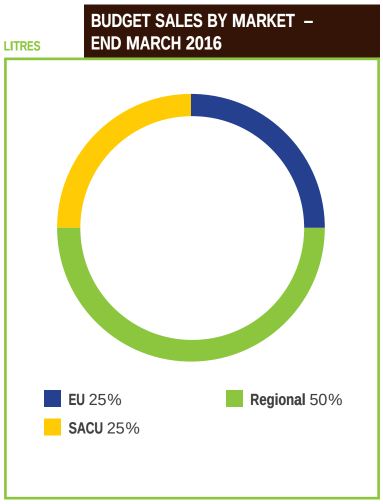


Fig. 9

The regional market contributed 45% of total YTD sales, slightly less than the budgeted annual YTD contribution of 50% of total sales for this market segment, while the SACU market accounted for 23% of total sales compared to the annual YTD budgeted 25% of sales.

By the end of February 2016, concentrated molasses stillage (CMS) sales were 18 201 tonnes (19%) above the YTD sales budget.

As a result of improved efficiency and fewer stops, supplementary fuel burnt during the season was 39.3% lower than anticipated

66%

By the end of February 2016, ethanol margin increased by 66% to E31.7 million above the YTD budget. This improved performance was due to various factors, among them the diversion of product between markets and product grades.

Government granted RSSC some extra water from the Maguga system in order to augment the supply to the Simunye Sugar Estate. As a result, a total of 7 517Ml was received in February instead of 5 300Ml and for March 9 100ML was received instead of the expected 7 000ML.

51

number of apprentices in the programme during the 2015/16 financial year

2015/16 pests and disease summary

		Chemicals		
Type	**Area affected (ha)**	**Treatment**	**Area applied (ha)**	**Costs (E)**
Rust	3 397.8	Abacus @1.6L/ha	3 195.7	1 265 497
Aphids and thrips	5 743.6	Allice (1.5L/ha) or Bandit (2L/ha)	9 891.6	3 803 732
Total 2015/16	9 141.4		13 087.3	5 069 229
2014/15	5 427.1		9 163.6	3 040 695
Variance	3 714.3		3 923.7	2 028 534

Identifying suitable land for expansion

Land and soil studies by Drs Nixon and Snyman proved that specifically identified land is suitable for cane cultivation. Similar soils have been recently developed at Ekuthuleni, with plant yields of 180TCH, and during the year under review a strategic Environmental Impact Assessment (EIA) has been approved for the proposed expansion lands.

New land totalling 6 107ha, with yields capped at 107TCH, has been apportioned as follows:

- RSSC/IYSIS: 3 600ha
- RSSC: 736ha of estate land
- IYSIS: 2 864ha (to be leased by RSSC)
- EU-funded Outgrower projects, with a 930ha project developed and managed by RSSC
- TTN/Outgrower land: 1 577ha
- 4 530ha under direct control of RSSC, TTN at 665ha with only 912ha "at risk"

Progress on agricultural EIAs

Development site (RSSC/IYSIS)	Area (ha)	EIA status	Authorisation date	Year of development
Pump station 5 (Mlawula)	36	Approved	5 Jun 2015	2016/17
Pump station 21 (Ngomane)	93	Approved	5 Jun 2015	2016/17
Pump station 29 (Ngomane)	74	Approved	5 Jun 2015	2016/17
Citrus Estate	133	Approved	3 Jun 2014	2017/18
Ekuthuleni Farm	400	Approved	10 Dec 2013	2017/18
Weir construction	–	Approved	18 May 2015	2017/18
P2 (West) – IYSIS	43	Awaiting approval	March 2016	2017/18
Emasotjeni – IYSIS	521	Re-submitted	February 2016	2017/18
Homestead – IYSIS	2 300	Report submitted	Expected Sept 2016	2018/19 – 2019/20
Development site (Outgrowers)	**Area (ha)**	**EIA status**	**Authorisation date**	**Year of development**
Mnyangombili	400	Public review stage	April 2016	2016/17
Mbombowendlovu	530	Public review stage	March 2016	2016/17
Hhohho	162	Not yet started	Expected by March 2017	2017/18
Malkerns-TTN	665	Not yet started	Expected by March 2017	2017/18
Invermay	380	Not yet started	Expected by March 2019	2019/20
Nkalashane	370	Not yet started	Expected by March 2019	2019/20

WATER RESOURCES

Extended drought; Diminishing resources.

The drought showed no signs of abating during the year under review, with the rainfall received in February and March not significant enough to change the river flow and thus increase the volume stored in the dams. At the end of the financial year, Maguga Dam was standing at 31.5% of capacity and Mnjoli Dam at 5.28%.

> Additional water was granted by the Government to help Simunye Sugar Estate, which is fed from Mnjoli Dam. Water stored in Mnjoli was used solely for the irrigation of Ngomane, with the water being moved via Government-approved inter-basin transfer.

The drawdown on Mnjoli Dam was minimised through planned irrigation stoppages in an effort to conserve the remaining water in the dam. Government granted RSSC some extra water from the Maguga system in order to augment the supply to the Simunye Sugar Estate. As a result, a total of 7 517Ml was received in February instead of 5 300Ml and for March 9 100ML was received instead of the expected 7 000ML.

Mnjoli Dam operation

Existing peak outlet flow is 12.2 m³/s and rises to 15.6 m³/s after expansion. This has been achieved when the dam level was high.

There are sufficient water resources in nine out of 10 years to expand the cane area by 4 100ha provided that Mnjoli Dam is operated according to the water apportionment rules.

Risk mitigation and negotiation

With the Simunye estate at the highest risk, strategies were implemented by management to mitigate the negative effect of the drought, including exploratory boreholes, priority ranking for watering fields, deferred replanting, the adoption of new irrigation regimes, improved water measuring devices and new water-saving solutions for the Simunye factory.

RIVERS, DAMS, DROUGHT AND IRRIGATION

Water at Mnjoli Dam dropped to below the point where the gravity feed to the canal could not be used because the canal was higher than the outlet at the dam. The point at which pumping is initiated is when the dam stands at around 12% of its capacity. At 12% only 2 000l/sec can be delivered, an amount slightly less than a third of that required.

Normal flow in the Mbuluzi River is 2 000l/sec. RSSC can harvest and store anything above that amount, with the rest allocated for downstream users. However, for about 14 months the company has not been able to harvest and store any water at all. This is the reason that the company has had to implement a survival strategy of irrigating just to keep the cane roots alive, so that it will be possible to resume growth when rains return.

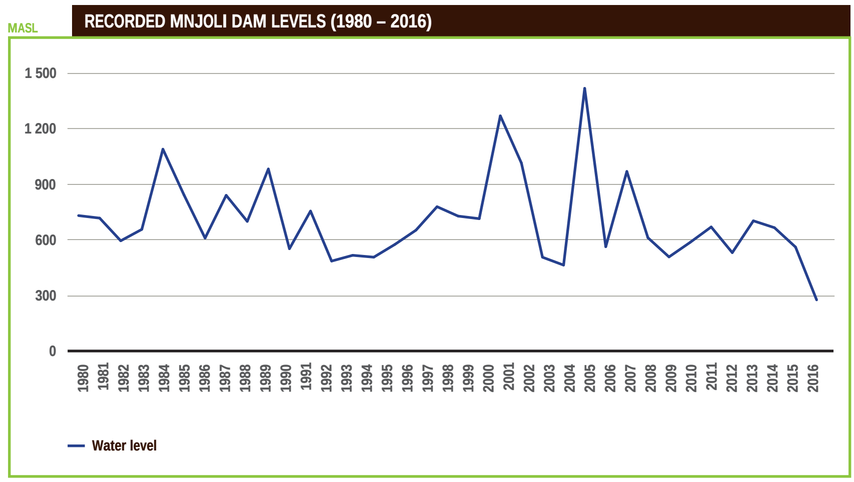


Fig 10: Mnjoli Dam water levels in the past 20 years. Note that full supply levels increased in 2011 after the installation of spillway gates

Management engaged with Government on additional water supply, inter-basin transfer, prioritising the construction of dams in the north that could ensure water security for RSSC, and a proposal on providing Government with land for maize production at Ekuthuleni farm in return for water.

Analyses and trends

In analyses of historic rainfall data at Mlawula over the years 1980-2015, and using five-year rolling averages and cumulative mass plots, cyclical wet and dry periods were observed, although there was no significant downward trend to indicate climate change.

2 600

Total head of cattle maintained by IYSIS across two breeds – Red Brangus, and the indigenous Nguni, with the latter having done well for the company because they protect their calves effectively.

E2.3m

The cost that IYSIS has incured for supplementary feeding, as a result of the drought.

Fig. 11 shows annual rainfall variability, with two clear wet and dry cycles over the last 30 years.

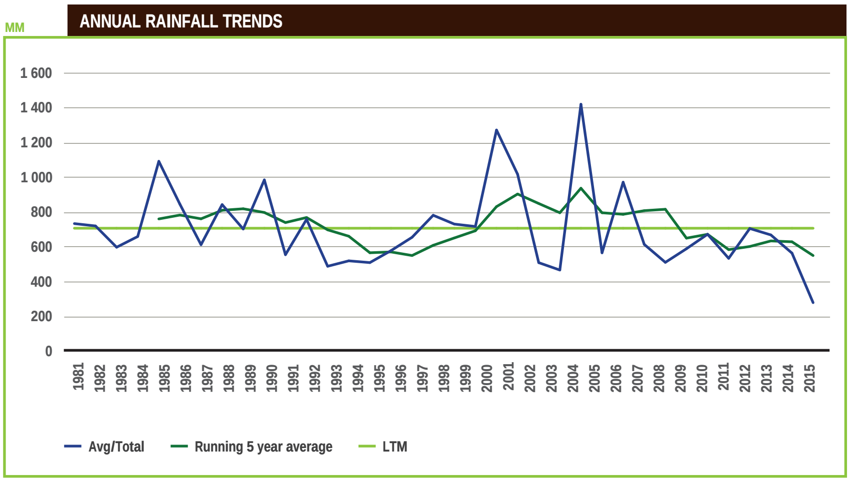


Fig. 11

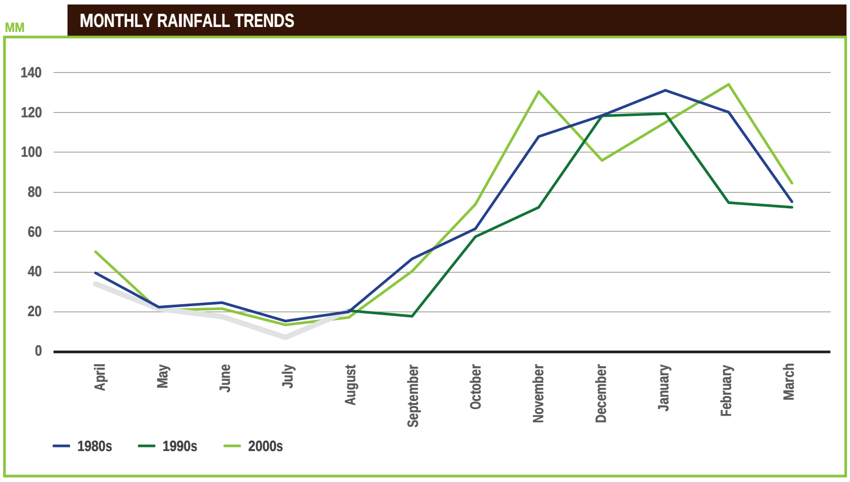


Fig. 12 Monthly rainfall patterns over the past three decades, with a pronounced dip in December/January compared to the previous year

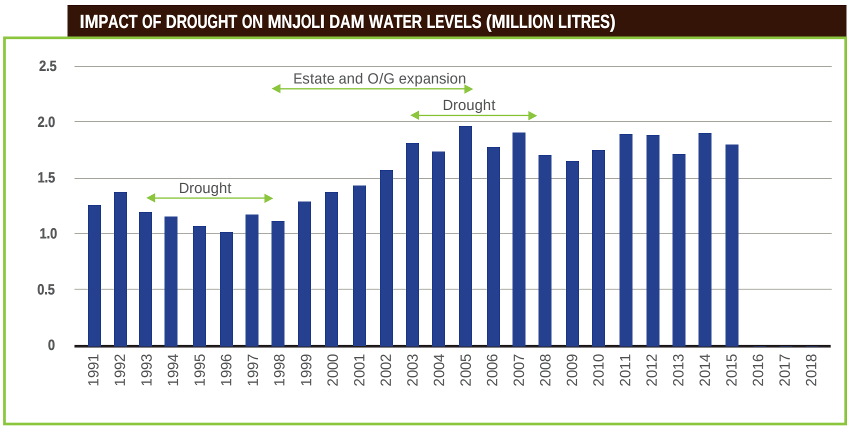


Fig. 13 Three significant drought periods. Recovery was rapid and cane loss less than 10%

Solutions for the future

The Corporation engaged the Government regarding the suspension of irrigation, with discussions including the current situation, as well as the future. Government decided not to implement the irrigation ban, undertaking instead to re-look the proposals for new dams to benefit not only RSSC, but Swaziland as a whole.

Future Government dams in the north

River system	Komati	Mbuluzi	Mbuluzana
Name	Silingane	Mkhombane	Isilele Dam
Capacity in Ml	150 000	24 000	44 000
Total cost	E2.4bn	E0.4bn	E0.7bn

These dams are included in the Integrated Water Resource Management Plan. The costs indicated encompass, among other impacts, the relocation of people. Silingane will benefit the KMIII Airport, as well as the Langa community, while Mkhombane and Isilele will benefit RSSC, growers, and the Lomahasha community, as well as any development around Shewula.

IYSIS

Inyoni Yami Swaziland Irrigation Scheme (IYSIS) is a partnership between RSSC and Tibiyo, with the Board composed of three representatives from each partner, the Chairman (appointed from Tibiyo), and the company General Manager (GM) reporting to that Board. The Board oversees separate Board sub-committees, although Audit and Risk and Remuneration are subsumed into the respective RSSC committees. IYSIS is administered as a separate entity with its own accounts.

IYSIS is engaged in several revenue-generating activities:

- Cane growing (around E30 million)
- Cattle and game farming (around E1 million)
- Hospitality (around E0.5 million),
- Rented farms (around E1 million)

The cane growing is managed on behalf of IYSIS by RSSC, with 80% of the profit from cane operations accruing to IYSIS. There are around 110 employees across all the company's activities.

Cattle

IYSIS maintains 2 600 head of cattle across two breeds – Red Brangus, and the indigenous Nguni, with the latter having done well for the company because they protect their calves effectively. With most mortality occurring among calves, the Red Brangus suffers more, as the lack of determined protection from adult animals allows predation. The company owns the entire value chain, from the breeding of the cattle through to the butcheries.

The company maintains a feedlot holding about 1 000 head of cattle, and a small country abattoir that processes the beef. The majority of the cattle in the feedlot are purchased, and sent on live to an export abattoir where they are processed for export, mainly to Norway. The policy is that most of the company's animals are processed through the IYSIS system, while most of the purchased animals are sold on for export processing.

Hunting is restricted to the winter months. However with the lodges and abattoir situated on the edge of the dam, out-of-hunting-season gill-net fishing is practised, which helps to pay the way of the people who would otherwise only be engaged during the busy hunting months. There is also a commercial side to the fishing, albeit small, with the fish caught being supplied to the two butcheries.

Game

Hunting and recreational fishing are popular sports which generate revenue – not just through the animals taken, but also from the accommodation as well. With the stock being entirely composed of grazers and browsers and smaller predators such as hyena, there is a need from time to time to reduce the game numbers. It is not always possible to rely on game capture teams, therefore hunting has a positive role to play.

Drought, harvests and yields

The drought has had a devastating effect on the ranch at IYSIS. The company has had to move all its cattle off the ranch, with mortalities reaching 36% higher than budget. The cattle have been kraaled, and maintained on a limited ration, and while supplementary feeding keeps many animals alive, it has been at a cost of E2.3 million. The sugar component in IYSIS is, however, doing well and is ahead of budget by E13 million. This sugar income has enabled the maintenance of nearly the entire herd, which would otherwise have had to be reduced. This strategy may work in the long term, but it is dependent on rain relief, which in turn increases the demand for cattle.

The cane harvesting season was completed early in December with a good crop. Yields were 6.2% ahead of target at 15.2TSH, against a budget of 14.3TSH. Considering the severe drought conditions and water restrictions that remain, the 2016/17 cane crop is also looking relatively promising with yield estimates expected to be about 8% below 2015/16 levels.

The drought has affected all targets set for the year under review, with calving and mortality rates showing marked differences from previous years. The overall expansion strategy has been suspended, also as a result of the drought, with the main aim being short-term responses to enable survival.

6.2%

Yields ahead of target at 15.2TSH, against a budget of 14.3TSH. The cane harvesting season was completed early in December with a good crop.

76

Number of employees who voluntarily exited RSSC as part of reducing labour costs, under the Simama 20-20 strategy.

IYSIS: Indicators over the past seven years

		2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
1	Ranch area (hectares)	**20 786**	20 786	20 786	20 786	20 786	20 786	20 786
	Cattle							
2	Average herd size	**2 519**	2 532	2 592	2 465	2 592	2 214	2 373
3	Females bred	**1 466**	1 443	1 437	1 347	1 437	1 389	1 351
4	Conception (%)	**74**	70	85	68	85	84	73
5	Calving (%)	**66**	61	75	54	75	72	57
6	Mortality (%)	**11.70**	7.5	9.2	9.7	9.2	10.3	11.0
7	Number sold	**729**	691	669	544	669	421	588
	Wildlife – population estimates							
8	Impala	**7 000**	8 000	8 000	8 000	8 000	8 500	6 700
9	Zebra	**800**	800	900	1 050	900	950	860
10	Warthog	**380**	350	400	400	400	440	480
11	Waterbuck	**100**	150	180	200	180	190	190
12	Kudu	**600**	550	500	500	500	450	380
13	Bushbuck	**200**	200	250	250	250	300	340
14	Nyala	**800**	700	720	700	720	650	500
15	Wildebeest	**80**	75	72	70	72	65	55
16	Giraffe	**25**	24	22	21	22	20	15
	Wildlife – number sold							
17	Impala	**1 768**	723	923	862	923	610	449
18	Zebra	**50**	29	100	63	100	0	0
19	Warthog	**33**	73	61	54	61	44	38
	Feedlot – number external purchases							
20	Head of cattle sold	**1 542**	1 185	1 743	1 336	1 743	880	1 023
	Butcheries							
21	Beef sold (kg)	**70 354**	77 240	81 865	77 548	81 865	90 286	94 167

Community

IYSIS assists its community by providing a market for animals, as well as with the supply of water, firewood, thatch and grass, particularly during the drought period. (To read more about RSSC community projects and initiatives, see *Corporate citizenship*, page 16.)

PROPERTY SERVICES

Overview

The Property Services Department (PSD) is responsible for a wide range of tasks related to the upkeep and management of facilities, including buildings, open grounds, and civil and electrical infrastructure and security services. Its main purpose is to provide municipal services, housing, and project management services to employees of the RSSC Group, its divisions, partners, and external stakeholders.

The department is responsible for an annual capital and operational budget of E260 million, and provides its services through seven sections.

With its staff complement of 79 employees, PSD reports to the GM Finance, with its activities spread across both the Simunye and Mhlume estates in four depots – Mhlume, Lusoti, Tshaneni and Ngomane.

Electricity

During the year under review electricity usage continued below budget due to the reduced irrigation as a result of the drought. There has been an increase in the number of power outages, partly due to a slight deterioration in Swaziland Electricity Company (SEC) power quality, following Eskom's request to the SEC to reduce the country's electricity demand. While every effort was and is being made to avoid this arrangement affecting RSSC, there have occasionally been some unavoidable interruptions of SEC services in some of its substations.

Waste management

The solid waste management system continued to be implemented during the year under review, with waste being managed across the company from generation to disposal. Work on the provision of a buy-back centre for recyclable waste was begun at Lusoti.

Roads

Grading of village gravel roads was conducted at Ngomane and Lusoti in response to rain damage.

Housing

The rehabilitation of houses on the estate under the planned maintenance programme was completed during February, and a first round of negotiations was held with all contracted service providers with a view to realising savings.

Ongoing major projects

- Work was completed on the Ngomane substation switchgear replacement after last season's failure.
- An improvement of power distribution in the Mhlume server room was achieved, with the Genset calibrated and requiring remedial work to eliminate or reduce power failures.
- Work continued on the provision of power to Hlanganani Village from Mhlume Mill.
- Sinks and electric geysers were installed in A-type houses at Lusoti, and instant water heaters in formerly coal-fired houses at Mhlume.

OUTLOOK

Challenges, uncertainties, implications

For RSSC the outlook contains many challenges – some from within the company, some arising from local causes, and yet others emanating from the global economic climate generally and the response of the sugar and ethanol markets in particular.

Challenges arising from internal causes:

- Full implementation of the IGP
- Reduction of the unit cost
- Short-term measures to mitigate the threat of drought
- Delayed implementation of the expansion plan for growth

Challenges arising from local causes:

- Swazi and South African currency exchange rates as against the US Dollar
- Ongoing drought
- Industry restructure

Challenges arising from global causes:

- Impending European deregulation in 2017
- Slowing global economy
- The impact of the weaker Brazilian Real on world sugar prices

RSSC's business model is impacted by several factors, some of which are not within the company's control. The ultimate strategic benefit of lowering the unit cost of production and the implementation of the expansion, which has been delayed, will mitigate the effect of the challenges emanating from external sources.

Short-term strategic objectives

- Surviving the current drought
- Water security in the long term
- Implementing and adequately executing the RSSC strategy framework
- Developing scorecards and implementing them across the business
- Aligning unit cost reduction with corporate strategy
- Ensuring IGP development and Board approval
- Industry restructure
- Effective management of employee relations issues
- Developing comprehensive and sustainable learning and developing initiatives
- Cane expansion through IGP
- Attracting and retaining highly skilled labour

The projected sugar gap

	2011/12	2020/21	2030/31
Demand	170	201	245
Increase on 2011/12		31	75
		18%	44%
Year-on-year		2.0%	2.3%

Employee safety is one of RSSC's top priorities

The long-term future

- New sugar capacity will be required to meet growth in global sugar demand (3.5 million tonnes per year) before the end of the current decade
- At this point, world sugar prices will need to rise to encourage investment in Brazil and elsewhere
- Under current market conditions this price range is estimated at 16-20 US cents/lb.

In the European Union (EU)

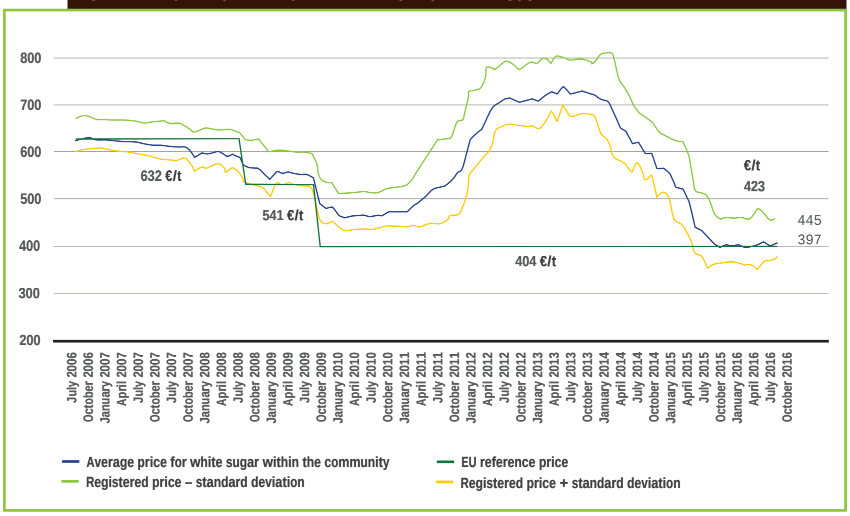
- Very large EU beet sugar crop in 2014/15
- High out-of-quota, low in-quota stocks
- Smaller crop in 2015/16, down by 12%
- Prices rising to attract CXL (EU sugar-import duty) sugars
- The open question as to whether prices have bottomed out
- Reform is less than two years away.
- After reform in 2017 the EU market and prices will be determined by a complex interplay of factors: world price, grain prices, size of beet sugar crop, isoglucose, exchange rates, post-reform industry rationalisation, and EU exports in a liberated market
- Market and price prospects will therefore vary from year to year
- EU customers are currently tendering for 150 000mt with contract periods past 2017

More than 3.6 million tonnes cane was crushed in the 2015/16 season

In the United States (US)

- With uncertainty over the USA/Mexico trade dispute, supply has been tight
- Prices remain around 24-25 US cents/lb
- Looking ahead, assuming trade deal terms are ratified, future prices will reflect the cost of imports from Mexico
- The No. 16 price could be around US$560 cif, equivalent to US cents 25/lb.
- A good market for Swaziland (although limited by quota to 16 500 tonnes)

EU REFERENCE PRICE AND EU MARKET PRICE FOR WHITE SUGAR



In the Southern African Customs Union (SACU)

- Swaziland has been able to capture some additional market share in 2015
- Currently the most attractive market for Swaziland
- Prices increasing in line with inflation
- No exchange rate exposure
- Some potential political challenges

In the region

- Projected growth in sugar consumption in Africa
- Regional prices at a premium to the world market
- Opportunities exist for growing sales into the region but there will be strong competition from other ACP (Africa, Caribbean and Pacific) and LDC (Less Developed Country) producers diverting sugar previously destined for the EU

Implications for Swaziland and RSSC

- There will be variable markets, prices and exchange rates going forward
- The ranking of markets will vary over time
- Regional markets and world market sales could prove attractive relative to the EU
- There is a need for flexibility in market strategy in order to chase value
- RSSC must exert its influence at the SSA to achieve flexibility

07 OUR GOVERNANCE FRAMEWORK

OVERVIEW

RSSC is committed and subscribes to best corporate governance practices, and is guided by, among others, the code of corporate practice and conduct contained in all King Reports and other international guidelines on corporate governance.

The Group's governance structures and practices are reviewed and enhanced on an ongoing basis with a view to implementing recommendations on good governance that are deemed applicable and suitable for the Group's circumstances, as well as those that are key in delivering sustainable growth in the interest of all stakeholders.

RSSC sees corporate governance as the responsibility not only of the Board, but of executive management as well, and the culture of good governance is thus embedded across the Group. The Board applies a stakeholder-inclusive approach in its decision-making processes, having due regard to the interests of shareholders and other stakeholders, while demonstrating concern for sustainability as a business opportunity that guides strategy formulation.

In line with the "apply or explain" principle, where application of the recommended King III principles has been identified as unsuitable for the Group's circumstances, this is clearly explained and where appropriate, other controls are put in place to ensure good governance.

OUR BOARD OF DIRECTORS

Board composition

The RSSC Board has a unitary structure, comprising 12 non-executive directors (including one elected exclusively by small shareholders) and one executive director. The directors are not regarded as independent within the definition of King III, as they are all shareholder appointees. The Board is, however, of the view that this does not affect its independence, as all non-executive directors exercise independent judgement in all Board deliberations and decisions at all times. Furthermore, there are policies in place concerning directors' conduct, and aimed at ensuring that directors diligently perform their fiduciary duties in the best interests of the company and stakeholders.

Board responsibilities

The Board functions in terms of a Board Charter, which records the Board's continued objective of providing ethical business leadership. It regulates and addresses, among others, the role of the Board as the custodian of corporate governance, the fiduciary duties and responsibilities of the Board and individual directors towards the company.

Although there is no formal evaluation of the performance and effectiveness of the Board, its committees and individual directors, the Board is satisfied that during the year under review, it effectively carried out its responsibilities as described in the Board Charter.

The Board meets quarterly, and special meetings are convened from time to time when considered necessary. To facilitate a meaningful decision-making process, Board papers are circulated timeously to the directors to allow them sufficient time to properly scrutinise the content and raise appropriate issues. Members of the Executive Committee attend Board meetings to ensure comprehensive reporting to directors. Through monthly reports and regular briefings by management on material issues, the Board is able to monitor, among others, operational and financial performance of the business, key risk matters and major company initiatives.

The directors are subject to retirement by rotation on a yearly basis, in accordance with the company's Articles of Association.

Directors retiring by rotation at the next AGM

- JM du Plessis
- D van Niekerk
- AT Dlamini
- Chief ZN Ndlangamandla

Induction

During the year Ms B Mkhaliphi went through an induction process meant to broaden her understanding of the company and the environment within which it operates. The MD, GM Operations, GM of MSP and the GM of IYSIS held detailed discussions with the director and she was taken on a tour of the agriculture fields, mills, livestock business area and sugar packing plant to provide her with the necessary exposure to the Group's operations.

All directors were taken on a site visit of Ekuthuleni farm to appreciate the agricultural development that had taken place, since the acquisition of the farm in 2012.

Board highlights 2015/16

- Continued focus on Integrated Growth Programme
- Debt financing (Project Khula)
- Reviewed and approved the following policies:
  - Board Charter
  - Risk/Audit/Remuneration Committee Terms of Reference
  - Policy for Management of Stakeholder Relations
  - Corporate Citizenship Policy
  - Directors' Code of Conduct
  - RSSC's Code of Ethics
- Reviewed sub-committee membership

Chairman and Chief Executive Officer

The respective positions of Chief Executive Officer and Chairman are separate to ensure a balance of power, such that no one individual has unfettered powers of decision-making, and their clearly delineated roles and functions are set out in the Board Charter.

Company Secretary

The Company Secretary, who also acts as compliance officer, is responsible for, among other things, the duties outlined in King III, and maintains an arm's-length relationship with the Board. All directors, individually and collectively have access to the advice and services of the Secretary. Appointment and removal of the Secretary are matters for the Board as a whole.

Attraction and retention of key skills remains an ongoing challenge for RSSC

OUR BOARD

Mr Absalom Dlamini – Chairman
MBA, BCom

Absalom Themba Dlamini is the Chairman of the RSSC Board. He is the current Managing Director of Tibiyo TakaNgwane. He is the former Prime Minister of the Kingdom of Swaziland. He has held executive positions in various local institutions, such the Central Bank of Swaziland, Swaziland National Provident Fund and Swaziland Industrial Development Company. He currently serves on other boards including Ubombo Sugar Limited, Mananga Sugar Packers and Royal Villas. He has received awards and honours from among others His Majesty King Mswati III and the President of the Republic of China on Taiwan.

Ms Busangani Mkhaliphi – Member
IMBA, BCom, Dip Accounting and Business Studies

Busangani G Mkhaliphi is employed by the Ministry of Finance as Director of the Public Enterprises Unit. She also worked for the Ministry of Agriculture under the Monitoring and Evaluation Unit. She is a member of the Board of Directors of the Swaziland Post and Telecommunications Corporation where she also sits on the Remuneration and Audit Committees.

Chief Zibuse Ndlangamandla – Member
Dip Accounting

Chief Zibuse Ndlangamandla is the traditional leader of Manyandzeni community in the Shiselweni District, Swaziland and a businessman and a farmer. He is responsible for providing strategic direction on economic and social development matters of the community. He is also a member of His Majesty the King's Advisory Board.

Mr Derek van Niekerk – Member
MBL, BCom (Hons) Accounting

Derek van Niekerk is Managing Director-RCL Foods Sugar Business Unit. Mr Van Niekerk has more than 20 years' experience in financial, commercial and general management in an agro-industrial environment and has been involved in considerable operational change management projects with an emphasis on simplification of processes, efficiencies, cost control and accountability against targets.

Princess Phumelele – Member

HRH Princess Phumelele is a Member of Parliament of the Kingdom of Swaziland and sits in a number of parliamentary committees overseeing the operations of the various Government ministries. She also serves on committees dealing with rural development, preservation and promotion of Swazi culture, HIV/Aids and gender issues. She is also a member of the Pan African Parliamentary subcommittee working on matters of common interest to member states in areas of natural resources, energy, agricultural and economic development. She was part of the commission responsible for drafting the constitution of Swaziland. HRH is also a businesswoman involved in farming and real estate.

Mr Jameson Gule – Member
MBA, CIS, Business Studies, DipFarm Management, Cert Finance Management

Jameson Gule is a former General Manager Corporate Affairs at Tibiyo TakaNgwane and prior to that he was Managing Director of The Swazi Observer. He has since retired from Tibiyo TakaNgwane, where he held several managerial positions. He has also served as director on the boards of The Swazi Observer, Maloma Colliery Ltd, Tisuka TakaNgwane, Swaziland Growers Executive Committee, SSA Finance and the Swaziland Sugar Industry Board.

Mr John du Plessis – Member
BSc Agriculture, MDP

John du Plessis is the Managing Director – RCL Foods Sugar and Milling. Prior to joining RCL Foods (formerly Tsb) in 2009 he was the Managing Director of RSSC. Over the last 25 years he has held managerial and executive positions in a number of organisations within the sugar industry, including Booker Tate Ltd in the United Kingdom, Zambia Sugar, PLC-Zambia, Ramu Sugar Ltd in Papua New Guinea and Illovo Sugar in South Africa. Mr Du Plessis is also chairman of the South African Sugar Millers' Association and Booker Tate in the UK.

Mr Manqoba Khumalo – Member
MBA, BSc Biochemistry

Manqoba Khumalo is the General Manager at Coca-Cola Swaziland (Conco Ltd). Before assuming this role he was General Manager at the Minute Maid Plant in Peterborough, Canada. He is board chairman of Enactus Swaziland and also serves on the board of directors at Standard Bank and the Federation of Swaziland Employers.

Mr Gerhard van der Walt – Member
BCom (Hons), Chartered Accountant SA

Gerhard van der Walt is the Financial Director of RCL Foods. He has more than 30 years' experience in the auditing, financial and commercial environment. He has considerable knowledge of the sugar industry and has been involved in several big capital and expansion projects with his current employer. He also played a key role in the design and implementation of several grower financing schemes. Mr Van der Walt represents RCL Foods on several boards.

Mr Zombodze Robert Magagula – Member
LLB; LLM (Insurance Law), Masters Sports Organisation Management; Post-Grad Dip International Law

Zombodze Robert Magagula is a Consultant for Momentum Health Insurance (MHI). He previously worked as Crown Counsel and Prosecutor under the Swaziland Government's Ministry of Justice and Constitutional Affairs. He is President of the Swaziland Olympic and Commonwealth Games Association and the Confederation of Olympic Committees of Southern Africa. Mr Magagula also serves as an executive board member of the Association of Olympic Committees of Africa and the Federation of Swaziland Employers and Chamber of Commerce.

Alhaji Ahmed Idris – Member
MIAD, MBA BSc (Accountancy)

Alhaji Ahmed Idris is the Accountant-General of the Federation in Nigeria. He has held various executive positions in the federal Civil Service such as Director (Finance and Accounts) at the Nigeria Security and Civil Defence Corps (NSCDC) Wuse Zone 5, Abuja and at the Ministry of Mines and Steel Development Wuse II, Abuja. He is a member of a number of financial institutions in Nigeria. He was appointed RSSC Board member on 3 September 2015.

Alhaji Idris has presented various papers on many topical issues including Reform in the Nigeria Capital Market, Fraud in the Banking Services Delivery and Supervisory Skills in Banking Service Delivery. He also sits on several boards.

Mr Nick Jackson – Executive Member
BSc (Hons) Biochemistry

Nick Jackson joined the RSSC as Managing Director in February 2009 and is the only executive Board member. Mr Jackson is Chairman of SWABCHA. He also serves on several other boards including NERCHA, the Swaziland Sugar Association, Country Coordinating Mechanism (CCM), Uniswa Foundation and the Federation of Swaziland Employers. Prior to joining the RSSC, he was the CEO of the Guyana Sugar Corporation in the Caribbean.

Mr Mike Shongwe – Member
MDP, Dip Creation and Development of SMEs

Mike Shongwe is a retired career banker, now a businessman and Swaziland Franchisee of PostNet SA. He retired as Head of SBSA Community Banking Fund, a broad based black economic empowerment (BBBEE) initiative after 38 years of commercial/retail banking, including seven years as Executive Director of Inhlanyelo 'Seed Capital' Fund. Mike received extensive banking industry expertise development from various SA academic institutions, namely, WBS, GIBS, SBSA Group Global Leadership Centre (GLC), SADC states (Botswana and Zimbabwe) and abroad (London, UK and Turin, Italy). He has served on various boards and committees, including at inception a Director of FINCORP, Chairman of SEDCO and Member of the Government Task Force appointed to review and propose a framework for SME financing in Swaziland.

07 OUR GOVERNANCE FRAMEWORK

OUR BOARD COMMITTEES

In order to assist the Board in the performance of its various functions and discharging its responsibility for corporate governance, specific Board committees exist, to which some of the Board's responsibilities have been delegated.

Each committee has a clear mandate and acts according to written terms of reference approved by the Board. Ad hoc committees are established from time to time to assist with specific matters. The committees are constituted by appropriately skilled members and have access to specialist advice when necessary.

AUDIT COMMITTEE

Audit Committee
IG van der Walt (Chairman), B Mkhaliphi, MB Khumalo and JN Gule

Overview: Risk management; internal controls; internal financial controls, interim and annual financial statements, accounting systems and information; the effectiveness of the finance function; accounting policies; combined assurance model; internal and external audit; information technology risk as it relates to financial reporting; protection of assets; integrated reporting and sustainability matters and compliance with laws, rules, codes of conduct and standards.

RISK COMMITTEE

Risk Committee
MB Khumalo (Chairman), Chief ZN Ndlangamandla, D van Niekerk, N Jackson, and MSM Shongwe

Overview: Ensuring that processes are in place to enable complete, timely, relevant and accurate risk identification and management, with terms of reference covering among others, reviewing the company's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the company's risk management function, and ensuring an ongoing process for risk identification, mitigation and management, and to oversee the implementation of the company's risk management programme.

REMUNERATION COMMITTEE

Remuneration Committee
AT Dlamini (Chairman), ZR Magagula, and J du Plessis

Overview: Assisting the Board in setting and administering the Group's remuneration philosophy and to review and approve the remuneration and employment terms of senior executives; Reviewing policies for the remuneration of senior executives, monitoring senior management succession planning as well as reviewing and noting remuneration trends across the Corporation.

Committees: Terms of reference and records

AUDIT COMMITTEE

The Committee meets four times a year, although these meetings will now be cut to three a year. The Managing Director and senior managers who are responsible for the financial reporting process attend the meetings by invitation. Attendance at the meetings is also open to the internal and external auditors. The Committee holds separate sessions with management, the External Auditor and Internal Audit function, to ensure that all pertinent matters have been identified and discussed without undue influence. In accordance with its terms of reference, for the 2015/16 year, the Audit Committee is satisfied that it has appropriately performed the duties and responsibilities assigned to it by the Board and more specifically its oversight responsibilities in respect of:

- The integrity of the Group's Financial Statements
- The appointment, remuneration, qualification, independence and performance of the External Auditor and the integrity of the audit process as a whole
- The plans, performance and objectivity of the Internal Audit function and the integrity of the internal audit process as a whole
- The effectiveness of the systems of internal controls and risk management;
- The Group's systems for compliance with applicable legal and regulatory requirements
- The expertise, resources and experience of the finance function is appropriate for its size and nature

2015/2016 Audit Committee highlights

- Monitoring SAP ERP system implementation and tracking action being taken by management to close out internal control issues raised by IT audits
- Recommended the engagement of KPMG as the company's external auditors, following a transparent tender process
- Received and discussed reports on: legal/statutory compliance, Group's tax status; Impact of IAS 41 on Valuation and Disclosure of Bearer Assets; issues to affect year-end audit (cane roots due to low rainfall, actuarial valuation on retirement pay, adoption of new standards, human capital rationalisation project, factory expansion and capitalisation of McKinsey costs)

RISK COMMITTEE

While the Board retains overall responsibility for risk, it has delegated to management the day-to-day responsibility for designing and executing the Board's risk strategy by means of risk management plans, systems and processes.

The company's enterprise-wide risk management process seeks to ensure that significant business risks to which the Group is exposed are systematically identified, assessed and managed to acceptable levels and to ensure that risk management is embedded in all decision-making processes including planning, projects, business operations and investments. The risks are addressed through action plans put in place with responsibilities assigned. Formal risk assessments are conducted on an annual basis and the implementation of recommendations coming out of these assessments is monitored by the Risk Committee at its quarterly meetings.

Detailed reports and the risk register with updates are reviewed and presented quarterly to the Risk Committee which reports the top 10 risks to the Board. The Committee also considers the adequacy of insurance cover, including self-insurance, as well as business continuity management. The risks are constantly monitored to take into account the changing business environment that could affect the Corporation.

The Committee also satisfies itself that an effective internal IT control framework exists, and that the IT strategy is integrated and aligned with the Group's strategy and business processes.

Risk committee highlights 2015/16

- Increased attention on safety in response to fatalities at Mhlume factory. Committee members toured the accident scene and made recommendations for consideration by management
- Monitored management's progress with respect to the Strategic Environmental Assessments for the sugar cane and factory expansion as well as other optimisation initiatives forming part of the Corporation's strategy
- Monitored steps towards development of a wastewater treatment and effluent management master plan
- Continued with monitoring the implementation of the SAP ERP System, with specific focus on updating and aligning business processes, policies and procedures, and change-management aimed at embedding the system. Development of a SAP three-year road map
- ISO audits, which were all successful with RSSC retaining certification
- Risk caused by the drought, strategies and action plans to mitigate the impact on cane roots, production and profitability
- Monitoring of top 10 risks and mitigating action plans
- Oversight on development of IT strategy maps and balanced scorecard to ensure integration of IT strategy and activities with companywide strategy and business processes

REMUNERATION COMMITTEE

In keeping with the philosophy that executives and staff should be paid a fair, competitive and appropriately structured remuneration, the following broad principles are applied:

Remuneration consists of fixed and variable components, with variable pay aimed at encouraging added value to performance and shareholders. The short-term incentive scheme aligns the interests of management and staff with those of shareholders in the short term, as performance bonuses are subject to company key financial performance and individual key performance indicators (KPIs).

The long-term incentive scheme and awards to participants are subject to the satisfying of financial performance conditions supporting long-term shareholder value creation.

Remuneration components are set at a competitive level to motivate key talent and to attract the services of high-calibre employees, and independent external studies and comparisons are used to ensure that remuneration is market-related. The Committee met twice during the year.

Remuneration committee highlights 2015/16

- Received and approved report on human capital rationalisation programme, which resulted in the voluntary exit of 76 employees on 31 March 2016 at a cost of E29.4 million, with a payback period of 1.8 years
- Approved amendments to long-term and short-term incentive schemes rules, which were mainly aimed at aligning shareholders' and scheme participants' interests
- Approved the Company's Remuneration Policy

Board and committee attendance 2015/2016

	Nature of meeting							
	Board		Audit		Risk		Remuneration	
Board member's name	SM	AM	SM	AM	SM	AM	SM	AM
AT Dlamini[1]	4	4	–	–	–	–	3	3
Chief ZN Ndlangamandla	4	4	–	–	4	4	–	–
JM du Plessis[2]	4	4	2	2	–	–	3	3
HRH Princess Phumelele	4	4	–	–	–	–	–	–
ZR Magagula	4	4	–	–	–	–	3	3
M Khumalo[3]	4	3	4	3	4	3	–	–
MSM Shongwe	4	4	–	–	4	3	–	–
JN Gule	4	3	4	4	–	–	–	–
ID van Niekerk	4	4	–	–	4	4	–	–
JO Otunla[4]	1	0	–	–	–	–	–	–
NM Jackson[5]	4	4	–	–	4	4	–	–
IG van der Walt[6]	4	4	4	4	–	–	–	–
I Ahmed[7]	3	3	–	–	–	–	–	–

Legend
SM Number of scheduled meetings held during the period the director was a member of the Board and/or subcommittee
AM Number of meetings attended during the period the director was a member of the Board and/or subcommittee
– Not applicable to director
1 Board and Remuneration Committee Chairman
2 Audit Committee Chairman until 3 September 2015
3 Risk Committee Chairman
4 Retired and replaced by I Ahmed
5 Managing Director
6 Audit Committee Chairman with effect from 4 September 2015
7 Replaced J Otunla

We are committed to maintaining a healthy partnership with the Outgrowers for mutual success

Below the level of the Board, key management decisions are made by the MD who, in terms of the Policy on Matters Reserved for the Board and Delegated Powers, has been delegated authority on a wide range of matters in relation to financial, strategic, operational, governance, risk and other functional issues. The MD has in turn delegated authority to senior management committees (which include the Executive Committee (Exco), the Tender Committee, the Risk Management Executive Committee and the IT Steering Committee) and individual members of the management team who assist the Managing Director in guiding and controlling the overall direction of the business and monitoring business performance. Ad hoc management committees, such as the Business Optimisation Committee set up during the year, are put in place to focus and monitor issues of strategic importance to the Corporation. The MD, however, remains accountable to the Board for all authority delegated to him.

The senior management committees and/or senior managers serve to translate and implement the Group's strategic direction into an operational plan, monitor its successful implementation and the achievement of performance in accordance with agreed-upon budgets and timelines, oversee human development and succession planning in order to develop future leaders for the Group, allocate human resources throughout the Group, and ensure that appropriate IT systems exist to support the business operations and to provide useful management information to facilitate effective decision-making.

Regular management meetings, in particular monthly Exco meetings, are used to monitor the aspects described above in order to address day-to-day operations-related challenges, strategic business issues, sustainability and strategic project developments.

MANAGEMENT

OUR GROUP EXECUTIVE COMMITTEE

Mr Nick Jackson – Managing Director
BSc (Hons) Biochemistry

Nick Jackson joined the RSSC as Managing Director in February 2009 and is the only executive Board member. Mr Jackson is Chairman of SWABCHA. He also serves on several other boards including NERCHA, the Swaziland Sugar Association, Country Coordinating Mechanism (CCM), Uniswa Foundation and the Federation of Swaziland Employers. Prior to joining the RSSC, he was the CEO of the Guyana Sugar Corporation in the Caribbean.

Mr Max Mkhonta – Group Human Resources Manager
Dip HRM, BA (Social Science), BA Admin Hons (HRM), MCom (Leadership Studies)

Max Mkhonta was appointed Group Human Resources Manager in April 2015 and has more than 25 years' experience in human resource management having worked in a variety of industries including pulp and paper, textile, communication, services and energy. He serves on several boards in Swaziland. Prior to joining RSSC, he was General Manager Corporate Services at the Swaziland Electricity Company (SEC).

Mr Muhawu Maziya – General Manager Commercial
Dip Journalism, Dip Industrial Relations, BA Law, LLB, LLM, Advocate

Advocate Muhawu Maziya, a Fulbright alumnus, was Head of Law at the University of Swaziland and subsequently, Deputy Executive Director of the Federation of Swaziland Employers before joining RSSC in 1998 as Company Secretary. He is currently the General Manager – Commercial at RSSC and also serves as the Secretary of the Swaziland Sugar Millers Association. He is also a member of the IYSIS Board.

Mr Patrick Myeni – General Manager Operations
BSc, MBL, MSC Agric Mechanisation

Patrick Myeni joined RSSC as a Trainee in 1981, was appointed Section Manager in 1987 and moved up the ranks to General Manager Agriculture in 2007. He was appointed General Manager Operations in 2014. He also serves on a number of committees including The Swaziland Fuel Pricing National Adaptation Strategy and the Swaziland Sugar Association Council.

Mr Stephen Potts – General Manager Finance
BCom (Accounting), CA

Stephen Potts has more than 25 years' experience in financial, projects finance, sugar marketing, business and strategic planning areas. He reports to the RSSC Board on all financial matters and attends the Audit, Risk and Remuneration Committee meetings.

He also has considerable knowledge of the sugar industry and serves on the Finance, Audit and Marketing Executive Committees of the Swaziland Sugar Association and as a Council member.

Stephen is a director of Mananga Sugar Packers (Pty) Ltd and chairman of the Audit and Risk Committee, a director of Quality Sugars (Pty) Ltd, and a member of the Audit and Risk Committee.

He also serves as Chairman of the Inyoni Yami Swaziland Irrigation Scheme (IYSIS) Audit and Risk Committee and as a member of the IYSIS Board.

INTERNAL AUDIT

The Group maintains internal controls and systems designed to manage significant risks affecting the Group and the business environment in which it operates. The objective of the system is to provide reasonable assurance against material misstatement or loss.

The Internal Audit function monitors the system of internal control and reports its findings and recommendations to Management and the Audit Committee. The purpose, authority and responsibility of the Internal Audit function are formally defined in the Board-approved internal audit charter. The annual audit plan is based on an assessment of risk areas identified by internal audit in liaison with management as well as areas highlighted by the Audit Committee.

Internal Audit Plan

Description	2015/16	2014/15
Number of cycles	**16**	16

Other ad hoc work consists of:

1. Consulting engagements and special requests
2. Fraud prevention and awareness workshops

Induction and development

The company is committed to the continuing development of directors in order that they may build on their expertise and develop a more detailed understanding of their responsibilities. Directors receive briefings on new legal developments and changes in the risk and the general business environment on an ongoing basis.

Open dialogue between individual Board members and the MD and other members of the management team is encouraged to enable directors to gain a better understanding of the Group and its operations.

Shareholder engagement

In line with the King III principles on stakeholder management the Group is committed to communicating and engaging with shareholders. The Annual General Meeting (AGM) provides an update for shareholders on the Group's performance and offers an opportunity for shareholders to ask questions. In addition to the AGM, proactive engagement with institutional shareholders takes place on a continuous basis and various formal and informal engagement processes are employed to ensure alignment with shareholders and to understand their views. (To read more about shareholder engagement, see *Stakeholder relations*, page 14.)

Ethics

Key to the Group operations is the company's fundamental policy of conducting business with honesty, integrity and in accordance with the highest legal and ethical standards. The Board's Code of Conduct provides guidance regarding ethical and behavioural standards to be adhered to in carrying out the duties and responsibilities of the Board in a manner that is consistent with effective corporate governance practices.

Through its approved Code of Ethics the Group records its pledge to promote and enforce ethical business practices and standards throughout the entire company, and it serves as a guide in day-to-day decision-making processes. All employees are expected to comply with the principles and the ethical standards of the Code and various other policies and procedures put in place in support of it. These include among others policies on declaration of conflicts of interest, "whistle-blowing" and fraud prevention.

The Group does not engage in or accept or condone any illegal acts in the conduct of its business. It operates a "whistle-blowing" line managed by an independent firm of auditors. It provides an impartial facility for all stakeholders to anonymously report fraud, statutory malpractice and other crimes, unsafe behaviours, deviations from procurement policies or any other deviations from ethical conduct. All matters received via the line are investigated, appropriately resolved and reported to the Risk Committee.

Controls

A number of reviews to determine the effectiveness of various elements of the internal controls, procedures and systems were undertaken across the Group. The reviews undertaken during this reporting period encompass controls relating to the:

- Information management environment
- Reliability and integrity of financial and operating information
- Safeguarding of assets, including fraud prevention; and effective use of the company's resources

No material internal control weaknesses were noted from these reviews. Corrective action was taken as and when control deficiencies or opportunities for improvement in the systems were identified. Based on the reviews, there is reasonable assurance that an effective system of internal controls and risk management is in place.

The success of our business is driven by the commitment of our people

08 ABBREVIATIONS AND ACRONYMS

ACP	Africa, Caribbean and Pacific
BOM	Bills of Materials
CDC	Commonwealth Development Corporation
CMP	Comprehensive Mitigation Plan
CMS	Concentrated molasses stillage
CXL	An EU import duty on sugar
EIA	Environmental Impact Assessment
EIT	Engineers-in-Training
ERM	Enterprise Risk Management
EU	European Union
FOB	Free On Board
GM	General Manager
HCRP	Human Capital Rationalisation Project
HR	Human Resources
IGP	Integrated Growth Plan
IR	Industrial relations
ISO	International Sugar Organisation
IYSIS	Inyoni Yami Swaziland Irrigation Scheme
KPI	Key Performance Indicator
LAA	Litres of absolute alcohol
LDC	Less Developed Country
LTA	Lost time available
LTI	Long-term Incentive
MD	Managing Director
MLSS	Ministry of Labour and Social Security
MoU	Memorandum of Understanding
NERCHA	National Emergency Response Council on HIV and Aids
PHC	Primary Health Care
PMS	Performance Management System
Pol	Polarity
PPP	Public Private Partnership
PSD	Property Services Department
SACU	Southern African Customs Union
SCGA	Swaziland Cane Growers Association
SEA	Swaziland Environmental Authority
SEC	Swaziland Electricity Company
SIA	Sugar Industry Agreement
SRA	Swaziland Revenue Authority
SSA	The Swaziland Sugar Association
STI	Short-term Incentive
TCH	Tonnes cane per hectare
TSH	Tonnes sucrose per hectare
TCHR	Tonnes cane per hour
TOR	Terms of Reference
TRP	Temporary Residence Permit
VHP	Very high polarisation
WWMP	Waste Water Management Master Plan
YTD	Year-to-date

09 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

54 Statement of responsibility by the Board of Directors
55 Independent Auditor's report
56 Directors' report
58 Statements of financial position
59 Statements of profit or loss and other comprehensive income
60 Statements of changes in equity
61 Statements of cash flows
62 Basis of preparation
63 Significant accounting policies
71 Notes to the financial statements

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2016

DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the consolidated financial statements and the separate financial statements of The Royal Swaziland Sugar Corporation Limited, comprising the statements of financial position at 31 March 2016, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Companies Act.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements and separate financial statements are fairly presented in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act.

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS AND COMPANY FINANCIAL STATEMENTS

The consolidated financial statements and separate financial statements of The Royal Swaziland Sugar Corporation Limited, set out on pages 56 to 100, were approved by the board of directors on 01 July 2016 and are signed on their behalf by:

AT Dlamini

(Chairman)

NM Jackson

(Managing Director)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements and separate financial statements of The Royal Swaziland Sugar Corporation Limited, which comprise the statements of financial position at 31 March 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 56 to 100.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Swaziland Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Opinion

In our opinion these financial statements present fairly, in all material respects, the consolidated and separate financial position of The Royal Swaziland Sugar Corporation Limited at 31 March 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Swaziland Companies Act.

KPMG

Auditors
Mbabane
Swaziland

01 July 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2016.

GENERAL REVIEW OF OPERATIONS
The Group's principal activities are the growing and milling of sugar cane, the manufacture of sugar, and the manufacture of ethanol from molasses. The results of operations are fully disclosed in the attached financial statements.

DIVIDENDS
The following dividends have been declared (refer note 13.3):
- A first interim dividend for the year ended 31 March 2016 of 42.0 cents per share which was paid in November 2015;
- A second interim dividend for the year ended 31 March 2016 of 64.8 cents per share which was paid in January 2016; and
- A final dividend for the year ended 31 March 2016 of 96.63 cents per share which was paid in June 2016.

BOARD STRUCTURE
The Board comprises one executive and twelve non-executive directors.

DIRECTORATE
The directors of the company during the year were:

Directors
AT Dlamini (Chairman)
NM Jackson (Managing Director)
JM du Plessis
HRH Princess Phumelele
JN Gule
A Idris (Appointed 4 September 2015)
M Khumalo
ZR Magagula
B Mkhaliphi
Chief ZN Ndlangamandla
JO Otunla (Retired 4 September 2015)
MSM Shongwe
IG van der Walt
ID van Niekerk

Alternates
OE Fagbemi (to A Idris)
M Ndlela (to JN Gule)
A Ngcobo (to AT Dlamini)

SECRETARY
LS Masango

REGISTERED OFFICE
Simunye Sugar Estate
PO Box 1
Simunye

AUDITORS
KPMG
Umkhiwa House
Lot 195, Kal Grant Street
Mbabane

BANKERS
Standard Bank Swaziland Limited
Nedbank (Swaziland) Limited
First National Bank of Swaziland Limited

TRANSFER SECRETARIES
KPMG Advisory (Swaziland) (Proprietary) Limited
PO Box 331
Mbabane
H100

MANAGEMENT STRUCTURE

Managing Director	
NM Jackson*	
Commercial	
MI Maziya*	General Manager – Commercial
S Saxena	Head of Distillery
M Zikalala	Logistics and Marketing Manager
Vacant	Purchasing and Materials Manager
Operations	
P Myeni*	General Manager – Operations
I Voigt	Head of Factories
M Gama	Agricultural Manager – Production
J Tfwala	Factory Manager – Mhlume
S Khoza	IMS Manager – Agriculture
T Shongwe	Outgrower Development Manager
M Mango	Factory Manager – Simunye
Dr LS Ndlovu	Agricultural Manager – Water Resources
M Tshawuka	Agricultural Manager – Services
V Malubane	Agricultural Development Projects Manager
Strategy	
Vacant*	Head of Strategy Management
Finance	
SG Potts*	General Manager – Finance
R Coombe	Group IT Manager
DV Dhliwayo	Financial Manager – Management Accounting
AB Hlatshwayo	Financial Manager – Financial Accounting
Vacant	Property Services Manager
Human resources	
MB Mkhonta*	Group Human Resources Manager
DJ Dlamini	Human Resources Manager – Projects
T Gina-Mamba	Human Resources Manager – Projects
H Dludlu	Human Resources Manager – Employee Relations
BA Maziya	Human Resources Manager – Operations
S Shiba	Human Resources Manager – Learning and Talent
Dr BZ Radebe	Human Resources Manager – Health and Wellness
Public affairs	
S Nyembe	Group Public Affairs Manager
T Nxumalo	Corporate Affairs Manager
P Lukhele-Dlamini	Corporate Social Investment Management

* *Members of the Executive Committee (Exco)*

MATERIAL EVENTS AFTER YEAR-END

No matter, which is material to the financial affairs of the company and Group, has occurred between the reporting date and the date of approval of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016

		GROUP		COMPANY	
	Note	**2016 E'000**	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
ASSETS					
Property, plant and equipment	4	**1 434 137**	1 517 976	**1 026 717**	1 086 685
Goodwill	5	**286 481**	286 481	**–**	–
Intangible assets	6	**3 254**	3 398	**3 254**	3 398
Investments in subsidiaries	7	**–**	–	**666 474**	666 474
Equity-accounted investees	8	**98 839**	89 337	**52 500**	52 500
Deferred tax assets	25.4	**299**	275	**–**	–
Total non-current assets		**1 823 010**	1 897 467	**1 748 945**	1 809 057
Inventories	10	**125 463**	103 868	**63 751**	54 645
Biological asset – growing cane	9.2	**367 960**	420 233	**239 143**	307 342
Biological asset – livestock	9.3	**7 263**	7 038	**7 263**	7 038
Trade and other receivables	11	**142 434**	85 758	**97 639**	56 460
Cash and cash equivalents	12	**180 318**	22 754	**68 719**	17 950
Total current assets		**823 438**	639 651	**476 515**	443 435
Total assets		**2 646 448**	2 537 118	**2 225 460**	2 252 492
EQUITY					
Share capital	13.1	**128 639**	128 639	**128 639**	128 639
Share premium	13.1	**632 379**	632 379	**632 379**	632 379
Preference share redemption reserve	13.2	**78 104**	78 104	**78 104**	78 104
Retained earnings		**915 511**	838 290	**514 558**	559 114
Total equity		**1 754 633**	1 677 412	**1 353 680**	1 398 236
LIABILITIES					
Deferred tax liabilities	25.4	**307 545**	325 057	**215 456**	233 880
Loans and borrowings	15	**23 571**	38 618	**23 571**	38 618
Employee benefits	16	**76 852**	65 134	**52 078**	37 064
Total non-current liabilities		**407 968**	428 809	**291 105**	309 562
Trade and other payables	17	**232 056**	223 096	**372 735**	401 201
Short-term employee benefits	18	**112 889**	83 020	**73 897**	52 586
Bank overdraft	12, 19	**2 265**	21 541	**–**	4 291
Current portion of loans and borrowings	15	**15 030**	15 080	**15 030**	15 080
Current tax liabilities		**27 661**	20 661	**25 067**	4 037
Dividends payable		**93 946**	67 499	**93 946**	67 499
Total current liabilities		**483 847**	430 897	**580 675**	544 694
Total equity and liabilities		**2 646 448**	2 537 118	**2 225 460**	2 252 492

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	GROUP 2016 E'000	GROUP 2015 E'000 Restated	COMPANY 2016 E'000	COMPANY 2015 E'000 Restated
Revenue	20	**2 864 712**	2 635 882	**1 823 134**	1 602 591
Cost of sales		**(2 144 803)**	(2 063 744)	**(1 332 676)**	(1 267 574)
Change in fair value of biological assets	9	**(52 048)**	(12 027)	**(67 974)**	(8 790)
Gross profit		**667 861**	560 111	**422 484**	326 227
Other income	21	**48 812**	46 210	**35 080**	171 937
Distribution expenses		**(4 957)**	(3 956)	**(4 957)**	(3 956)
Administration expenses		**(365 604)**	(320 603)	**(241 817)**	(199 528)
Operating profit	22	**346 112**	281 762	**210 790**	294 680
Finance income		**33 760**	17 500	**23 412**	13 935
Finance costs		**(5 889)**	(7 956)	**(5 588)**	(7 253)
Net finance income	24	**27 871**	9 544	**17 824**	6 682
Share of profit of equity-accounted associate companies (net of income tax)	8	**18 204**	20 680	**–**	–
Profit before taxation		**392 187**	311 986	**228 614**	301 362
Income tax expense	25.1	**(106 984)**	(81 927)	**(64 106)**	(43 240)
Profit attributable to owners of the company		**285 203**	230 059	**164 508**	258 122
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit liabilities	16	**(16 531)**	5 731	**(18 023)**	2 866
Related tax	25.2	**4 546**	(1 576)	**4 956**	(788)
Other comprehensive income, net of tax		**(11 985)**	4 155	**(13 067)**	2 078
Total comprehensive income for the year attributable to owners of the company		**273 218**	234 214	**151 441**	260 200
Basic and diluted earnings per share (cents)	26	**296.0**	238.8	**170.7**	267.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Share capital E'000	Share premium E'000	Preference share redemption reserve E'000	Retained earnings E'000	Total E'000
2016 GROUP					
Balance at 1 April 2015	**128 639**	**632 379**	**78 104**	**838 290**	**1 677 412**
Profit	**–**	**–**	**–**	**285 203**	**285 203**
Other comprehensive loss	**–**	**–**	**–**	**(11 985)**	**(11 985)**
Total comprehensive income for the year	**–**	**–**	**–**	**273 218**	**273 218**
Transactions with owners recorded directly in equity					
– Dividends (note 13.3)	**–**	**–**	**–**	**(195 997)**	**(195 997)**
Balance at 31 March 2016	**128 639**	**632 379**	**78 104**	**915 511**	**1 754 633**
2015 GROUP					
Balance at 1 April 2014	128 639	632 379	78 104	734 577	1 573 699
Profit	–	–	–	230 059	230 059
Other comprehensive income	–	–	–	4 155	4 155
Total comprehensive income for the year	–	–	–	234 214	234 214
Transactions with owners recorded directly in equity					
– Dividends (note 13.3)	–	–	–	(130 501)	(130 501)
Balance at 31 March 2015	128 639	632 379	78 104	838 290	1 677 412

	Share capital E'000	Share premium E'000	Preference share redemption reserve E'000	Retained earnings E'000	Total E'000
2016 COMPANY					
Balance at 1 April 2015	**128 639**	**632 379**	**78 104**	**559 114**	**1 398 236**
Profit	**–**	**–**	**–**	**164 508**	**164 508**
Other comprehensive loss	**–**	**–**	**–**	**(13 067)**	**(13 067)**
Total comprehensive income for the year	**–**	**–**	**–**	**151 441**	**151 441**
Transactions with owners recorded directly in equity					
– Dividends (note 13.3)	**–**	**–**	**–**	**(195 997)**	**(195 997)**
Balance at 31 March 2016	**128 639**	**632 379**	**78 104**	**514 558**	**1 353 680**
2015 COMPANY					
Balance at 1 April 2014	128 639	632 379	78 104	429 415	1 268 537
Profit	–	–	–	258 122	258 122
Other comprehensive income	–	–	–	2 078	2 078
Total comprehensive income for the year	–	–	–	260 200	260 200
Transactions with owners recorded directly in equity					
– Dividends (note 13.3)	–	–	–	(130 501)	(130 501)
Balance at 31 March 2015	128 639	632 379	78 104	559 114	1 398 236

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	GROUP 2016 E'000	GROUP 2015 E'000 Restated	COMPANY 2016 E'000	COMPANY 2015 E'000 Restated
Cash flows from operating activities					
Cash generated from operations	30.1	**544 764**	530 675	**342 126**	330 399
Interest paid	24	**(5 889)**	(7 956)	**(5 588)**	(7 253)
Taxation paid	30.2	**(112 974)**	(108 945)	**(56 544)**	(82 771)
Net cash generated by operating activities		**425 901**	413 774	**279 994**	240 375
Cash flows from investing activities					
Finance income	24	**17 854**	10 510	**7 506**	6 945
Dividends received		**8 702**	6 907	**8 702**	149 588
Proceeds from sale of property, plant and equipment		**798**	161	**682**	136
Acquisition of property, plant and equipment	4	**(99 060)**	(256 706)	**(64 469)**	(218 233)
Net cash utilised in investing activities		**(71 706)**	(239 128)	**(47 579)**	(61 564)
Cash flows from financing activities					
Repayment of borrowings		**(15 097)**	(23 687)	**(15 097)**	(23 687)
Dividends paid	30.3	**(169 550)**	(158 425)	**(169 550)**	(158 425)
Net cash utilised in financing activities		**(184 647)**	(182 112)	**(184 647)**	(182 112)
Net increase/(decrease) in cash and cash equivalents		**169 548**	(7 466)	**47 768**	(3 301)
Cash and cash equivalents at beginning of year	12	**1 213**	9 429	**13 659**	17 710
Effect of exchange rate fluctuations on cash held		**7 292**	(750)	**7 292**	(750)
Cash and cash equivalents at year-end	12	**178 053**	1 213	**68 719**	13 659

BASIS OF PREPARATION

REPORTING ENTITY

The Royal Swaziland Sugar Corporation Limited is a company domiciled in the Kingdom of Swaziland. The address of the company's registered office is Simunye Sugar Estate. The consolidated financial statements as at and for the year ended 31 March 2016 comprise the company and its subsidiaries (together referred to as the "Group" and individually as "Group companies") and the Group's interest in associates and joint ventures. The Group is primarily involved in the growing and milling of sugar cane, the manufacture of sugar and the manufacture of ethanol from molasses.

Where reference is made to "the Group" in the accounting policies, it should be interpreted as referring to the company, where the context requires, unless otherwise noted.

BASIS OF ACCOUNTING

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Swaziland Companies Act.

The group and company financial statements were authorised for issue by the Board of Directors on 1 July 2016.

BASIS OF MEASUREMENT

The Group and company financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value; and
- Biological assets are measured at fair value less costs to sell.

The methods used to measure fair value are set out further in the individual accounting policies and notes to the financial statements.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has elected to early adopt the amendments made to IAS 16 and IAS 41 in relation to bearer plants. The resulting changes to the accounting policies and retrospective adjustments made to the financial statements are disclosed in note 1.

FUNCTIONAL AND PRESENTATION CURRENCY

The Group financial statements are presented in Emalangeni, which is the functional currency of the company. All financial information presented in Emalangeni has been rounded to the nearest thousand, unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

In preparing these Group financial statements, Management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the group financial statements is included in the following notes:

- Notes 7, 8 and 31 – classification of joint arrangements;
- Note 7 – consolidation: whether the Group has de facto control over an investee; and
- Note 34 – lease classification.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – measurement of useful lives and residual values of property, plant and equipment;
- Note 5 – goodwill impairment test: key assumptions underlying recoverable amounts;
- Note 9 – biological assets: key assumptions relating to unobservable inputs into valuation techniques;
- Note 16 – measurement of defined benefit obligations: key actuarial assumptions; and
- Note 29 – contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in note 1, the Group has consistently applied the accounting policies set out to all periods presented in these consolidated financial statements.

To improve disclosure certain comparative amounts in the Group and company statement of profit and loss and other comprehensive income (oci) have been reclassified between turnover, cost of sales, other income and administration expenses.

BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that is classified as equity exists, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent considerations that meet the definition of a financial asset or financial liability is remeasured at the fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ACQUISITIONS ON OR AFTER 1 APRIL 2010

For acquisitions on or after 1 April 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration, that do not relate to changes due to information acquired about facts and circumstances that existed at the acquisition date, are recognised in profit or loss.

ACQUISITIONS BETWEEN 1 APRIL 2004 AND 31 MARCH 2010

For acquisitions between 1 April 2004 and 31 March 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

ACQUISITIONS PRIOR TO 1 APRIL 2004

In respect of acquisitions prior to this date, goodwill is included on the basis of its carrying amount, which represents cost less accumulated amortisation up to 31 March 2004.

Acquisition of non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are accounted for at cost in the company financial statements.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

BASIS OF CONSOLIDATION *CONTINUED*

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs, adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Investments in equity-accounted investees are measured at cost less impairment in the company's separate financial statements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

FINANCIAL INSTRUMENTS

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

RECEIVABLES

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Receivables comprise trade and other receivables.

CASH AND CASH EQUIVALENTS

These are measured at amortised cost. In the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits, and surplus cash invested with the Swaziland Sugar Association (SSA) with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in fair value, and form an integral part of the Group's cash management.

NON-DERIVATIVE FINANCIAL LIABILITIES – MEASUREMENT

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables.

Share capital

ORDINARY SHARES

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. These are predominately economic hedges.

Derivatives are recognised initially at fair value and any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the asset to a working condition for its intended use;
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised costs related to the acquisition or construction of qualifying assets are also included in the cost of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

All acquisitions of property, plant and equipment are initially recognised at cost under capital work-in-progress (CWIP). When the item of property, plant and equipment is completed and brought into productive use it is then reclassified to the appropriate category.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

• Freehold buildings	50 years
• Improvements to leasehold property	50 years
• Cane roots	5 – 10 years
• Citrus trees	25 years
• Plant and machinery	5 – 20 years
• Irrigation equipment	10 – 20 years
• Furniture and fittings	4 – 10 years
• Vehicles	4 – 10 years
• Computer equipment	4 – 10 years

Depreciation methods, useful lives and residual values are re-assessed annually at the reporting date and are adjusted where appropriate.

Derecognition

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

GOODWILL

Initial measurement

The initial measurement of goodwill is detailed under 'Business combinations' above.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Testing for impairment is done annually and whenever there is an indication of impairment.

In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

INTANGIBLE ASSETS

Favourable lease contracts

Favourable lease contracts are those assets identified through business combinations where viable land is leased at a nominal rental. The contract is measured at cost less accumulated amortisation and accumulated impairment losses, the cost being the fair value of the off-market element of the asset at the date of acquisition.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation of intangible assets

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Favourable lease contracts are amortised over the remaining period of the lease.

Amortisation methods, useful lives and residual values are re-assessed annually at the reporting date and are adjusted where appropriate.

BIOLOGICAL ASSETS

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss in the period that they arise. Costs to sell include all costs that would be necessary to sell the assets, including the transportation costs of moving sugar cane from fields to the mills.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the following bases:

- Raw materials, consumable stores and spares – weighted average cost;
- Distillery finished goods – weighted average cost, including a proportion of production overheads (based on normal operating capacity); and
- Butchery finished goods stock and by-products – weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The amount of any write-down or loss of inventories is recognised as an expense in cost of sales in the period in which the write-down or loss occurs.

IMPAIRMENT

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including any interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

EMPLOYEE BENEFITS

Defined benefit obligations – Retirement pay and long service awards

The retirement pay obligation and long service award obligations are calculated every three years by independent actuaries using the projected unit credit method.

Independent actuaries perform a roll forward of the valuation annually.

Under this method, the present value of the obligations that have accrued in respect of service is calculated, allowing for estimated future salary increases, future retrenchments, withdrawals and deaths.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted unless it is deemed immaterial to do so.

SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

EMPLOYEE BENEFITS *CONTINUED*

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Certain benefits are not discounted where the effect of discounting is not material. All other benefits are discounted to determine their present value. Remeasurements are recognised in profit or loss in the period in which they arise.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

REVENUE

Goods sold

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sucrose sales, transfer occurs when sugar cane has been delivered to the mills, weighed, crushed, and sucrose content determined. For sugar produced by the mills, transfer occurs when produced sugar has been transferred to the SSA sugar warehouses. For ethanol, transfer usually occurs when the customer has taken possession of the goods. For livestock, transfer occurs on receipt by the customer.

The price paid to the Group for sugar by the SSA is based on the estimated net realisable value of production in Swaziland in the milling season. The final price receivable in respect of production for the year is available only after the financial statements of the SSA for the year have been audited. The adjustment necessitated by this final price is included in revenue in the year in which it is received.

DIVIDEND AND RENTAL INCOME

Dividend income and rental income from surplus housing is recognised in profit or loss under other income on the date that the Group's right to receive payment is established. Rental contracts are generally renewed annually.

LEASES

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other considerations required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and interest income on accounts receivable. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise the interest expense on borrowings and unwinding of the discount on provisions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

INCOME TAX

The income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

SEGMENT REPORTING

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly group service divisions' expenses.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements. The Group does not plan to adopt these standards early:

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 April 2016 for acquisitions of interests in a joint operation.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *CONTINUED*

***Equity Method in Separate Financial Statements* (Amendments to IAS 27)**

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The company intends to retain the cost model.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

***Disclosure Initiative* (Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity-accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income. Management has not assessed the impact of the amendments.

The amendments apply for annual periods beginning on or after 1 January 2016.

IFRS 15 *Revenue from Contracts with Customers*

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard may have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 March 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2017.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard could have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group. Management is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in financial statements for the year ending 31 March 2017.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application.

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE RECLASSIFICATIONS

As explained under the significant accounting policies section, the Group has early adopted the amendments made to IAS 16 and IAS 41 in relation to bearer plants this year. These amendments have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

During the year the Group and company also reclassified certain line items on the statements of profit and loss and other comprehensive income as well as the statements of financial position.

Bearer plants

In June 2014, the IASB made amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under IAS 16. However, agricultural produce growing on bearer plants will remain within the scope of IAS 41 and continue to be measured at fair value less cost to sell.

The Group's cane roots and citrus trees qualify as bearer plants under the revised definition in IAS 41. As required under IAS 8, the change in accounting policy has been applied retrospectively. As a consequence, the cane roots and citrus trees were reclassified to property, plant and equipment effective 1 April 2014 and comparative figures have been restated accordingly.

The cane roots and trees are now measured at cost and depreciated over their useful lives which range from five years to 10 years for cane roots, depending on the soil profiles and irrigation systems employed, and 25 years for citrus trees. As permitted under the transitional rules, the fair value of the cane roots and citrus trees at 1 April 2014 (E207 046 733 and E2 689 261 respectively) was deemed to be their cost going forward.

Impact on financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. The following tables disclose the adjustments recognised for each individual line item. Line items that were not affected by the change have not been included in the tables. As permitted under the transitional rules, the impact on the current period is not disclosed.

The tables also disclose the effect of the aforementioned disclosure reclassifications.

Consolidated statement of profit or loss and other comprehensive income

	As previously reported E'000	Accounting policy changes E'000	Disclosure reclassifications E'000	As restated E'000
Revenue	2 635 882	–	–	2 635 882
Cost of sales	(2 047 803)	11 014	(26 955)	(2 063 744)
Change in fair value of biological assets	(1 013)	(11 014)	–	(12 027)
Gross profit	587 066	–	(26 955)	560 111
Other income	47 243	–	(1 033)	46 210
Distribution expenses	(29 292)	–	25 336	(3 956)
Administration expenses	(323 255)	–	2 652	(320 603)
Operating profit	281 762	–	–	281 762

Statement of profit or loss and other comprehensive income – company

	As previously reported E'000	Accounting policy changes E'000	Disclosure reclassifications E'000	As restated E'000
Revenue	1 585 530	–	17 061	1 602 591
Cost of sales	(1 232 333)	8 776	(44 017)	(1 267 574)
Change in fair value of biological assets	(14)	(8 776)	–	(8 790)
Gross profit	353 183	–	(26 956)	326 227
Other income	170 321	–	1 616	171 937
Distribution expenses	(29 292)	–	25 336	(3 956)
Administration expenses	(199 532)	–	4	(199 528)
Operating profit	294 680	–	–	294 680

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

1. IMPACT OF CHANGES IN DISCLOSURE RECLASSIFICATIONS *CONTINUED*

Statement of financial position – Group

	As previously reported E'000	Accounting policy change E'000	Reclassifications E'000	As restated E'000
ASSETS				
Non-current assets				
Property, plant and equipment	1 297 226	220 750	–	1 517 976
Biological asset – cane roots and citrus	220 750	(220 750)	–	–
Current assets				
Trade and other receivables	85 201	–	557	85 758
Loans receivable	557	–	(557)	–

Statement of financial position – company

	As previously reported E'000	Accounting policy change E'000	Reclassifications E'000	As restated E'000
ASSETS				
Non-current assets				
Property, plant and equipment	932 339	154 346	–	1 086 685
Biological asset – cane roots and citrus	154 346	(154 346)	–	–
Current assets				
Trade and other receivables	55 903	–	557	56 460
Loans receivable	557	–	(557)	–

2. OPERATING SEGMENTS

The Group is organised into three reportable segments as described below. These are managed separately because they require different technologies and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Cane growing — Includes the growing of sugar cane on an area of approximately 20 500 hectares. All cane is harvested and delivered to the two sugar mills in the Group.
- Sugar manufacturing — Includes the crushing of sugar cane by the two mills in the Group to produce either raw sugar, very high polarity (VHP) sugar or refined sugar. All sugar produced by the mills is sold to the SSA.
- Ethanol production — Includes the manufacture of ethanol from molasses which is a by-product of the sugar production process. The ethanol is sold to the African, European and regional markets.

Other operations include citrus growing, livestock rearing, and eco-tourism activities. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit before corporate costs and income tax, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. Segment profit is used to measure performance as Management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results are based on the Group's accounting policies.

Details of segment assets and liabilities are not regularly provided to the Chief Operating Decision Maker and are thus not disclosed as part of the segment report.

2. OPERATING SEGMENTS
CONTINUED

2.1 Information about reportable segments

	Cane growing		Sugar manufacturing and marketing		Ethanol production and marketing		Elimination		Consolidated	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000	**2016 E'000**	2015 E'000	**2016 E'000**	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
External revenue	**9 749**	10 935	**2 521 547**	2 343 585	**315 775**	264 335	**–**	–	**2 847 071**	2 618 855
Inter-segment revenue	**924 544**	841 391	**–**	–	**–**	–	**(924 544)**	(841 391)	**–**	–
Total revenue	**934 293**	852 326	**2 521 547**	2 343 585	**315 775**	264 335	**(924 544)**	(841 391)	**2 847 071**	2 618 855
External revenue of all other operations not meeting segment criteria									**17 641**	17 027
Total consolidated revenue									**2 864 712**	2 635 882
Reportable segment operating profit before corporate costs and income tax	**195 832**	191 510	**405 385**	325 018	**76 667**	46 916	**–**	–	**677 884**	563 444
Results of other operations not meeting segment criteria									**(9 106)**	(2 649)
Unallocated other income									**43 901**	42 842
Unallocated corporate costs									**(365 686)**	(320 785)
Unallocated net finance income									**26 990**	8 454
Share of profit of equity-accounted associate companies									**18 204**	20 680
Consolidated profit before tax from continuing operations									**392 187**	311 986
Segment capital expenditure	**38 332**	103 473	**18 595**	53 037	**17 709**	5 201	**24 424**	94 995	**99 060**	256 706
Depreciation and impairment	**85 842**	81 072	**52 035**	52 787	**13 214**	12 877	**31 676**	25 517	**182 767**	172 253
Amortisation of intangible assets	**47**	4	**–**	–	**–**	–	**97**	140	**144**	144
(Decrease)/increase in fair value of biological assets	**(52 273)**	(12 784)	**–**	–	**–**	–	**225**	757	**(52 048)**	(12 027)
Net foreign exchange gains	**–**	–	**–**	–	**–**	–	**15 906**	6 990	**15 906**	6 990

2.2 Geographical information

	Swaziland		South Africa		Consolidated	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
External revenue	**2 864 712**	2 635 882	**–**	–	**2 864 712**	2 635 882
Non-current assets	**1 820 386**	1 894 596	**2 624**	2 871	**1 823 010**	1 897 467
Capital expenditure	**99 060**	256 706	**–**	–	**99 060**	256 706

Eliminated inter-segment sales from Swaziland to South Africa were Enil (2015 – Enil).

Sugar is sold to the SSA and to regional markets through the joint venture. Distillery sales are made to the European and African markets. Manufacturing facilities are located in Swaziland.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

3. MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager – Finance.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets
- 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)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Property, plant and equipment

The fair value of property, plant and equipment (including bearer assets) recognised as a result of a business combination is based on market values.

The market value of property is the price that would be received to sell the property in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of items of plant, equipment, fixtures and fittings (including bearer assets) as a result of a business combination is based on quoted market prices for similar items when available or depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets

The fair value of a favourable lease contract acquired in a business combination is based on the discounted estimated market rental that would otherwise be paid in a similar commercial arm's length transaction.

Biological assets

Fair values of biological assets are determined on the following basis:

- Growing cane: the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport charged to the mill
- Livestock: the market price of livestock of similar age, breed and genetic make-up

Inventories

The fair value of inventories acquired in a business combination is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination and is usually the same as the carrying amount due to the short-term nature of these items.

Forward exchange contracts

The fair value of forward exchange contracts is based on information supplied by the company's bankers. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit risk-free interest rate (based on Government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability, the market rate of interest is determined by reference to similar liabilities. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Further information about the assumptions made in measuring fair values is included in the following notes:
- Note 5 – measurement of the recoverable amounts of cash-generating units containing goodwill;
- Note 6 – measurement of the recoverable amounts of intangible assets; and
- Note 9 – biological assets.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings E'000 Restated	Plant and machinery E'000 Restated	Irrigation equipment E'000 Restated	Vehicles, computer equipment, furniture and fittings E'000 Restated	Bearer plants E'000 Restated	Capital work-in-progress (CWIP) E'000 Restated	Total E'000 Restated
Cost							
Balance at 1 April 2014	462 048	1 085 629	422 312	580 772	209 736	135 275	2 895 772
Additions	–	–	–	–	–	256 706	256 706
Transfers in from CWIP	9 902	70 171	26 022	158 313	49 566	–	313 974
Disposals	–	(1 849)	–	(311)	(2 104)	–	(4 264)
Transfers out from CWIP	–	–	–	–	–	(313 974)	(313 974)
Balance at 31 March 2015	471 950	1 153 951	448 334	738 774	257 198	78 007	3 148 214
Balance at 1 April 2015	**471 950**	**1 153 951**	**448 334**	**738 774**	**257 198**	**78 007**	**3 148 214**
Additions	**–**	**–**	**–**	**–**	**–**	**99 060**	**99 060**
Transfers in from CWIP	**20 459**	**57 386**	**10 161**	**54 583**	**18 567**	**–**	**161 156**
Disposals	**–**	**–**	**–**	**(7 646)**	**(3 014)**	**–**	**(10 660)**
Transfers out from CWIP	**–**	**–**	**–**	**–**	**–**	**(161 156)**	**(161 156)**
Balance at 31 March 2016	**492 409**	**1 211 337**	**458 495**	**785 711**	**272 751**	**15 911**	**3 236 614**
Accumulated depreciation and impairment losses							
Balance at 1 April 2014	(219 293)	(642 386)	(290 192)	(308 828)	–	–	(1 460 699)
Depreciation for the year	(14 857)	(54 047)	(22 734)	(42 124)	(38 552)	–	(172 314)
Other	–	61	–	–	–	–	61
Disposals	–	306	–	304	2 104	–	2 714
Balance at 31 March 2015	(234 150)	(696 066)	(312 926)	(350 648)	(36 448)	–	(1 630 238)
Balance at 1 April 2015	**(234 150)**	**(696 066)**	**(312 926)**	**(350 648)**	**(36 448)**	**–**	**(1 630 238)**
Depreciation for the year	**(14 474)**	**(54 796)**	**(23 678)**	**(46 091)**	**(43 728)**	**–**	**(182 767)**
Disposals	**–**	**–**	**–**	**7 514**	**3 014**	**–**	**10 528**
Balance at 31 March 2016	**(248 624)**	**(750 862)**	**(336 604)**	**(389 225)**	**(77 162)**	**–**	**(1 802 477)**
Carrying value at 31 March 2014	242 755	443 243	132 120	271 944	209 736	135 275	1 435 073
Carrying value at 31 March 2015	237 800	457 885	135 408	388 126	220 750	78 007	1 517 976
Carrying value at 31 March 2016	**243 785**	**460 475**	**121 891**	**396 486**	**195 589**	**15 911**	**1 434 137**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

4. PROPERTY, PLANT AND EQUIPMENT *CONTINUED*
COMPANY

	Land and buildings E'000 Restated	Plant and machinery E'000 Restated	Irrigation equipment E'000 Restated	Vehicles, computer equipment, furniture and fittings E'000 Restated	Bearer plants E'000 Restated	Capital work-in-progress (CWIP) E'000 Restated	Total E'000 Restated
Cost							
Balance at 1 April 2014	292 706	590 554	300 426	312 087	145 570	110 175	1 751 518
Additions	–	–	–	–	–	218 233	218 233
Transfers in from CWIP	8 476	51 761	21 815	146 676	32 204	–	260 932
Disposals	–	(1 849)	–	(21)	(954)	–	(2 824)
Transfers out from CWIP	–	–	–	–	–	(260 932)	(260 932)
Balance at 31 March 2015	301 182	640 466	322 241	458 742	176 820	67 476	1 966 927
Balance at 1 April 2015	**301 182**	**640 466**	**322 241**	**458 742**	**176 820**	**67 476**	**1 966 927**
Additions	**–**	**–**	**–**	**–**	**–**	**64 469**	**64 469**
Transfers in from CWIP	**17 990**	**42 197**	**7 110**	**39 749**	**14 981**	**–**	**122 027**
Disposals	**–**	**–**	**–**	**(6 791)**	**(2 288)**	**–**	**(9 079)**
Transfers out from CWIP	**–**	**–**	**–**	**–**	**–**	**(122 027)**	**(122 027)**
Balance at 31 March 2016	**319 172**	**682 663**	**329 351**	**491 700**	**189 513**	**9 918**	**2 022 317**
Accumulated depreciation and impairment losses							
Balance at 1 April 2014	(121 978)	(299 190)	(190 577)	(158 109)	–	–	(769 854)
Depreciation for the year	(10 670)	(33 071)	(18 232)	(26 322)	(23 428)	–	(111 723)
Other	–	61	–	–	–	–	61
Disposals	–	306	–	14	954	–	1 274
Balance at 31 March 2015	(132 648)	(331 894)	(208 809)	(184 417)	(22 474)	–	(880 242)
Balance at 1 April 2015	**(132 648)**	**(331 894)**	**(208 809)**	**(184 417)**	**(22 474)**	**–**	**(880 242)**
Depreciation for the year	**(10 391)**	**(33 359)**	**(20 450)**	**(32 601)**	**(27 504)**	**–**	**(124 305)**
Disposals	**–**	**–**	**–**	**6 659**	**2 288**	**–**	**8 947**
Balance at 31 March 2016	**(143 039)**	**(365 253)**	**(229 259)**	**(210 359)**	**(47 690)**	**–**	**(995 600)**
Carrying value at 31 March 2014	170 728	291 364	109 849	153 978	145 570	110 175	981 664
Carrying value at 31 March 2015	168 534	308 572	113 432	274 325	154 346	67 476	1 086 685
Carrying value at 31 March 2016	**176 133**	**317 410**	**100 092**	**281 341**	**141 823**	**9 918**	**1 026 717**

Freehold land and buildings
Included in land and buildings are freehold land and buildings comprising:

COMPANY

- Portion 2 of farm No. 175, situated in the district of Lubombo, Swaziland, measuring 236 hectares
- Portions 28 and 30 of farm No. 860 situated in the district of Lubombo, Swaziland, measuring 804 hectares and 47 hectares respectively

At year end the carrying value of freehold land and buildings was E122 042 923 (2015 – E115 915 882).

SUBSIDIARIES

Erf 65 Umbogintwini (Southgate) registration division ET situated in the South Local Council Area province of Kwazulu-Natal in extent of 5 705 square metres. At year-end the net book value of freehold land and buildings was E2 324 692 (2015 – E2 595 768).

4. PROPERTY, PLANT AND EQUIPMENT *CONTINUED* Leasehold land

Certain buildings included under land and buildings are constructed on the following leased land:

COMPANY

Land leased from the Swazi Nation for a period of 25 years with a lease that was renewed on 1 January 2003:

- Ngomane Estate: Farm No. 1044, situated in the district of Siteki, Swaziland, measuring 11 633ha; and portion of the remainder of Farm No. 78, situated in the district of Siteki, Swaziland, measuring 450ha
- Portion of the remainder of portion B of Farm No. 704 and a portion of the remainder of Farm No. 704, situated in the district of Siteki, Swaziland, measuring 3 808ha
- Mlaula Estate: Farm No. 1244, situated in the district of Siteki, Swaziland, measuring 5 570ha

Portions of Farm number 94 situated in the district of Lubombo, Swaziland, measuring 2 258ha are leased from the Swazi Nation for a period of 19.5 years with an option to renew the lease for a further 22.25 years when the lease lapses on 31 December 2031.

SUBSIDIARIES

Portions 1, 23, and 27 of Farm No. 860 and a certain portion 4 of Farm No. 94 situated in the district of Siteki, Swaziland, measuring 6 540ha are leased from the Swazi Nation for a period of 25 years following renewal of the initial 25 year lease which lapsed on 8 September 2008.

Assets pledged as security

All moveable and immoveable assets are pledged as security for loans. (Refer note 15.4 and note 19.)

5. GOODWILL

With effect from 1 May 2001 the company acquired 100% of the issued share capital of Mhlume (Swaziland) Sugar Company Limited for a consideration of E660 739 000. Additional expenditure relating directly to the due diligence process amounting to E4 225 000 was capitalised. After revaluation of property, plant, equipment, and growing cane the resultant goodwill amounted to E337 037 000. Goodwill amounting to E50 556 000 was amortised from the date of acquisition up to 31 March 2004. During the year ended 31 March 2005, the company ceased amortising goodwill in terms of IFRS 3 *Business combinations*. Goodwill is now being subjected to annual impairment tests.

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Goodwill				
Arising from holding company investment in subsidiary	**286 481**	286 481	**–**	–

Impairment testing for goodwill

For purposes of impairment testing goodwill is allocated to the Group's Sugar Segment which represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit amounting to E860 million was based on its value in use as determined by management. This amount exceeds the carrying value of E634 million.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual results and the five-year business plan;
- Sugar prices were projected based on contractual agreements (where feasible) and management's best estimate of forecast prices and exchange rate movements;
- Cash flows for a further 15 years were extrapolated on a five percent growth rate; and
- A discount rate of 17.7% was used. This is based on the Group's weighted average cost of capital which is based on debt leveraging of 3% at an after-tax market interest rate of 6.53%.

In order for the carrying amount to equal the recoverable amount the pre-tax discount rate would need to be 22.4%.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
6. INTANGIBLE ASSETS				
Favourable lease contracts				
Cost				
Balance at 1 April	**4 200**	4 200	**4 200**	4 200
Balance at 31 March	**4 200**	4 200	**4 200**	4 200
Accumulated amortisation and impairment				
Balance at 1 April	**(802)**	(658)	**(802)**	(658)
Amortisation for the year	**(144)**	(144)	**(144)**	(144)
Balance at 31 March	**(946)**	(802)	**(946)**	(802)
Net carrying amount	**3 254**	3 398	**3 254**	3 398
There have been no impairment losses recognised against the above intangible assets.				
7. INVESTMENTS IN SUBSIDIARIES				
Mhlume (Swaziland) Sugar Company Limited (MSCo) (100% held)				
5 000 006 ordinary shares of E1 each	**–**	–	**664 964**	664 964
Royal Swazi Distillers (Proprietary) Limited (RSD) (100% held)				
70 ordinary and 30 preference shares of R1 each	**–**	–	**1 510**	1 510
Swazican Citrus (Proprietary) Limited (100% held)				
100 ordinary shares of E1 each	**–**	–	**–**	–
Total investments	**–**	–	**666 474**	666 474

MSCo is a company incorporated and domiciled in Swaziland and is involved in the growing, milling and refining of sugar.

RSD is a property owning company incorporated and domiciled in South Africa.

Swazican Citrus is a dormant entity that holds a long-term lease over land where citrus and sugar growing activities are undertaken by the Group. The leases and management of the company have been ceded to the company and are operated as part of the cane growing division.

8. EQUITY-ACCOUNTED INVESTEES

The Group has the following equity investments:

Joint ventures

- 50% equity investment in Mananga Sugar Packers (Proprietary) Limited, a company registered and domiciled in Swaziland, whose principal business activity is the purchase of sugar from the SSA for packaging and then on selling under the "First" brand in Swaziland as well as in the Republic of South Africa (RSA).

Associates

- 25% equity interest in Simunye Plaza (Proprietary) Limited whose principal business activity is the leasing out of commercial property located in the Lowveld area of Swaziland. The company owns 100 shares of E1 each at a cost of E100.
- 25% interest in Quality Sugars (Proprietary) Limited whose principal business activity is the marketing of sugar under agency agreements entered into between Mananga Sugar Packers (Proprietary) Limited, RCL Foods Sugar and Milling (Proprietary) Limited, which are related parties of the Group, and the company. Pursuant to the agreements mentioned, 25% of the ordinary shares of Quality Sugars (Proprietary) Limited were transferred at no cost to the company on 1 April 2012. Quality Sugars (Proprietary) Limited is registered and domiciled in the Republic of South Africa.

The following information is presented at Group level only as the investment at company financial statement level is carried at cost, which is less than E1 000 for each of the associate companies.

8. EQUITY-ACCOUNTED INVESTEES *CONTINUED*

	Mananga Sugar Packers		Simunye Plaza		Quality Sugars		Total	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000	**2016 E'000**	2015 E'000	**2016 E'000**	2015 E'000
GROUP								
The carrying amount of the investments are analysed below:								
Shares at cost	**52 500**	52 500	**–**	–	**–**	–	**52 500**	52 500
Share of associate company reserves	**37 105**	29 226	**3 169**	2 873	**6 065**	4 738	**46 339**	36 837
	89 605	81 726	**3 169**	2 873	**6 065**	4 738	**98 839**	89 337
Summary of unaudited financial information for equity-accounted investees is as follows:								
Property, plant and equipment	**46 329**	47 655	**10 829**	9 355	**1 209**	1 366	**58 367**	58 376
Goodwill	**18 139**	18 139	**–**	–	**3 751**	3 751	**21 890**	21 890
Intangible assets	**2 775**	4 162	**–**	–	**–**	–	**2 775**	4 162
Current assets	**160 209**	170 809	**5 656**	6 041	**342 040**	281 143	**507 905**	457 993
Deferred tax (liabilities)/assets	**(12 138)**	(12 138)	**(1 770)**	(1 886)	**1 486**	1 854	**(12 422)**	(12 170)
Interest bearing loans	**–**	(2 175)	**–**	–	**–**	–	**–**	(2 175)
Employee benefit liability	**–**	–	**(72)**	(54)	**(1 009)**	(958)	**(1 081)**	(1 012)
Current liabilities	**(36 103)**	(63 000)	**(1 968)**	(1 962)	**(323 215)**	(268 204)	**(361 286)**	(333 166)
Net assets	**179 211**	163 452	**12 675**	11 494	**24 262**	18 952	**216 148**	193 898
Group's share of associate's net assets	**89 605**	81 726	**3 169**	2 873	**6 065**	4 738	**98 839**	89 337
Revenue	**822 151**	836 013	**5 989**	5 799	**84 050**	84 934	**912 190**	926 746
Profit	**31 002**	37 120	**1 184**	1 616	**9 631**	6 866	**41 817**	45 602
Group share of profit for the year	**15 501**	18 560	**296**	404	**2 407**	1 716	**18 204**	20 680
Reconciliation of carrying amounts								
Opening balance at 1 April	**81 726**	68 342	**2 873**	3 469	**4 738**	3 753	**89 337**	75 564
Group share of profit for the year	**15 501**	18 560	**296**	404	**2 407**	1 716	**18 204**	20 680
Dividends paid	**(7 622)**	(5 176)	**–**	(1 000)	**(1 080)**	(731)	**(8 702)**	(6 907)
Closing balance at 31 March	**89 605**	81 726	**3 169**	2 873	**6 065**	4 738	**98 839**	89 337

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

9. BIOLOGICAL ASSETS

9.1 Description of principal activities

CANE GROWING

The Group is engaged in the planting, management and harvesting of sugar cane and the manufacture of sugar in mills owned by the Group.

The Group grows cane on approximately 16 346 (2015 – 16 346) hectares of sugar cane on land leased from the Swazi Nation (refer note 4). The Group manages a further 4 286 (2015 – 4 286) hectares on behalf of the IYSIS/MSCo Sugar Partnership (refer note 31.1) and 796 (2015 – 796) hectares on behalf of Tibiyo TakaNgwane.

Fields are managed on a sustainable basis which comprise an average 108 month rotation. All growing cane is harvested in the following financial year.

The company grows cane on approximately 11 700 (2015 – 11 700) hectares of sugar cane on land leased from the Swazi Nation and 31 (2015 – 31) hectares on freehold land.

LIVESTOCK REARING

The IYSIS partnership in which the company acquired a 50% interest in 2009, engages in the farming of livestock and sale of meat products in the local and regional markets. At 31 March 2016, the partnership held 3 441 (2015 – 3 311) head of cattle.

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
9.2 Reconciliation of carrying amounts of growing cane				
Carrying amount at 1 April	**420 233**	433 017	**307 342**	316 889
Gain or (loss) arising from changes in fair values less estimated costs to sell attributable to physical changes	**(130 709)**	22 586	**(118 518)**	16 209
Gain or (loss) arising from changes in fair values less estimated costs to sell attributable to price changes	**78 436**	(35 370)	**50 319**	(25 756)
Balance at 31 March	**367 960**	420 233	**239 143**	307 342
9.3 Reconciliation of carrying amounts of livestock				
Balance at 1 April	**7 038**	6 281	**7 038**	6 281
Purchases	**4 098**	3 337	**4 098**	3 337
Net increase due to births and deaths	**3 485**	2 232	**3 485**	2 232
Decrease due to sales	**(7 358)**	(4 812)	**(7 358)**	(4 812)
Balance at 31 March	**7 263**	7 038	**7 263**	7 038

9.4 Risk management strategy related to agricultural activities

The Group is exposed to the following risks relating to its agricultural activities:

REGULATORY AND ENVIRONMENTAL RISKS

The Group is subject to laws and regulations in countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

PRICING AND CURRENCY RISKS

The Group is exposed to financial risks arising from changes in sugar prices and the exchange rate between the Euro, the United States Dollar and the Lilangeni. These risks, however, occur at industry level as all sugar produced by the sugar mills is sold to the SSA which is then responsible for onward sale to local and foreign customers. The SSA does enter into derivative contracts to manage the risk of a decline in exchange rates.

CLIMATE AND OTHER RISKS

The Group's sugar cane plantations are exposed to the risk of damage from climatic changes, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular pest and disease surveys. The Group is also insured against natural disasters.

9.5 Biological assets pledged as security

Growing cane is pledged as security over borrowings. (Refer note 15.4 and note 19.)

9. BIOLOGICAL ASSETS *CONTINUED*

9.6 Measurement of fair value

The fair value measurements for growing cane and livestock have been categorised as level 3 fair values based on the inputs to valuation techniques used. (see note below).

LEVEL 3 FAIR VALUES

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	GROUP			COMPANY		
	Growing cane E'000	Livestock E'000	Total E'000	Growing cane E'000	Livestock E'000	Total E'000
Carrying amount at 1 April	420 233	7 038	427 271	307 342	7 038	314 380
Purchases	–	4 098	4 098	–	4 098	4 098
Sales	–	(7 358)	(7 358)	–	(7 358)	(7 358)
Gains/(losses) included in profit or loss						
– Change in fair value (realised)	–	–	–	–	–	–
– Change in fair value (unrealised)	(52 273)	–	(52 273)	(68 199)	–	(68 199)
– Net increase due to births and deaths	–	3 485	3 485	–	3 485	3 485
Gains included in OCI	–	–	–	–	–	–
Carrying amount at 31 March	367 960	7 263	375 223	239 143	7 263	246 406

The following table shows the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Growing cane	The estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport charged to the mill	• Estimated yields per hectare of sucrose (90TCH to 115TCH). In a drought year this range of estimates can be significantly affected negatively • Estimated contents of sucrose in cane (13% to 14.5%) • Harvest age (8-12 months) • Future sugar prices in destination markets (-10% to +10%) • Exchange rate fluctuations (-10% to +10%)	The estimated fair value would increase/(decrease) if: • Exchange rates are (firmer)/ weaker; • Crop was harvested (younger)/ older; • Yields improve/(reduce); • Market prices improve/(reduce); or • Sucrose content increases/ (decreases).
Livestock	The market price of livestock of similar age, breed and genetic make-up	• Premiums on the classification of livestock • Premiums for quality depending on the physical attributes of the livestock	The estimated fair value would increase/(decrease) if: • More or (less) livestock were classified as breeders; • Livestock prices increased or (decreased); or • Weight and quantity premiums increase or (decrease).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

	GROUP 2016 E'000	GROUP 2015 E'000	COMPANY 2016 E'000	COMPANY 2015 E'000
10. INVENTORIES				
Raw materials	**3 877**	2 101	**2 103**	1 365
Consumables stores and spares	**110 932**	91 969	**50 994**	43 483
Finished goods and by-products	**10 654**	9 798	**10 654**	9 797
	125 463	103 868	**63 751**	54 645
Write-down of obsolete consumable stores and spares to net realisable value included in profit or loss	**15 757**	21 731	**7 581**	8 754
Inventories are pledged as security over borrowings. (Refer note 15.4 and note 19.)				
11. TRADE AND OTHER RECEIVABLES				
Trade receivables	**67 792**	14 591	**52 541**	5 601
Related party receivables (note 33.1)	**31 562**	17 909	**5 901**	8 524
Prepayments	**34 599**	49 699	**33 269**	39 891
FEC asset	**–**	–	**–**	–
Other receivables	**9 513**	4 591	**6 394**	2 910
Less: impairment (note 32.2)	**(1 032)**	(1 032)	**(466)**	(466)
	142 434	85 758	**97 639**	56 460
Receivables are pledged as security for borrowings. (Refer note 15.4 and note 19).				
12. CASH AND CASH EQUIVALENTS				
Bank balances	**53 540**	21 893	**51 043**	17 238
Cash on hand	**125**	248	**45**	99
Call deposit	**126 653**	613	**17 631**	613
	180 318	22 754	**68 719**	17 950
Bank overdraft	**(2 265)**	(21 541)	**–**	(4 291)
Per statements of cash flows	**178 053**	1 213	**68 719**	13 659
13. SHARE CAPITAL AND PREMIUM				
13.1 Share capital and premium				
Authorised				
140 100 000 "A" ordinary shares of E1 each	**140 100**	140 100	**140 100**	140 100
8 073 160 "B" ordinary shares of E5 each	**40 366**	40 366	**40 366**	40 366
	180 466	180 466	**180 466**	180 466
Issued and fully paid				
88 273 160 "A" ordinary shares of E1 each	**88 273**	88 273	**88 273**	88 273
8 073 160 "B" ordinary shares of E5 each	**40 366**	40 366	**40 366**	40 366
	128 639	128 639	**128 639**	128 639
Share premium	**632 379**	632 379	**632 379**	632 379
	761 018	761 018	**761 018**	761 018
The "A" and "B" ordinary shares rank pari passu in all respects. The directors of the company are authorised to issue un-issued shares.				
13.2 Preference share redemption reserve	**78 104**	78 104	**78 104**	78 104
An amount equivalent to the redemption value of the previous "A" and "B" non-cumulative redeemable preference shares was transferred to the preference share redemption reserve at each redemption.				

13. SHARE CAPITAL AND PREMIUM *CONTINUED*

13.3 Dividends

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
First interim dividend for the year ended 31 March 2016 of 42.0 cents (2015 – 66.1 cents) per "A" and "B" ordinary shares	**40 466**	63 685	**40 466**	63 685
Second Interim dividend for the year ended 31 March 2016 of 64.8 cents (2015 – nil cents) per "A" and "B" ordinary shares	**62 432**	–	**62 432**	–
Final dividend for the year ended 31 March 2016 of 96.63 cents (2015 – 69.35 cents) per "A" and "B" ordinary shares	**93 099**	66 816	**93 099**	66 816
	195 997	130 501	**195 997**	130 501

14. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, share premium, preference share redemption reserve and retained earnings. The Board of Directors monitors return on shareholders' equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, represented by shareholders' equity. The Group's target is to achieve a return on shareholders' equity of 20%, calculated as total comprehensive income divided by shareholders' equity. For the current year, the return on shareholders' equity achieved was 15.6% (2015 – 14.0%). The Board of Directors implements long-term strategies to ensure that the Group target is achieved over the longer term. Management and staff performance bonuses are linked to the achievement of targets.

There were no changes in the Group's approach to capital management during the year.

15. LOANS AND BORROWINGS

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
15.1 Unsecured loan payable in eight equal annual instalments bearing interest at 10% per annum	**30**	126	**30**	126
15.2 Secured loan for Simunye Mill power plant upgrade The loan is repayable in 14 half yearly instalments that commenced on 30 September 2012. The loan bears interest at the Swaziland prime rate, currently 10.00% (2015 – 8.75%), less 1.0%	**12 857**	19 286	**12 857**	19 286
15.3 Secured loan for Simunye Mill power plant upgrade The loan is repayable in 14 half yearly instalments that commenced on 30 September 2012. The loan bears interest at the Swaziland prime rate, currently 10.00% (2015 – 8.75%), less 0.55%	**25 714**	34 286	**25 714**	34 286
	38 601	53 698	**38 601**	53 698
Deduct: current portion included in current liabilities	**(15 030)**	(15 080)	**(15 030)**	(15 080)
Total non-current loans and borrowings	**23 571**	38 618	**23 571**	38 618

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

15. LOANS AND BORROWINGS *CONTINUED*

15.4 Loan securities

The loan in 15.2 is secured by the following:

- A notarial general covering bond;
- Deed of Hypothecation on a pari passu basis over all the assets of the company;
- Guarantees in favour of First National Bank Swaziland Limited by Mhlume (Swaziland) Sugar Company Limited and Royal Swazi Distillers (Proprietary) Limited; and
- Cessation of present and future crop proceeds.

The loan in 15.3, which is part of a multi-option facility, is secured by the following:

- Deed of Hypothecation for E180 million in favour of Nedbank (Swaziland) Limited covering all the moveable and incorporeal assets of the company;
- Unlimited cross guarantees between the company and Mhlume (Swaziland) Sugar Company Limited;
- Unlimited cross guarantees between the company and Royal Swazi Distillers (Proprietary) Limited; and
- A negative pledge by the company over inventory and accounts receivable, including an undertaking that the company will not encumber immoveable assets for the duration of the facility.

A security sharing agreement covering loan and bank overdraft facilities (refer note 19) provided by First National Bank Swaziland Limited, Nedbank (Swaziland) Limited and Standard Bank Swaziland Limited is in place to cover common pledged assets.

16. EMPLOYEE BENEFIT LIABILITIES

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Retirement pay	**59 437**	49 123	**41 056**	27 755
Long service awards	**5 066**	4 241	**3 574**	2 681
Actuarially valued employee benefit liabilities	**64 503**	53 364	**44 630**	30 436
Long-term incentive scheme	**25 984**	22 472	**15 011**	12 650
Total employee benefit liabilities	**90 487**	75 836	**59 641**	43 086
Deduct: current portion included in current liabilities (note 18)	**(13 635)**	(10 702)	**(7 563)**	(6 022)
	76 852	65 134	**52 078**	37 064

Retirement pay

The Group provides retirement benefits for most of its employees through defined contribution plans (refer note 27). In addition, arrangements exist in respect of certain employees by which eligible employees receive benefits based on the length of permanent service. These benefits are unfunded and are only payable to eligible employees on retirement. The liability is based on an actuarial valuation.

Long service awards

The long service awards amount is based on an actuarial valuation. The amounts are unfunded and are payable on the anniversary date of employees achieving ten or twenty years' continuous service.

Long-term incentive scheme

The long term incentive scheme amounts are based on scheme rules as approved by the Remuneration Committee and are payable over three years on condition that certain targets are achieved. The amounts are not discounted.

An actuarial valuation of the retirement pay and long service awards was done at 30 September 2015. This valuation has been rolled forward by management to 31 March 2016. The actuarially valued liabilities are accordingly reported as follows at 31 March 2016:

	2016			2015		
	Retirement pay E'000	**Long service awards E'000**	**Total E'000**	Retirement pay E'000	Long service awards E'000	Total E'000
16. EMPLOYEE BENEFIT LIABILITIES *CONTINUED*						
GROUP						
Retirement pay and long service award obligations						
The amount recognised in the statement of financial position is determined as follows:						
Present value of obligation	**59 437**	**5 066**	**64 503**	49 123	4 241	53 364
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**59 437**	**5 066**	**64 503**	49 123	4 241	53 364
Movement in present value of the obligation:						
Opening liability	**49 123**	**4 241**	**53 364**	51 039	3 724	54 763
Included in profit or loss:						
– Current service cost	**2 820**	**422**	**3 242**	2 856	441	3 297
– Interest cost	**3 810**	**298**	**4 108**	4 568	354	4 922
	6 630	**720**	**7 350**	7 424	795	8 219
Included in OCI:						
– Actuarial loss/(gain) recognised	**15 591**	**940**	**16 531**	(5 735)	4	(5 731)
Other:						
– Benefits paid	**(11 907)**	**(835)**	**(12 742)**	(3 605)	(282)	(3 887)
Closing liability	**59 437**	**5 066**	**64 503**	49 123	4 241	53 364
COMPANY						
Retirement pay and long service awards obligations						
The amount recognised in the statement of financial position is determined as follows:						
Present value of obligation	**41 056**	**3 574**	**44 630**	27 755	2 681	30 436
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**41 056**	**3 574**	**44 630**	27 755	2 681	30 436
Movement in present value of the obligation:						
Opening liability	**27 755**	**2 681**	**30 436**	28 405	2 339	30 744
Included in profit or loss:						
– Current service cost	**1 682**	**290**	**1 972**	1 759	289	2 048
– Interest cost	**2 164**	**188**	**2 352**	2 551	219	2 770
	3 846	**478**	**4 324**	4 310	508	4 818
Included in OCI:						
– Actuarial loss/(gain) recognised	**17 046**	**977**	**18 023**	(2 980)	114	(2 866)
Other:						
– Benefits paid	**(7 591)**	**(562)**	**(8 153)**	(1 980)	(280)	(2 260)
Closing liability	**41 056**	**3 574**	**44 630**	27 755	2 681	30 436

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 MARCH 2016

	GROUP		COMPANY	
	2016 %	2015 %	**2016 %**	2015 %
16. EMPLOYEE BENEFIT LIABILITIES *CONTINUED*				
Retirement pay and long service awards obligations *CONTINUED*				
The principal actuarial assumptions used were as follows:				
Discount rate	**8.20**	7.80	**8.20**	7.80
Future salary increases	**6.00**	5.00	**6.00**	5.00
	E'000	E'000	**E'000**	E'000
17. TRADE AND OTHER PAYABLES				
Trade payables	**187 053**	195 366	**121 900**	125 423
Related party payables (note 33.1)	**26 759**	12 686	**234 112**	264 500
Retentions	**7 395**	6 154	**7 395**	6 036
FEC liability	**–**	–	**–**	–
Other payables	**10 849**	8 890	**9 328**	5 242
	232 056	223 096	**372 735**	401 201
18. SHORT-TERM EMPLOYEE BENEFITS				
Employee bonuses	**47 353**	45 898	**27 950**	27 372
Leave pay accrual	**19 302**	19 584	**14 619**	14 428
Termination benefits	**29 015**	–	**20 709**	–
Other	**3 584**	6 836	**3 056**	4 764
	99 254	72 318	**66 334**	46 564
Current portion of long-term employee benefits (note 16)	**13 635**	10 702	**7 563**	6 022
	112 889	83 020	**73 897**	52 586

19. BANK OVERDRAFT

Bank overdraft facilities of the company and its subsidiary, Mhlume (Swaziland) Sugar Company Limited are secured by:

- Deeds of Hypothecation not exceeding E265 million over moveable and incorporeal assets of the company;
- Cession of present and future crop proceeds;
- Cross guarantees for an unlimited amount between Mhlume (Swaziland) Sugar Company Limited and The Royal Swaziland Sugar Corporation Limited, and Royal Swazi Distillers (Proprietary) Limited; and
- Negative pledge over moveable and immoveable property.

	GROUP		COMPANY	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
20. REVENUE				
Inter-group sucrose sales for the year	**–**	–	**115 333**	119 030
Final sucrose price adjustment for the previous year based on final sugar price	**–**	–	**2 558**	183
Sale of sugar for the year	**2 473 901**	2 340 827	**1 343 856**	1 197 781
Final sugar price adjustment for previous year from Swaziland Sugar Association	**47 646**	2 758	**25 229**	(1 055)
	2 521 547	2 343 585	**1 486 976**	1 315 939
Ethanol sales	**315 775**	264 335	**315 775**	264 335
Other sales	**27 390**	27 962	**20 383**	22 317
	2 864 712	2 635 882	**1 823 134**	1 602 591

	GROUP		COMPANY	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
21. OTHER INCOME				
Dividends received	**–**	–	**8 702**	149 588
Rental income	**21 178**	21 576	**12 731**	12 749
Management fees	**8 121**	9 408	**2 387**	1 610
Other	**19 513**	15 226	**11 260**	7 990
	48 812	46 210	**35 080**	171 937
22. OPERATING PROFIT				
The operating profit for the year is stated after charging/(crediting) the following:				
Auditors' remuneration				
– current year	**796**	492	**473**	300
– prior year	**1 614**	976	**959**	587
– other services	**520**	1 140	**264**	601
– disbursements	**457**	206	**270**	116
Amortisation of intangible assets (note 6)	**144**	144	**144**	144
Depreciation of property, plant and equipment (note 4)	**182 767**	172 314	**124 305**	111 723
Impairment reversal of property, plant and equipment (note 4)	**–**	(61)	**–**	(61)
Directors' emoluments				
– for services as directors	**2 866**	2 730	**2 866**	2 730
– for other services	**8 405**	7 643	**8 405**	7 643
– expenses	**491**	860	**491**	860
Leasehold property rentals (note 34)	**2 222**	2 071	**2 222**	2 071
(Gain)/loss on disposal of property, plant and equipment	**(666)**	1 389	**(550)**	1 414
23. STAFF COSTS				
Salaries, wages, and incentive scheme accruals	**567 495**	527 511	**304 558**	286 091
Contributions to defined contribution plans	**21 678**	20 352	**11 145**	10 465
Termination costs	**20 462**	–	**10 584**	–
Expense related to defined benefit plan (note 16)	**7 350**	8 219	**4 324**	4 818
(Decrease)/increase in liability for leave pay	**(282)**	5 153	**191**	4 750
	616 703	561 235	**330 802**	306 124
24. NET FINANCE INCOME				
Interest income on cash and cash equivalents	**17 854**	10 510	**7 506**	6 945
Net foreign exchange gain	**15 906**	6 990	**15 906**	6 990
Finance income	**33 760**	17 500	**23 412**	13 935
Interest expense on financial liabilities measured at amortised cost	**(5 889)**	(7 956)	**(5 588)**	(7 253)
Net finance income recognised in profit or loss	**27 871**	9 544	**17 824**	6 682

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

	GROUP		COMPANY	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
25. INCOME TAXES				
25.1 Amounts recognised in profit or loss				
Current tax expense				
Swaziland current tax				
– current year	**119 974**	85 321	**77 574**	42 647
	119 974	85 321	**77 574**	42 647
Deferred tax				
– origination and reversal of temporary differences	**(12 957)**	(3 421)	**(13 435)**	566
– adjustments for prior years	**(33)**	27	**(33)**	27
	(12 990)	(3 394)	**(13 468)**	593
Total tax expense from continuing operations	**106 984**	81 927	**64 106**	43 240
25.2 Amounts recognised in OCI				
Deferred tax charge/(credit) on measurement of defined benefit liability	**4 546**	(1 576)	**4 956**	(788)
25.3 Tax rate reconciliation	**%**	%	**%**	%
Tax expense as a percentage of profit before tax	**27.3**	26.3	**28.0**	14.4
Effect of dividend income	**0.6**	0.6	**1.1**	13.6
Effect of other non-qualifying items	**(1.1)**	(0.6)	**(1.6)**	(0.5)
Effect of share of profit of equity-accounted investees reported net of tax	**0.7**	1.2	**–**	–
Standard rate of tax	**27.5**	27.5	**27.5**	27.5
25.4 Recognised deferred tax assets and liabilities	**E'000**	E'000	**E'000**	E'000
Deferred tax assets				
Property, plant and equipment	**299**	275	**–**	–
Inventories	**4 333**	5 976	**2 085**	2 407
Defined benefit obligations	**16 755**	13 938	**11 290**	7 633
Employee bonuses, employee leave and other provisions	**26 875**	27 011	**17 366**	17 227
Income in advance	**4 576**	5 159	**4 576**	5 158
Other provisions	**–**	1 374	**–**	784
Deferred tax assets before set-off	**52 838**	53 733	**35 317**	33 209
Set-off against deferred tax liabilities	**(52 539)**	(53 458)	**(35 317)**	(33 209)
Deferred tax asset after set-off	**299**	275	**–**	–
Deferred tax liabilities				
Property, plant and equipment	**198 557**	193 122	**142 956**	136 128
Intangible assets	**496**	509	**496**	509
Biological assets	**146 055**	166 925	**95 787**	117 619
Agricultural consumable stores	**5 837**	5 084	**2 521**	2 355
Prepayments	**9 139**	12 875	**9 013**	10 478
Deferred tax liabilities before set-off	**360 084**	378 515	**250 773**	267 089
Deferred tax assets set-off	**(52 539)**	(53 458)	**(35 317)**	(33 209)
Deferred tax liabilities after set-off	**307 545**	325 057	**215 456**	233 880
Overall net deferred tax liabilities	**307 246**	324 782	**215 456**	233 880
Movement in net deferred tax liability				
Opening net deferred tax liability	**324 782**	326 600	**233 880**	232 499
Recognised in profit or loss (note 25.1)	**(12 990)**	(3 394)	**(13 468)**	593
Recognised in OCI (note 25.2)	**(4 546)**	1 576	**(4 956)**	788
Closing net deferred tax liability	**307 246**	324 782	**215 456**	233 880

	GROUP		COMPANY	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated

26. EARNINGS PER SHARE

Group basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E285 203 617 (2015: E230 059 242) and 96 346 320 (2015: 96 346 320) weighted ordinary shares in issue.

Company basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E164 507 422 (2015: E258 122 570) and 96 346 320 (2015: 96 346 320) weighted ordinary shares in issue.

	GROUP 2016 E'000	GROUP 2015 E'000 Restated	COMPANY 2016 E'000	COMPANY 2015 E'000 Restated
Basic and diluted earnings per share (cents)	**296.0**	238.8	**170.7**	267.9

Due to the fact that there are no potential diluting instruments, basic and diluted earnings per share are the same.

27. RETIREMENT BENEFIT INFORMATION

All permanent employees are members of pension or provident funds which are defined contribution funds. The funds are funded by company and employee contributions. Company contributions are charged to profit or loss as they are due to be settled (refer note 23).

28. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Approved by the directors:				
Contracted for	**24 657**	26 943	**14 627**	21 489
Not contracted for	**60 709**	281 709	**46 809**	238 045
	85 366	308 652	**61 436**	259 534

The capital expenditure to acquire property, plant and equipment will be funded by a combination of own-generated funds and facilities negotiated with a number of banks and will be incurred in the next and subsequent financial years.

29. CONTINGENT LIABILITIES

As part of the banking facilities the company and its subsidiary company are liable for the following guarantees:

	COMPANY		SUBSIDIARY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Swaziland Government – Labour	**60**	60	**75**	75
Swaziland Government – Sales tax	**275**	275	**–**	–
Swaziland Government – General Bond	**70**	70	**6**	6
Swaziland Revenue Authority – Customs and Excise	**10 000**	2 000	**–**	–
South African Revenue Service – VAT	**550**	550		–

The company is defending a number of actions brought by former employees and suppliers. Liability is not admitted and the company will defend itself against the actions. Due to the nature of the claims a realistic estimate of the potential liability and legal costs is not practical. The directors are of the opinion that the total costs, if any, would not be material.

There are no other contingent liabilities in the associates, joint ventures and joint operations that the Group has interests in.

Bank overdraft facilities are secured by cross guarantees for an unlimited amount between the company, Mhlume (Swaziland) Sugar Company Limited and Royal Swazi Distillers (Proprietary) Limited.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

	GROUP		COMPANY	
	2016 E'000	2015 E'000 Restated	**2016 E'000**	2015 E'000 Restated
30. NOTES TO THE STATEMENTS OF CASH FLOWS				
30.1 Cash generated by operations				
Profit before taxation	**392 187**	311 986	**228 614**	301 362
Adjusted for:				
Depreciation	**182 767**	172 314	**124 305**	111 723
Impairment reversal on property, plant and equipment	**–**	(61)	**–**	(61)
Amortisation of intangible assets	**144**	144	**144**	144
Increase in fair value of biological assets – growing cane	**52 273**	12 784	**68 199**	9 547
Increase in fair value of biological assets – livestock	**(225)**	(757)	**(225)**	(757)
(Decrease)/increase in non-current employee benefits	**(3 499)**	7 596	**(2 391)**	4 350
(Gain)/loss on disposal of property, plant and equipment	**(666)**	1 389	**(550)**	1 414
Dividend income	**–**	–	**(8 702)**	(149 588)
Finance income	**(17 854)**	(10 510)	**(7 506)**	(6 945)
Finance costs	**5 889**	7 956	**5 588**	7 253
Unrealised currency (gain)/loss	**(7 292)**	750	**(7 292)**	750
Share of associated company net profit	**(18 204)**	(20 680)	**–**	–
Operating cash flows before movement in working capital	**585 520**	482 911	**400 184**	279 192
Movement in working capital				
Increase in inventory	**(21 595)**	(11 548)	**(9 106)**	(12 069)
(Increase)/decrease in trade and other receivables	**(56 676)**	2 269	**(41 179)**	18 832
Increase/(decrease) in trade and other payables	**8 960**	29 682	**(28 466)**	25 902
Increase in short-term employee benefits	**28 555**	27 361	**20 693**	18 542
	544 764	530 675	**342 126**	330 399
30.2 Taxation paid				
Balance owing at 1 April	**20 661**	44 285	**4 037**	44 161
Current tax charge per statement of comprehensive income (note 25.1)	**119 974**	85 321	**77 574**	42 647
Balance owing at 31 March	**(27 661)**	(20 661)	**(25 067)**	(4 037)
Cash amount paid	**112 974**	108 945	**56 544**	82 771
30.3 Dividends paid				
Balance at 1 April	**67 499**	95 423	**67 499**	95 423
Declared during the year (note 13.3)	**195 997**	130 501	**195 997**	130 501
Balance at 31 March	**(93 946)**	(67 499)	**(93 946)**	(67 499)
Cash amount paid	**169 550**	158 425	**169 550**	158 425

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000

31. INTERESTS IN JOINT OPERATIONS

31.1 IYSIS/MSCo Sugar joint operation

The Group, through its subsidiary Mhlume (Swaziland) Sugar Company Limited (MSCo), holds a 20% interest in the IYSIS/MSCo Sugar Partnership, whereby MSCo manages the growing of sugar cane on behalf of and on land leased by IYSIS in return for a 20% share of all profits or losses derived from operations (see note 31.2).

The consolidated results include the following amounts relating to the Group's effective interest in the joint operation:

	Group 2016 E'000	Group 2015 E'000	Company 2016 E'000	Company 2015 E'000
Statement of comprehensive income				
Share of pre-tax operating profit*	**12 103**	8 886	**–**	–
Non-current assets				
Property, plant and equipment	**8 261**	9 348	**–**	–
Current assets				
Biological assets – growing cane	**38 307**	17 595	**–**	–
Current liabilities				
Amounts due to partners	**27 414**	15 299	**–**	–

* *The Partnership is not a taxable entity hence no tax is provided for in the financial statements of the Partnership. The Partnership does not present cash flow information as all cash flows are borne by a subsidiary company in terms of the management agreement.*

31.2 IYSIS

The company holds a 50% interest in the IYSIS. This is a partnership with operations in the lowveld of Swaziland (see note 33).

The results include the following amounts relating to the company's interest in the Partnership:

	Group 2016 E'000	Group 2015 E'000	Company 2016 E'000	Company 2015 E'000
Statement of comprehensive income				
Share of pre-tax operating profit*	**16 932**	15 538	**16 932**	15 538
Statement of financial position				
Non-current assets	**34 173**	37 976	**34 173**	37 976
Current assets	**92 151**	84 110	**92 151**	84 110
Non-current liabilities	**(227)**	(227)	**(227)**	(227)
Current liabilities	**(55 362)**	(55 500)	**(55 362)**	(55 500)
Interest in Partnership equity	**70 735**	66 359	**70 735**	66 359
Statement of cash flows				
Cash generated by operating activities	**28 884**	19 962	**28 884**	19 962
Cash outflows from investing activities	**(666)**	(7 451)	**(666)**	(7 451)
	28 218	12 511	**28 218**	12 511
Distribution of profits to partners	**(12 556)**	(11 127)	**(12 556)**	(11 127)
Net increase in cash and cash equivalents	**15 662**	1 384	**15 662**	1 384
Cash and cash equivalents at beginning of the year	**2 357**	973	**2 357**	973
Cash and cash equivalents at end of the year	**18 019**	2 357	**18 019**	2 357

* *The Partnership is not a taxable entity hence no tax is provided for in the financial statements of the Partnership.*

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 MARCH 2016

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

32.1 Accounting classification and fair values

FAIR VALUES VERSUS CARRYING AMOUNTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	**Carrying amount 2016 E'000**	**Fair value 2016 E'000**	Carrying amount 2015 E'000	Fair value 2015 E'000
GROUP					
Financial assets measured at fair value					
– Forward exchange contract asset	11	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	11	**107 835**	**107 835**	36 059	36 059
– Cash and cash equivalents	12	**180 318**	**180 318**	22 754	22 754
		288 153	**288 153**	58 813	58 813
Financial liabilities measured at fair value					
– Forward exchange contract liability	17	**–**	**–**	–	–
Financial liabilities not measured at fair value					
– Bank loans	15	**(38 571)**	**(38 571)**	(53 572)	(53 572)
– Other loans	15	**(30)**	**(30)**	(126)	(128)
– Bank overdraft	12	**(2 265)**	**(2 265)**	(21 541)	(21 541)
– Trade and other payables	17	**(232 056)**	**(232 056)**	(223 096)	(223 096)
		(272 922)	**(272 922)**	(298 335)	(298 337)
COMPANY					
Financial assets measured at fair value					
– Forward exchange contract asset	11	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	11	**64 370**	**64 370**	16 569	16 569
– Cash and cash equivalents	12	**68 719**	**68 719**	17 950	17 950
		133 089	**133 089**	34 519	34 519
Financial liabilities measured at fair value					
– Forward exchange contract liability	17	**–**	**–**	–	–
Financial liabilities not measured at fair value					
– Bank loans	15	**(38 571)**	**(38 571)**	(53 572)	(53 572)
– Other loans	15	**(30)**	**(30)**	(126)	(128)
– Bank overdraft	12	**–**	**–**	(4 291)	(4 291)
– Trade and other payables	17	**(372 735)**	**(372 735)**	(401 201)	(401 201)
		(411 336)	**(411 336)**	(459 190)	(459 192)

The values of all derivative financial instruments (forward exchange contracts), which are level 2 financial instruments, are determined based on unquoted but observable data as supplied by the company's bankers. At year-end there were no active derivative financial instruments.

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management

The Group has exposure to the following risks arising from its financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

RISK MANAGEMENT FRAMEWORK

The company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with banks and financial institutions.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

Sugar produced by the Group's mills is sold to the Swaziland Sugar Association (SSA). This represents 88% of the Group's revenue (2015 - 89%). The regulations of the sugar industry in Swaziland are such that the mills are paid weekly for sugar produced.

Ethanol, which accounts for 11% of the Group's revenue (2015 – 10%) is sold to various customers. Credit limits, which are reviewed regularly, are in place and selected customers are required to obtain letters of credit as security.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and cash equivalents

The Group invests available cash and cash equivalents with reputable financial institutions as well as retaining surplus cash from sugar proceeds with the SSA. Investment returns on such retentions are higher than those offered by commercial banks.

Based on the above the Group has no significant concentration of credit risk.

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Trade and other receivables	**107 835**	36 059	**64 370**	16 569
Cash and cash equivalents	**180 318**	22 754	**68 719**	17 950
	288 153	58 813	**133 089**	34 519

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management *CONTINUED*

CREDIT RISK *CONTINUED*

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:				
Domestic	**70 216**	36 059	**26 751**	16 569
Europe	**32 504**	–	**32 504**	–
South Africa	**5 115**	–	**5 115**	–
	107 835	36 059	**64 370**	16 569
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Sugar debtors	**54 800**	26 080	**17 469**	12 029
Ethanol debtors	**37 619**	–	**37 619**	–
Other	**15 416**	9 979	**9 282**	4 540
	107 835	36 059	**64 370**	16 569
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:				
Swaziland Sugar Association	**18 834**	5 679	**10 309**	2 559
Ethanol customers	**37 619**	–	**37 619**	–
Related parties	**31 562**	17 909	**5 901**	8 524
Other	**19 820**	12 471	**10 541**	5 486
	107 835	36 059	**64 370**	16 569
Impairment				
The ageing of trade and other receivables at the reporting date was:				
Not past due	**106 847**	36 059	**63 382**	16 569
Past due over 90 days	**2 020**	1 032	**1 454**	466
Impairment on past due receivables	**(1 032)**	(1 032)	**(466)**	(466)
	107 835	36 059	**64 370**	16 569
The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:				
Balance at 1 April	**1 032**	1 044	**466**	468
Impairment loss reversed	**–**	(12)	**–**	(2)
Balance at 31 March	**1 032**	1 032	**466**	466

The impairment loss allowance at 31 March 2016 relates to numerous individually insignificant customers who failed to honour their past due debts.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The cane crushing season commences in April of each year and ends in December. During this period the Group's net cash position improves as the season progresses. The period between January and March is referred to as the "off-crop season". During this period, significant costs are incurred in the maintenance of the sugar mills and harvesting equipment, cane replanting activities and capital projects that could not be carried out during the crushing season. The Group's net cash position declines rapidly during this period. In order to ensure that there is sufficient cash on demand to meet operational expenses, including the servicing of financial obligations, various lines of credit are in place with reputable financial institutions. The levels of funding sourced are determined after a comprehensive budgeting process and after taking into account updated cash flow forecasts prepared by management.

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management *CONTINUED*

LIQUIDITY RISK *CONTINUED*

At year-end the Group had overdraft facilities of E165 million (2015 – E173 million) to cover the operations of the company and its subsidiary, Mhlume (Swaziland) Sugar Company Limited. Interest is payable at rates linked to the Swaziland prime rate (currently 10.0%) less 1% (2015 – 8.75% prime less 1%).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

	Carrying amount E'000	Contractual cash flows E'000	Within 1 year E'000	2 to 5 years E'000	More than 5 years E'000
2016 GROUP					
Non-derivative financial liabilities					
Bank loans	**38 571**	**(45 491)**	**(18 647)**	**(26 844)**	**–**
Other unsecured loans	**30**	**(30)**	**(30)**	**–**	**–**
Trade and other payables	**232 056**	**(232 056)**	**(232 056)**	**–**	**–**
Bank overdraft	**2 265**	**(2 265)**	**(2 265)**	**–**	**–**
Dividends payable	**93 946**	**(93 946)**	**(93 946)**	**–**	**–**
Derivative financial liabilities					
Forward exchange contracts	**–**	**–**	**–**	**–**	**–**
	366 868	**(373 788)**	**(346 944)**	**(26 844)**	**–**
2015 GROUP					
Non-derivative financial liabilities					
Bank loans	53 572	(63 226)	(18 660)	(44 566)	–
Other unsecured loans	126	(145)	(93)	(52)	–
Trade and other payables	223 096	(223 096)	(223 096)	–	–
Bank overdraft	21 541	(21 541)	(21 541)	–	–
Dividends payable	67 499	(67 499)	(67 499)	–	–
Derivative financial liabilities					
Forward exchange contracts	–	–	–	–	–
	365 834	(375 507)	(330 889)	(44 618)	–
2016 COMPANY					
Non-derivative financial liabilities					
Bank loans	**38 571**	**(45 491)**	**(18 647)**	**(26 844)**	**–**
Other unsecured loans	**30**	**(30)**	**(30)**	**–**	**–**
Trade and other payables	**372 735**	**(372 735)**	**(372 735)**	**–**	**–**
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Dividends payable	**93 946**	**(93 946)**	**(93 946)**	**–**	**–**
Derivative financial liabilities					
Forward exchange contracts	**–**	**–**	**–**	**–**	**–**
	505 282	**(512 202)**	**(485 358)**	**(26 844)**	**–**
2015 COMPANY					
Non-derivative financial liabilities					
Bank loans	53 572	(63 226)	(18 660)	(44 566)	–
Other unsecured loans	126	(145)	(93)	(52)	–
Trade and other payables	401 201	(401 201)	(401 201)	–	–
Bank overdraft	4 291	(4 291)	(4 291)	–	–
Dividends payable	67 499	(67 499)	(67 499)	–	–
Derivative financial liabilities					
Forward exchange contracts	–	–	–	–	–
	526 689	(536 362)	(491 744)	(44 618)	–

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management *CONTINUED*

LIQUIDITY RISK *CONTINUED*

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Certain loans as disclosed in note 15 contain loan covenants with minimum or maximum levels of debt/equity, interest cover, asset cover, and dividend pay-out. The Group ratios are all well within the prescribed limits.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

MARKET RISK

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group utilises derivatives and also incurs financial liabilities, in order to manage risks. All such transactions are carried out within the guidelines set by the Risk Management Committee.

Currency risk

The Group is exposed to currency risk directly and indirectly as follows:

- Indirectly, on sugar sales by the Swaziland Sugar Association (SSA) to various export markets denominated in Euro, US Dollars (USD) and Sterling (GBP);
- Directly, on ethanol sales to European and African markets denominated in Euro and US Dollars; and
- Directly, on balances denominated in foreign currencies.

The Group has no direct influence on the risk arising from sugar sales by the SSA. The SSA does however have a foreign exchange risk committee tasked with monitoring currency risk and entering into hedge transactions to minimise risk and thus maximise on the Industry's net revenue which ultimately determines the price that millers receive for their sugar production.

Currency risk on ethanol sales is managed by way of monitoring daily spot rates and liquidating currency at favourable rates.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to management is as follows:

	GROUP				COMPANY			
	Foreign amount		Emalangeni		Foreign amount		Emalangeni	
	2016 '000	2015 '000	**2016 '000**	2015 '000	**2016 '000**	2015 '000	**2016 '000**	2015 '000
Euro cash in bank	**1 210**	845	**19 749**	10 700	**1 210**	845	**19 749**	10 700
Euro trade receivables	**218**	–	**3 558**	–	**218**	–	**3 558**	–
US Dollar cash in bank	**1 065**	331	**15 365**	3 887	**1 065**	331	**15 365**	3 887
US Dollar trade receivables	**2 006**	–	**28 947**	–	**2 006**	–	**28 947**	–
US Dollar trade payable	**478**	478	**7 395**	5 609	**478**	478	**7 395**	5 609
Euro forward exchange contracts (inflows)	**–**	–	**–**	–	**–**	–	**–**	–
US Dollar forward exchange contracts (inflows)	**–**	–	**–**	–	**–**	–	**–**	–

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management *CONTINUED*

MARKET RISK *CONTINUED*

Currency risk *CONTINUED*

The following significant exchange rates applied during the year for the Group and company:

	Reporting date			
	Bank buying rate		Bank selling rate	
	2016	2015	**2016**	2015
USD 1	**14.43**	11.74	**15.47**	12.59
GBP 1	**20.68**	17.35	**22.18**	18.61
EURO 1	**16.32**	12.66	**17.51**	13.58

	Average rate	
	2016	2015
USD 1	**13.79**	11.07
GBP 1	**20.74**	17.82
EURO 1	**15.23**	13.98

Sensitivity analysis

A 10% strengthening of the Lilangeni against the following currencies at 31 March would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015. There is no additional impact on equity.

A 10% weakening of the Lilangeni against the above currencies at 31 March would have had the equal but opposite effect on the amounts shown below, on the basis that all other variables remain constant. There is no additional impact on equity.

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
USD	**1 996**	172	**1 996**	172
Euro	**1 975**	(1 070)	**1 975**	(1 070)
GBP	**–**	–	**–**	–

Interest rate risk

The Group does not have a formal policy to manage exposure to changes in interest rates. Management does however monitor interest rate trends on an ongoing basis.

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Profile				
Fixed rate instruments				
Financial liabilities	**(30)**	(126)	**(30)**	(126)
Variable rate instruments				
Financial assets – call deposits	**126 653**	613	**17 631**	613
Financial liabilities	**(40 836)**	(75 113)	**(38 571)**	(57 863)
	85 817	(74 500)	**(20 940)**	(57 250)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. There is no additional impact on equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

32.2 Financial risk management *CONTINUED*

MARKET RISK *CONTINUED*

Interest rate risk *CONTINUED*

	GROUP		COMPANY	
	100 bp increase E'000	100 bp decrease E'000	100 bp increase E'000	100 bp decrease E'000
31 March 2016				
Net cash flow sensitivity of variable rate instruments	**(890)**	**890**	**(662)**	**662**
31 March 2015				
Net cash flow sensitivity of variable rate instruments	(1 363)	1 363	(1 076)	1 076

33. RELATED PARTIES

Significant related party relationships exist between the company and:

- major shareholders, Tibiyo TakaNgwane, RCL Foods Sugar and Milling (Proprietary) Limited and organisations controlled by such shareholders;
- directors and members of the executive committee;
- joint ventures as stated in note 8; and
- subsidiary and associate companies as stated in notes 7 and 8.

A subsidiary company has entered into a partnership agreement with IYSIS an organisation controlled by Tibiyo TakaNgwane and the company for the cultivation of sugar cane and the leasing of residential and commercial property on land leased by IYSIS. (refer to note 31.1). In addition IYSIS operates a division, Mhlume Water, which is responsible for the conveyance of water for irrigation purposes. The management of Mhlume Water was delegated to the company on 1 May 2004.

Related party transactions are on an arm's length basis and comprise management and technical fees payable and receivable, interest paid, interest received, and share of profits or management fees received from sugar cane grown on behalf of related parties. Certain reimbursive expenditure is recouped from related parties.

33.1 Related party balances

The Group, in the ordinary course of business, transacts with related parties on the same terms and conditions applicable to third parties.

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Amounts owing by related parties				
The following amounts are due from related parties at year-end:				
IYSIS/MSCo Sugar Partnership	**27 840**	15 639	**5 398**	7 650
IYSIS	**2 377**	391	**23**	–
Mananga Sugar Packers (Proprietary) Limited	**788**	1 317	**30**	11
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**–**	421
Mhlume Country Club	**107**	120	**–**	–
Simunye Country Club	**322**	–	**322**	–
Simunye Plaza	**128**	297	**128**	297
RCL Foods Sugar and Milling (Proprietary) Limited	**–**	145	**–**	145
	31 562	17 909	**5 901**	8 524

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *CONTINUED*

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
33.1 Related party balances *CONTINUED*				
Amounts owing to related parties				
IYSIS/MSCo Sugar Partnership	**15 540**	–	**33 237**	23 288
IYSIS	**–**	421	**–**	–
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**188 285**	227 699
Mhlume Water	**–**	591	**–**	–
Royal Swazi Distillers (Proprietary) Limited	**–**	–	**12 204**	11 025
Tibiyo TakaNgwane	**10 949**	11 416	**116**	2 230
RCL Foods Sugar and Milling (Proprietary) Limited	**270**	258	**270**	258
	26 759	12 686	**234 112**	264 500
33.2 Related party transactions				
Transactions are on an arm's length basis and include the following un-eliminated transactions:				
Share of IYSIS/MSCo Sugar Partnership profit	**12 103**	8 887	**–**	–
Share of IYSIS partnership profit	**16 932**	15 538	**16 932**	15 538
Water cost paid to Mhlume Water	**555**	53	**555**	53
Mhlume Water – water charged to IYSIS	**26**	(8)	**26**	(8)
Mhlume Water – water charged to IYSIS/MSCo Sugar Partnership	**2 316**	2 028	**1 544**	1 352
Mhlume Water – water charged to Mhlume (Swaziland) Sugar Company Ltd	**4 607**	2 407	**–**	–
Interest paid – Royal Swazi Distillers (Proprietary) Limited	**–**	–	**(1 008)**	(795)
Management, marketing and technical fees (paid)/received:				
– RCL Foods Sugar and Milling (Proprietary) Limited	**(3 235)**	(3 099)	**(3 235)**	(3 099)
– Mhlume Water	**2 490**	1 044	**2 490**	1 044
– Mananga Sugar Packers (Proprietary) Limited	**764**	677	**764**	677
– Tibiyo TakaNgwane	**3 519**	3 145	**1 212**	1 192
	3 538	1 767	**1 231**	(186)
Directors' emoluments are disclosed in note 22.				
33.3 Compensation for key management personnel				
Short-term benefits	**19 709**	16 689	**11 234**	9 513
Other long-term employee benefits	**8 375**	7 632	**4 774**	4 350
	28 084	24 321	**16 008**	13 863

33.4 Related party contingent liabilities and commitments

Related party contingent liabilities and commitments are disclosed in note 29.

33.5 Impairments

There are no impairments on amounts due from related parties.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
FOR THE YEAR ENDED 31 MARCH 2016

	GROUP		COMPANY	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
34. OPERATING LEASES				
Where the Group is a lessee				
Future operating lease commitments in respect of operating leases outstanding at year-end were as follows:				
Payable within one year of reporting date	**2 159**	2 230	**2 159**	2 230
More than one year and less than five years from reporting date	**9 425**	9 014	**9 425**	9 014
Five years or more from reporting date	**17 172**	19 697	**17 172**	19 697
	28 756	30 941	**28 756**	30 941

The Group leases land as detailed in note 4. Additionally the Group also leases farms for cane growing purposes, and residential and office property for certain employees working on the leased farms.

The residential and office leases run typically for one year with an option to renew. The lease payments are reviewed annually with escalations either being fixed or linked to inflation.

The terms of the farm leases are usually negotiated to ensure the benefit of a full crop ratoon. As a minimum thereof, leases are no less than seven years.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of Shareholders of The Royal Swaziland Sugar Corporation Limited will be held at the Royal Swaziland Sugar Corporation, Management Development Centre (MDC), Simunye Sugar Estate, on Friday, 9 September 2016 at 14:00 for the following purposes:

1. To receive the Chairman's report for the year to 31 March 2016.
2. To receive and adopt the Group Financial Statements for the year ended 31 March 2016, together with the related reports of the directors and auditors.
3. To fix the remuneration of the past year's audit and appoint auditors for the ensuing year. KPMG being eligible, offer themselves for reappointment.
4. To approve the remuneration paid to directors during the year ended 31 March 2016.
5. To note the replacement or re-appointment of Messrs JM du Plessis, D van Niekerk and AT Dlamini and Chief ZN Ndlangamandla who retire by rotation, and being eligible, respectively, offer themselves for re-appointment by the appointing shareholders in terms of article 91.1 of the Company's Articles of Association.

A member entitled to attend and vote is entitled to appoint a proxy to attend and speak, and, on a poll, vote in his stead. A proxy need not be a member of the company. A proxy form is printed on the reverse of this notice.

Proxy forms should be forwarded to the registered office of the company or the office of the Transfer Secretaries at or before 14:00pm, on 9 September 2016.

By order of the Board

LS Masango
Company Secretary

21 July 2016

Registered Office
The Royal Swaziland Sugar Corporation Ltd
PO Box 1
Simunye
L301
Swaziland

Transfer Secretaries
KPMG Advisory (Swaziland) (Proprietary) Limited
PO Box 331
Mbabane
H100
Swaziland

FORM OF PROXY

The Royal Swaziland Sugar Corporation Limited
Annual General Meeting
To be held on 9 September 2016

We/I...

of ....being a member of The Royal Swaziland Sugar Corporation Limited,

do hereby appoint .... or failing him/her, the Chairman of the meeting as our/my proxy to attend, speak and vote for us/me and on our/my behalf at the Annual General Meeting of the company to be held on the 9th day of September 2016 and at any adjournment thereof.

Voting instructions

Please indicate with an X in one of the spaces below how you wish your vote to be cast. In the absence of such an indication, the proxy will exercise his discretion in voting or abstaining from voting.

	In favour of	Against	Abstaining
Resolution to:			
Resolution to:			
Resolution to:			
Resolution to:			
Resolution to:			

Dated this the..day of..2016.

Name (in full) and address

....

....

....

....

Signature ....

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