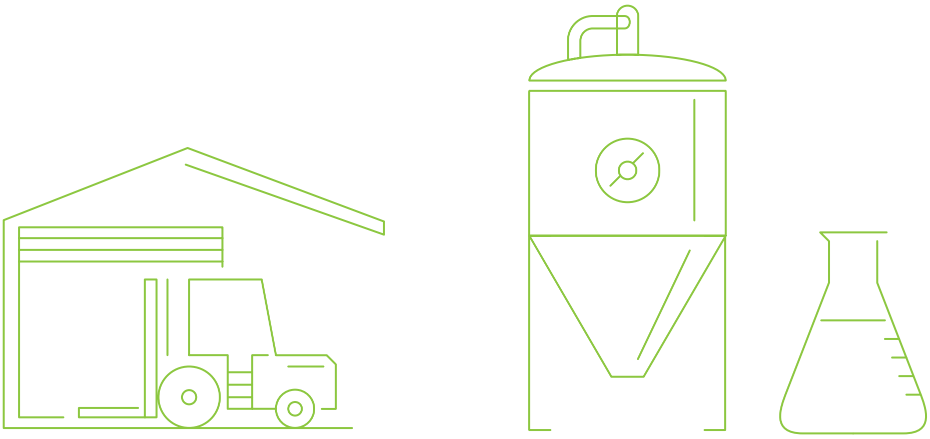
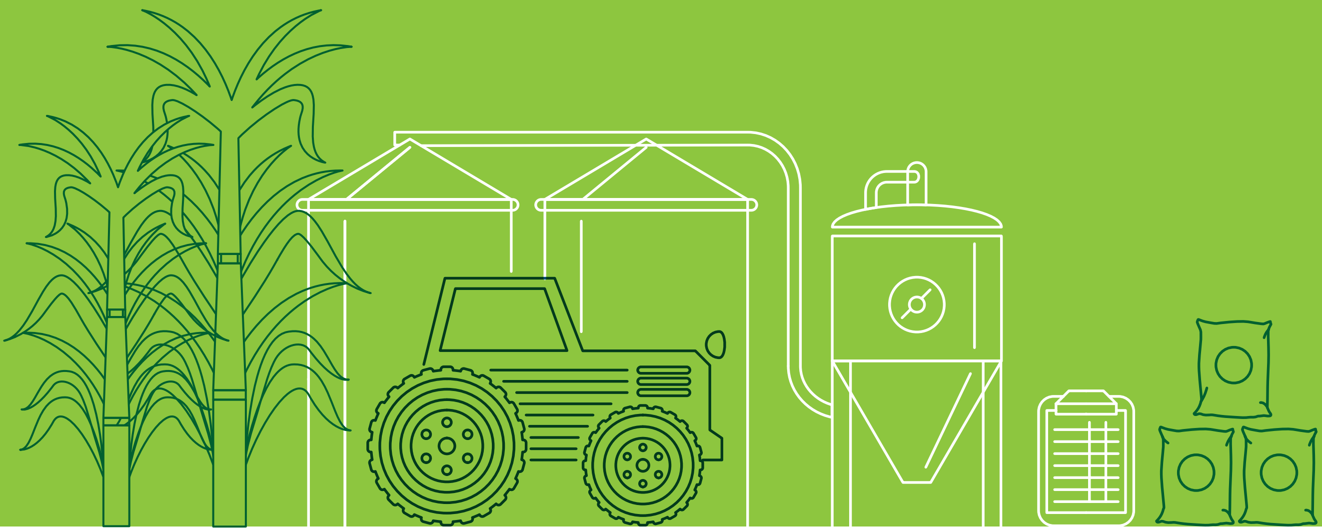


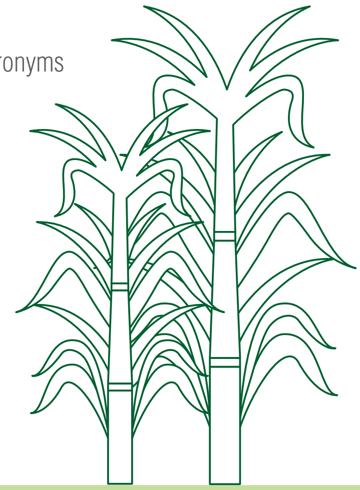
RSSC

THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

2017 INTEGRATED REPORT

Contents





01 About this report

This is the sixth 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 2016 and 31 March 2017 and how these affect the future. 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 for shareholders, but for other stakeholders with an interest in the company's activities.

Reporting Boundary

While the scope and boundary of the report remain 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 (2009) (King III).

Certain forward-looking statements are made in the report, particularly in relation to the impact on strategy, capital expenditure (capex) and operational processes in terms of the drought that, although broken during the year under review, still exerted a significant impact on the operations of the company. These statements are necessary, not just for the completeness of reporting, but because this impact will be materially felt, not only in the short term, but in the medium and long term as well, with significant implications for strategy implementation and value-creation.(For more on strategy and operational issues please refer to pages 10 and 37.)

Directors' Statement of Responsibility

The Board of Directors acknowledges its responsibility in ensuring the integrity of this report, and has applied its collective mind to its presentation and preparation. The Board believes that this report 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 2017 Integrated Report. The Group 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 issue – the drought that had previously profoundly influenced the strategic thinking and the production capacity of RSSC. With the breaking of this drought, the approval for a planned implementation of the Integrated Growth Plan (IGP), a key element of the Corporation's strategy, could be considered and approved, with implications for sustainability and the creation of value 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 16.

Message from the Chairman

There is no doubt that the continuing drought experienced in Swaziland since 2014 proved to be one of the greatest challenges ever faced by RSSC. Despite this challenge, however, there was an immensely positive effect in that by being compelled to respond in ways that would ensure not only the continued creation of value, but the very survival of our crop and our business, the company has been able to develop and embrace innovative and effective water management strategies.

It is the resilience, creativity and determination of the management and the motivation they provided for all employees that has resulted in the refined and sophisticated methods introduced to combat the almost catastrophic lack of water faced by the Corporation. Their success in keeping the crop alive, in devising innovative ways of transferring water, and of maximising efficiency and therefore curtailing costs, are well described in this report. Management is to be congratulated on implementing measures that not only preserved business momentum, but created additional value for shareholders, who will be extremely gratified to see that in a year that began in deteriorating climatic conditions, near-record results were still delivered.

The Board has been satisfied with the company's performance under the difficult circumstances in which it has been forced to operate, and look forward to even further improvements knowing the skills within the company that have been acquired and sharpened during these challenging times. We fully support management's thorough vision and its ongoing efforts to conduct and implement the research, and acquire and augment the knowledge that is required in this regard.

Implementing Growth

One of the key constraints imposed by the drought was the inability of the Corporation to implement its strategy for growth, as long as the provision of adequate water could not be assured. There has long been an understanding at both Management and Board levels that without the required growth we would not be able to remain a force in the long term in the competitive business and marketing environment in which we operate.

The caution of the Board in this regard since the IGP was drawn up was well-founded, given the almost unprecedented climatic conditions that RSSC, and the country as a whole, faced for three years – and that restraint was reflected in our last report. It is for that reason that we, as the Board, have been able to note with appreciation the impressive recovery of our resources when the rains that broke the drought finally came. We were doubly gratified to have been in a position to approve the first phase of the IGP, and have every confidence that it will provide the desired growth to enable the Corporation to continue to deliver value for its shareholders.

Our Stakeholder Relationships

Outside of our shareholders, there are a number of extremely important other stakeholders in our business, among them the Government, labour and industry bodies, and the communities among which we operate, and from whom we draw the bulk of our employees. As a result we take great care to consult with and take into account the concerns of these various groups, and work extremely hard to communicate our views, mutual interests and initiatives to them and to the broader society. In this regard it is pleasing to note that the Corporation's stakeholder relationships during the year under review have continued to bear fruit, with the effective communication both within the business as well as in the public domain of our responses, views and activities.

Relationships

We view our good relationship with the Government as extremely important, and are focused on maintaining and growing them so that critical areas of concern not only for the business but for the country can be advanced, such as the augmenting of our water supply, the construction of facilities that will enable us to better store and harvest this precious resource are measures that will be of great benefit to our business, the sugar industry as a sector, and of course to our communities. We need the support of the Government in this, as much as we do with regard to tripartite issues and bilateral discussions. We greatly appreciate any actions that the Government is able to undertake in these areas that would help improve the capacity and output of our industry.

It is important too that we continue, with our good relations with the Government in mind, to debate issues affecting our industry within the forum of the Swaziland Sugar Association (SSA). It is essential that unified support for initiatives and responses to prevailing trends, occurrences and circumstances continues to be pursued by the industry body. (For more on the SSA, see Message from the Managing Director and Our Business on pages 10 and 24 respectively.)

On behalf of the Board I would like to express our deep regret concerning the fatality that was recorded at Mhlume during the year, and we would like to extend our condolences to the family and friends of our colleague who lost his life. I know that Management views incidents like this with great seriousness, and will continue to examine every means of increasing safety and preventing any recurrence of such a tragic accident.

Social Investment

We continued, in the year under review, not only to implement, but to increase, our involvement with communities, with several effective interventions. These have been designed in some cases to alleviate the harsh conditions that many in our communities faced as a result of the drought and its effects, and in some cases to develop and build skills that in the long term will be an integral part of the social and economic upliftment of the areas in which we work, the region of our operations, and ultimately the country. I am extremely proud of these efforts, and the results and goodwill that they have brought and will continue to bring.

Our Governance

I am proud too of the exceptionally high level of governance and transparency which is institutionalised and practised at RSSC. While this is commended, it is not reason for complacency, and I am pleased to note that Management's interface with the Board continues to function extremely productively.

Management has taken great care during the year to contribute towards the skill and understanding of Board members by exposing them to talks on the principles of good governance, and inviting speakers from the Institute of Directors and other sources to address us on the incoming edition of King IV and other matters is greatly appreciated. It is initiatives like these that will strengthen our resolve and capacity in governance and they bode well for the long term. It is only a good Board that can provide good direction to Management in return.

We are confident that as a Board we are equipped to fully discharge our role, with the benefit of the company uppermost in our minds, and I am pleased to note that the Board and all its committees performed fully to expectation and fulfilled their duties with diligence and application.

I would once again like to congratulate Management and all the employees of RSSC on their outstanding achievements despite very trying conditions. I would also like to thank my colleagues on the Board for the insight, wisdom and commitment they have brought to bear in helping to steer the activities of the company towards even greater success in the future.

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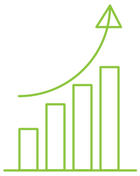
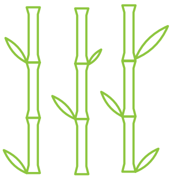
02 Highlights

List of achievements for the FY2017

The 2016/2017 year saw RSSC achieving good results due to higher cane and sugar production, improved prices for sugar and lower costs.



E2 958m
REVENUE



E476m
CANE GROWING CONTRIBUTION

E343m
SUGAR MILLING CONTRIBUTION

E59m
ETHANOL CONTRIBUTION

E564m
PROFIT BEFORE TAX

E401m
ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

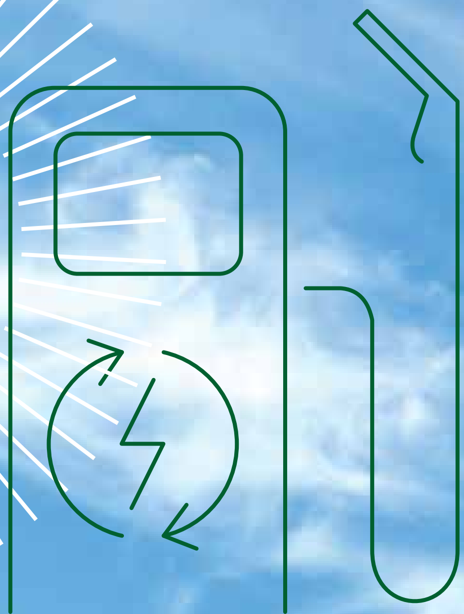
1 800
THE NUMBER OF YOUNG BOYS AND GIRLS THAT WE HAVE TARGETED TO PLAY SOCCER AS PART OF RSSC'S CONTRIBUTION TO YOUTH TALENT DEVELOPMENT, UNDER THE SIYAKHA 1800 YOUTH SOCCER DEVELOPMENT INITIATIVE, IN PARTNERSHIP WITH THE LUBOMBO FOOTBALL ASSOCIATION

03 Who we are

Our vision

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

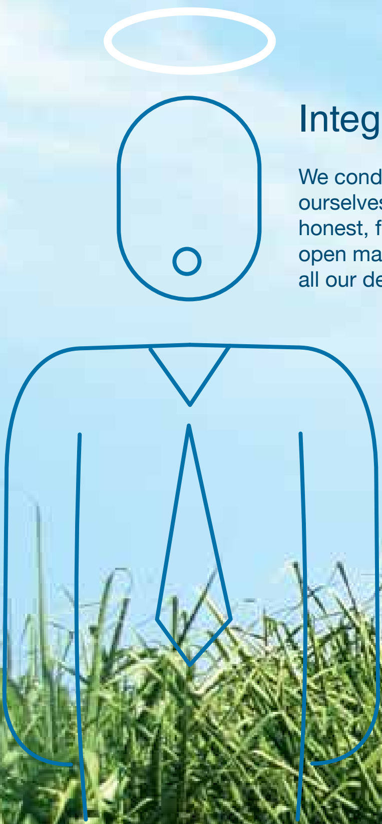
#1



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.

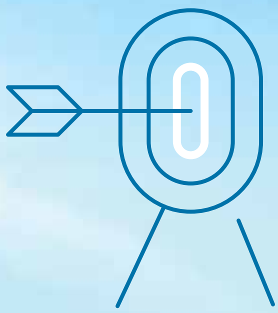
To this end, we depend on the ongoing realisation of our values and the expression of these in the way we work.

Our values



Integrity

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

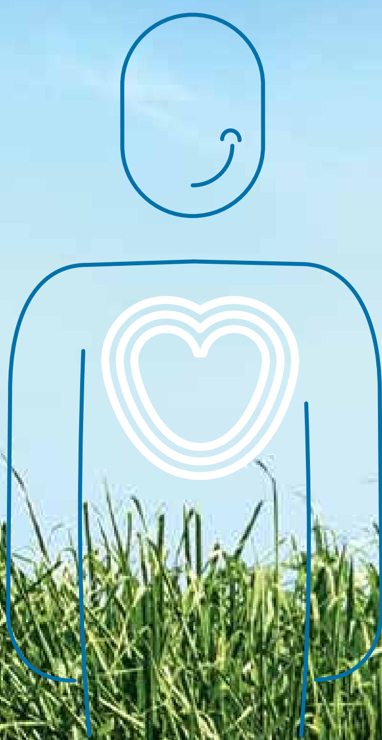


Delivery

We meet our targets and deadlines

Respect

We respect, value and care for our people



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

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

Five-year review

	March 2013 Actual	March 2014 Actual	March 2015 Actual	March 2016 Actual	March 2017 Actual
Production					
Sugar (96˚ Pol) (tonnes)	458 134	433 255	471 208	485 529	400 102
Ethanol (‘000 litres)	31 032	29 667	31 344	35 316	33 218
Financial Results (Em)					
Revenue (RSSC)	2 532	2 701	2 522	2 837	2 958
Profit attributable to shareholders	414	372	234	273	401
Statement of financial position and cash flows					
Total assets	2 465	2 480	2 537	2 620	2 940
Shareholders’ funds	1 412	1 574	1 677	1 755	1 893
Net borrowings	31	68	53	–	–
Net cash from operating activities	531	426	414	426	572
Financial ratios					
Operating margin %	21.2	18.8	12.0	12.5	16.9
Return on net assets %	29.4	25.9	15.5	17.7	23.7
Return on shareholders’ equity %	29.1	23.6	14.0	15.6	20.8
Gearing %	2.1	4.1	3.0	–	–
Interest cover (times)	42.8	50.3	32.4	48.2	51.0

Our story through the decades

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, commissioned to provide the irrigation. Known as Mhlume Water, this system is managed by Inyoni Yami Swaziland Irrigation Scheme (IYSIS)

1958
Mhlume Sugar Estate incorporated

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

1966
CDC assumes sole ownership of Mhlume (Swaziland) Sugar Company Limited

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 Limited

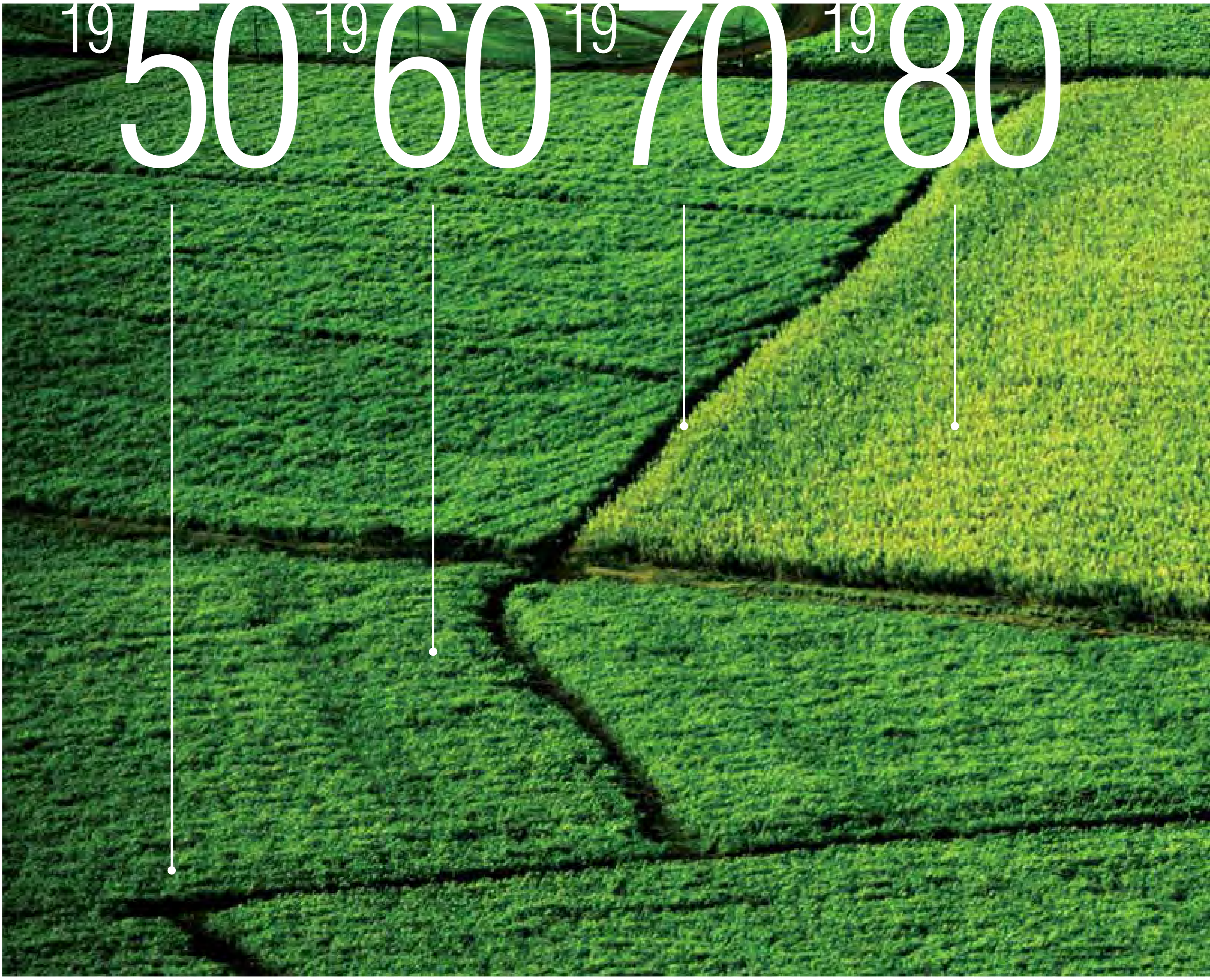
Tate and Lyle Technical Services Limited enters into partnership with the Swaziland Government and Tibiyo TakaNgwane

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 third mill Simunye Sugar Estate

1979
The Royal Swaziland Sugar Corporation Limited is created as a Joint Venture between the Swaziland Government and Tibiyo TakaNgwane, with the agreement to subscribe for E40.l million of 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

1995
Distillery is commissioned

2001
RSSC merges with Mhlume (Swaziland) Sugar Company Limited

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 as a JV between RSSC and Tsb Sugar

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

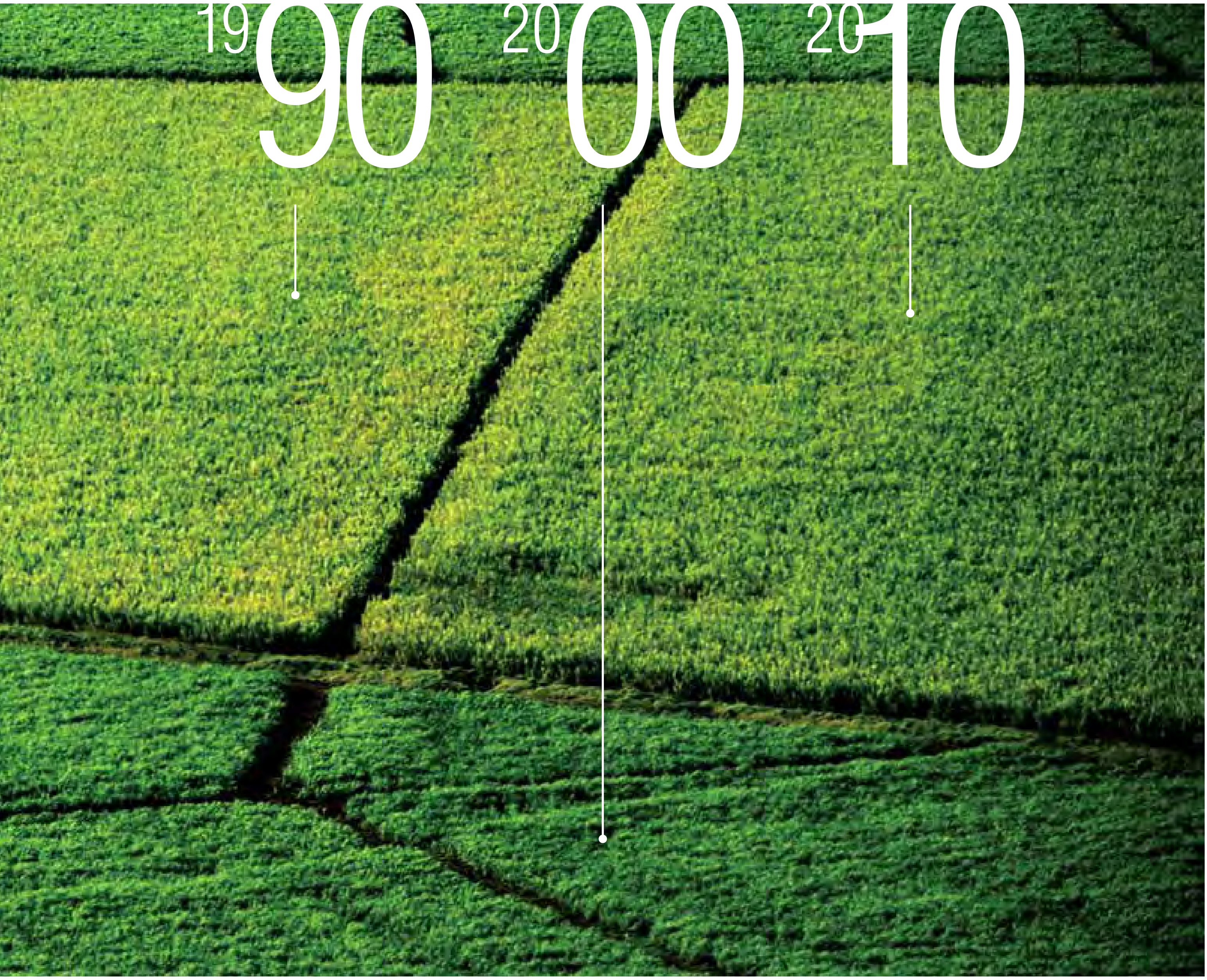
2007
Distillery expansion is commissioned to utilise all Mhlume and Simunye molasses in order to increase its notional capacity to more than 32 million liters of ethanol per year

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

2011
Installation of the 30 MW 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



04 Our strategy

Message from the Managing Director

The year under review began, as had the two reporting periods before it, with the continuing drought making its impact felt in every aspect of our business. By April 2016 we had experienced two consecutive years of the lowest rainfall since records began.

According to the internationally recognised Standardised Precipitation Index (SPI), which characterises drought on a range of timescales and frequencies of occurrence, the University of Cape Town (UCT) recorded that Swaziland had experienced the most severe category of drought, termed 'Exceptional Drought', in 2015/16, and that such droughts have return periods of 50 to 100 years.

Furthermore, it is unusual for dams to recover to full capacity in one season, unless there is exceptional rainfall. Nonetheless, significant rains did fall towards the end of the year under review, and our dams recovered enough to inspire confidence in our wish to look at implementing the programme for the much-needed expansion as contained in our Integrated Growth Plan (IGP). The IGP had been shelved since its development in 2014 because of the drought conditions, and its approval by our Board was a significant milestone for RSSC.

The IGP

The IGP was brought before the Board in a presentation on 31 March 2017, with a detailed exposition of its background, necessity and projections for the long-term sustainability of the business. The proposal was for the plan to be implemented in a phased approach, with the proviso that at any stage its progress or funding could be halted if conditions or results indicated the advisability of such a course.

The IGP programme for agriculture entails land expansion across company-owned tracts, IYSIS-leased areas and outgrower properties.

With water assured in the short to medium term, and the robust water management policies that we demonstrated during the extended critical period of drought, the view that there was sufficient water to sustain the implementation of the IGP was endorsed by our partners, RCL Technical Services. The possibility of future droughts was also modelled in a sensitivity analysis.

In anticipating the expansion envisaged, the company had in October 2014 developed a strategic environmental assessment (StrEA), and all areas earmarked for that expansion have individually received Environmental Impact Approval (EIA), with certificates to that effect having been awarded.

Innovation and Resourcefulness

We were very gratified that our intense efforts to preserve our cane through the drought conditions had proved successful, with our cane roots remaining alive, and no fields abandoned. It is a reflection of a combination of our human, intellectual and natural capitals that the resilience of our estate and irrigation systems and particularly our drip methods saw our average estate yield up to 89 tonnes of cane per hectare (tcha), with Mhlume producing 100 tcha and Simunye 81 tcha. To read more about these and other water and agricultural issues, please see Our Operations on page 37.

IGP Factory Expansion

For the factories, the aim of the IGP programme is to secure their future through timely expenditure on refurbishment and modernisation of critical assets in addition to regular maintenance expenditure. The outcomes are well-defined – the improvement of overall productivity and the utilisation of available assets, both in terms of production capability, as well as sucrose recovery efficiencies. This will entail improving the lost-time available (LTA) rate, increasing mill throughput and improving overall recoveries.

Factory capacity expansion is necessary under the IGP because it will not be possible to process all the additional cane under the IGP even with maximum season stretch and improved factory LTAs. All IGP factory expansion will take place at Mhlume, with the goal of increasing its output from 350 tchr to 440 tchr.

With the approval of the first phase of the IGP we look forward to an unmatched period of growth and success for RSSC. We speak more about details of the IGP under Our Strategy on page 10.

A Productive Year

All the indicators regarding our sugar output show results exceeding budget, as illustrated in the table below.

Nevertheless, despite these excellent results, we had to note that the overall performance of the factories was below par for the year, although this was being corrected during the off-crop, which at the end of FY2017 was already proceeding well.

While planting began with 490 hectares (ha) planted as approved, progress on our EU grower projects was stopped until the financing issues could be resolved, with the Corporation's bank guarantees in place and the top-up finance of 22% of the costs being secured from Nedbank.

Sugar Markets

The year under review saw the world price moving in a narrow band around US20 cents (about E2-50) per pound, and white sugar premiums in the USD90-99 (approximately E1 160-E1 275) per metric ton range. EU sugar production is expected to rise, however, with the removal of quotas from 1 October 2017. There are other uncertainties on the horizon, with a sugar tax in the offing in South Africa, major soft drink companies committing to reducing the sugar content in their drinks, and Brexit, which, on a positive note, may yet prove itself to be an opportunity for the Swaziland product. To read more about our marketing, please see under Marketing and Mananga Sugar Packers on pages 44 and 45 respectively.

Cash Flow

It has been pleasing to see a good cash-flow position, mainly due to the restriction of replanting and general Capex over the two years of the constraints imposed by the drought and the management thereof. The net result of significant cash being held by the business despite a high 70% payout of dividends has positioned the business well for the future.

	Actual	Budget	% variance
Tonnes cane crushed	1 802 717	1 617 180	11.5
Tonnes cane/ha	89.8	81.9	9.7
Hectares cut	20 063.7	19 736.6	1.7
Tonnes sucrose	259 012	222 697	16.3
Tonnes sucrose/ha	12.9	11.3	14.2
Pol% cane	14.37	13.77	4.3

Funding Initiatives

We have thus embarked on a significant initiative to raise the initial E165 million required for the first phase of the IGP implementation, as well as the approximately E274 million for Phase Two. With approval having been received for the first phase, we are engaging with Standard Bank, Nedbank and FNB Swaziland, together with their South African counterparts, concerning our request for finance. We have met with all three banks, with the first cut-off set for the end of April 2017, the following one at the end of May, and the finance offers for the first tranche to be presented at the June meeting of the Board. The likelihood is that the Phase Two funding proposal will be presented at the March 2018 Board meeting.

Internal Audit

Our Internal Audit performed well against the plan for the year under review, with continuing investigation of reports emanating from the fraud hotline. While these are often difficult to substantiate, there was one case that did lead to disciplinary proceedings. Thorough preparations were made for the year-end external audit.

Human Resources

In FY2016 we reported on the voluntary exit packages (VEP) project that we initiated during that year as part of our human capital rationalisation programme. The year under review saw Phase Two of this programme progressing well, with 99 employees involved. Of these, 29 left the employ of the Corporation permanently, with the rest being deployed laterally, promoted or in some cases, having to move down in level. Although there were some issues raised by unionised personnel who were concerned with provident fund payouts, employee relations have been smooth throughout the year. Our succession-planning efforts are being structured around a variety of assessments, a process that will continue throughout the coming financial year. For more on these and other matters pertaining to our human capital, please see Our Strategy and Human Resources on pages 10 and 26 respectively.

Community Involvement

I was very gratified to have seen our community involvement continuing in effective and innovative ways to make a positive contribution to the lives and opportunities of the people who live in our communities. There were a number of ongoing and new initiatives during the year, not only to alleviate difficult circumstances exacerbated by the drought, but to increase capacity, skills and self-sufficiency. To see a more detailed description of these initiatives, please see Public Affairs on page 34.

The Swaziland Sugar Association (SSA) and Outgrowers

Our belief has not altered that a restructuring of the sugar industry within Swaziland is necessary in the face of a changed and changing world and the realities facing our markets. The opportunities and risks we face as an industry are such that only a commitment to a new framework can effectively deal with the issues that growers, producers and marketers face.

In respect of RSSC in particular, beneficial projects, such as co-generation, with excess electricity being sold back to the grid, or fundamental aspects of agriculture, such as the price of fertiliser for outgrowers, or the cost of other bulk services that a business the size of ours could help mitigate, could be structured in such a way as to provide significant and lasting benefit to all parties. Our efforts in this regard will continue and it is our hope at RSSC that a new dispensation with which all parties are comfortable will be instituted in the short to medium term.

Outlook

The short term – Because the drought broke only late in 2016, we expect our cane production for FY2018 to remain at levels similar to those of the 2016/2017 season, and our sugar production forecast to increase by 2%. We expect the Southern African Customs Union (SACU) sugar pricing to be flat as a result of competing sugar imports, and a stronger Lilangeni, with only a minor change taking place in ethanol prices.

The medium to long term – With the global reality of strong demand for sugar persisting, markets appear to be strong for producers. Within our own ambit on the estate and within our business, there is no question that the approval of the IGP and its phased implementation will lead to assured sustainability for the Corporation, the strengthening of its ability to create value for its shareholders, and the creation and maintenance of beneficial relationships with all its stakeholders.

I am very grateful to the Executive Committee and management team for all their hard work, resilience and determination in devising and implementing the strategies and techniques that have enabled us to weather the severe drought and see us safely into a new period where normalisation of our activities has become possible.

I am grateful too to the Board for its unstinting support and understanding, and its skilled grasp of the issues that we have faced.

It is to our employees of all levels and grades that my thanks must also be directed. Without their dedication, commitment, teamwork and hard work we would not have been able to see out the most challenging times in our history, and moreover, innovatively turn those challenges into opportunities which have seen us deliver the outstanding results that are outlined in this report and which have placed us in a position of strength as we turn our focus to the coming year.

NM Jackson

04 Our strategy

The year under review saw the adoption and authorisation by the Board for the implementation of the first phase of the IGP. This is the central plan which embraces the expansion required for the sustainable growth of RSSC, its profitability and competitiveness and its continued ability to create value for shareholders. It is a plan which encompasses our financial, manufactured, human, natural, intellectual and social and relationship capitals.

We have achieved outstanding performance through our people.

Strategy

There are two components to the Corporation's strategy:

- **The first** is a low-cost strategy involving a short- to medium-term theme comprising the maximisation of shareholder value via growth and operational excellence, and leading to lower unit costs. It is this approach that underpins our Simama 20-20 initiative. (For more on Simama 20-20, please see below.)
- **The second** is a high-value strategy involving, in the longer term, a more diversified flexible portfolio comprising high value-add initiatives tailored to a new customer base.

The Integrated Growth Plan (IGP) focuses on achieving the low-cost strategy.

The Integrated Growth Plan

This important development was enabled by the breaking of the severe drought which had affected every aspect of our operations for three consecutive years. With our precious water resources greatly augmented by rains that fell towards the end of 2016 and at the beginning of 2017, the way forward for expansion could be mapped, taking into account the harsh realities which we had faced and the knowledge we have gained in facing them.

Background

In 2014 when McKinsey was engaged to review our Strategic Road Map, they concurred that a "do nothing" scenario was not an option due to the unsustainability of foreseen lower market prices and rising costs related to inflation. McKinsey concluded that the best way forward would be a strategy which included both a targeted expansion of Mhlume (and an associated increase in cane supply) and an improvement in operational efficiencies. It was out of this determination that the IGP was developed.

Key Observations

Swaziland in general, and RSSC in particular, have been shown by market intelligence and analysis company LMC, in figures averaged from 2013/14 to 2015/16, to be producers at low cost, putting the country second in the world behind Brazil. In terms of average cane yields over the same period, Swaziland ranked second, beaten only by Zambia.

From a market perspective the Corporation has access to the SACU, European Union (EU), United States of America (USA) and regional markets, as well as close proximity to Maputo and Durban ports for world market exports, and we are well-positioned for the future both strategically and geographically.

Key Components of the IGP

The IGP is designed to:

- Secure more water
- Grow more cane to match factory capacity
- Improve mill performance and efficiency, particularly at Mhlume
- Expand the Mhlume factory in a modular fashion
- Move towards energy self-sufficiency and potentially become an exporter of energy in the long term
- Produce more sugar and ethanol
- Focus on operational efficiency in the production chain
- Grow the business through appropriate investment and partnering
- Ensure that human resources are suitably skilled, motivated and aligned
- Continue to motivate for a new vision for the Swaziland sugar industry

Features of the IGP

- **Unit cost reduction**
  Sugar industries have high fixed costs and the expansion component of the IGP seeks to address this by reducing our unit cost. We are using the opportunity to improve the efficiency of the Mhlume factory in order to maximise this reduction.
- **Water**
  Analysis has shown that there is sufficient water for expansion, and the water strategy seeks to "drought-proof" the business while developing new water storage.

Initiatives for Expansion

Short term – The IGP identifies a number of short-term initiatives, designed to:

- Robustly manage the Mnjoli Dam
- Take full advantage of flood water flowing down the Mbuluzana (White Mbuluzi)
- Facilitate inter-basin water transfers from the Komati system to the Mbuluzi system
- Install modern flow-measuring instruments at the gauging stations
- Convert further furrow- and sprinkler-irrigated fields
- Construct tail-water recycling dams
- Develop on-farm storage to capture stream flood water and a greater volume of overflow water from Mnjoli

Medium term – The medium-term objectives include:

- Raising the Ngomane balancing dam spillway to harvest sub-catchment runoff and the storage of surplus water from Mnjoli Dam via the main canal, thereby reducing releases or spillages from Mnjoli Dam. With the reservoir area at 10.7ha, 0.6 m of additional depth would yield storage of 64 200 m^3

Long term – In the long term the plan envisages:

- The potential of partnering with the Government and appropriate donors to invest in the Isilele Dam (40 000ML) on the Mbuluzana River to harvest and store additional water for Simunye estate. The first stage will entail RSSC's funding and facilitating of the feasibility study, subject to certain assurances
- The potential of partnering with Government and appropriate donors to invest in the Silingane Dam (150 000ML) on the Komati River. As with Iselele, the first stage could entail RSSC's contributing to, or funding, the feasibility study for the project, subject to certain assurances.

Summary of IGP Initiatives

Agriculture Component – Project Overview

Initiative	Purpose	Amount of water secured (Ml)	Equivalent drip irrigated area realised	Date to be realised
Installing near-real-time water measuring devices.	To better manage the river and Mnjoli dam in order to minimise cross-border water losses and secure more water to store	9 000	1 000ha	December 2016
Increasing irrigation efficiencies	To minimise field losses thus securing more water for storage	6 319	702ha	March 2018
Partnership with Government to build dams	To harvest and store water for security during droughts and future expansions	30 000	3 333ha	March 2022

The Request to the Board

Given the strategic imperatives and recommendations, and in particular the renewed water resources available, on 31 March 2017 the Board was requested to:

- Authorise the raising of finance for Phase One of the IGP
- Approve the phased IGP, subject to suitable finance being secured
- Approve E10 million to engage an Engineering, Procurement and Contract Manager (EPCM) contractor to draw up a +/-5% budget for the June Board meeting
- Authorise an ad hoc subcommittee of the Board to oversee, monitor and progress all matters with respect to the raising of finance in respect of the IGP

The requested authorisations and approvals were obtained, setting in motion the beginning of the next growth phase for RSSC.

Office of Strategy Management (OSM)

The Office of Strategy Management (OSM), established to facilitate and measure performance against strategic targets and objectives and to drive a culture of continuous improvement throughout RSSC, is now in its second year of existence.

There were some changes to the staffing of the office during the year under review, with two people departing at the start of the year, and the General Manager (GM) leaving on a voluntary exit package (VEP). (To read more about VEPs, see under HR on page 29.) Three consultants remained to continue working on the execution of excellence in strategy.

A New Focus

The focus in FY2017 was on issues pertaining to our people. The foundation for our activities was the Corporate Map and the balanced scorecard underlying it, which was then cascaded into divisional scorecards. These fed into the introduction of a personal scorecard for every person in the organisation.

The process was initially introduced for employees of grades T12 and above – those with more senior roles and responsibilities than those employees in the T1 to T11 grades. The work of rolling out the initiative, begun intensely in June, was completed in November.

The premise underlying this programme was that a new component was to be introduced to take into account individual contributions, over and above those required by job descriptions. People were asked about their contribution in terms of cross-functional deliverables.

This new focus involved changing mindsets, especially of those in services departments. A great deal of inertia had to be overcome in inculcating an understanding in employees that their deliverables would be linked to the company's end product.

Eliminating Silos

The communication from the OSM during the year under review was that the entrenched framework in which employees had always viewed their work and position within the company from the perspective of individual silos needed to change.

The message was that in order to successfully sustain the business as far ahead as 2030, it was necessary for all employees to work as a team. Although instilling this concept was not an easy task, the office did manage to teach people how to elicit meaning from the corporate strategy in their daily activities.

Programme Roll-out

The process was initiated with a workshop for the Executive Committee (Exco), which was then extended to similar events for heads of department (HoDs). Feedback was obtained from each session to enable improvements where necessary, and in order to continue to add value for the organisation as a whole.

Stressing the importance of cross-collaboration, the method was then applied to include all those who report to HoDs, and was subsequently rolled out in divisional sessions, where the focus was more on team deliverables – based on the simple measure of what the activities of any given area contribute towards the efficient production of a tonne of sugar. Although complete adoption of the new mindset was not achieved during the year under review, significant progress was made, with 70% of the key performance indicators (KPIs) relating to team deliverables being met. The ultimate take-out was that all employees had a role to play.

Simama 20-20

An important ongoing effort at the OSM was to communicate the underlying motivation of Simama 20-20 – the aim of which is to reduce the company's unit cost by 20% by 2020. Throughout the programme outlined above, all participants were measured in terms of this contribution, and while weightings may have varied, every employee was included.

Dipstick surveys were undertaken in order to establish what our employees had retained with regard to Simama 20-20. In addition, a strategy-awareness survey was conducted in January 2017, with the intention that its results would inform OSM plans for the coming year.

Critical Skills

The measurement of the critical skills and the succession planning required for medium- to long-term business sustainability was an objective during the year under review, with the establishment of a baseline to serve as a reference for human capital development, and the filling of critical roles during FY2018.

One of the outputs of this process has been our Leadership Academy. Rather than sending people away to attend silo-orientated courses, the Academy has been bringing consultants to the company to teach skills common to all areas of the business. In pursuing its cross-functional initiatives, the OSM requested specific projects be assigned in the management-development programme, such as the building of a business model that can be used at Exco level. (For more on the business model, see IT on page 33.)

The result is that there is now a team of junior managers from agriculture, services and the factory engaged in producing such a model, and ultimately presenting it to management. Although these initiatives are still in process, significant progress has been made in facilitating development. (For more on skills, human capital development and the Leadership Academy, see Human Resources on page 28.)

Enterprise Resource Planning (ERP)

The OSM set a target during the year under review for the expediting of reporting within the company's current ERP framework. The objective was to improve decision-making in the organisation through IT systems, with dashboards accordingly developed for Exco and subsequently for the next level of management.

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
- Sustainable water availability
- 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

For the first time management was able to utilise the business intelligence (BI) system to access live production data that could be refreshed every hour. The aim was to provide an immediacy of information that would permit and facilitate fast and reliable decisions to be made without significant delay. (For more on BI, see under IT on page 33.)

The framework was changed from its focus on the mere number of reports, to include data concerning the nature of the information requested, as well as the frequency and origin of access. This advance will help determine that reports are usable and accurate with the ultimate aim of identifying the outcomes of decisions made.

The initiative has been markedly successful, with information accessible from various platforms, with the added advantage that this advance in our intellectual capital is also an enabler of our human capital.

Change Management

Change management has been added as a responsibility of the OSM. A change manager has been appointed, who will partner with an external consultant for the first year. While the appointment was made during the year under review, the function will begin operating in FY2018.

A survey conducted by HR indicated that while employees are ready and willing to change, the ability to accommodate such change and to make it work has been limited. It is that capability that the OSM will be fostering, with the added proviso of ensuring that each business initiative has its own change-management plan.

Master Data Management

The function of master data management requires an objective environment for effective implementation, and the OSM, which has no major stake in this function, was judged to be the most suitable base to manage it. The aim is for all master data to be accessible by the entire organisation at the desired level of accuracy. This requires efficient utilisation, availability and integration of the SAP system and the facilitation of this is an ongoing concern of the office, with the necessary personnel having been engaged at the end of March 2017, to begin work at the end of April 2017. (For more on aspects of SAP, see IT on page 33.)

During the year under review, our strategy map was changed to reflect water supply, with the impact of the recent drought having been felt not only as an operations issue, but also at the level of strategy.

Strategy and Culture

With the three-year drought having stretched the resourcefulness of the company to its limits, near record-breaking production levels were attained. The most difficult strategic task has been to communicate a clear understanding of this paradox to employees. And while our natural capital in the form of meta-climate issues cannot be controlled, it is certainly within the capacity of all employees to contribute towards controlling operational excellence and ultimately our unit cost.

This requires a change in thinking, and fully inculcating such a cultural change remains a major challenge for the OSM.

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.

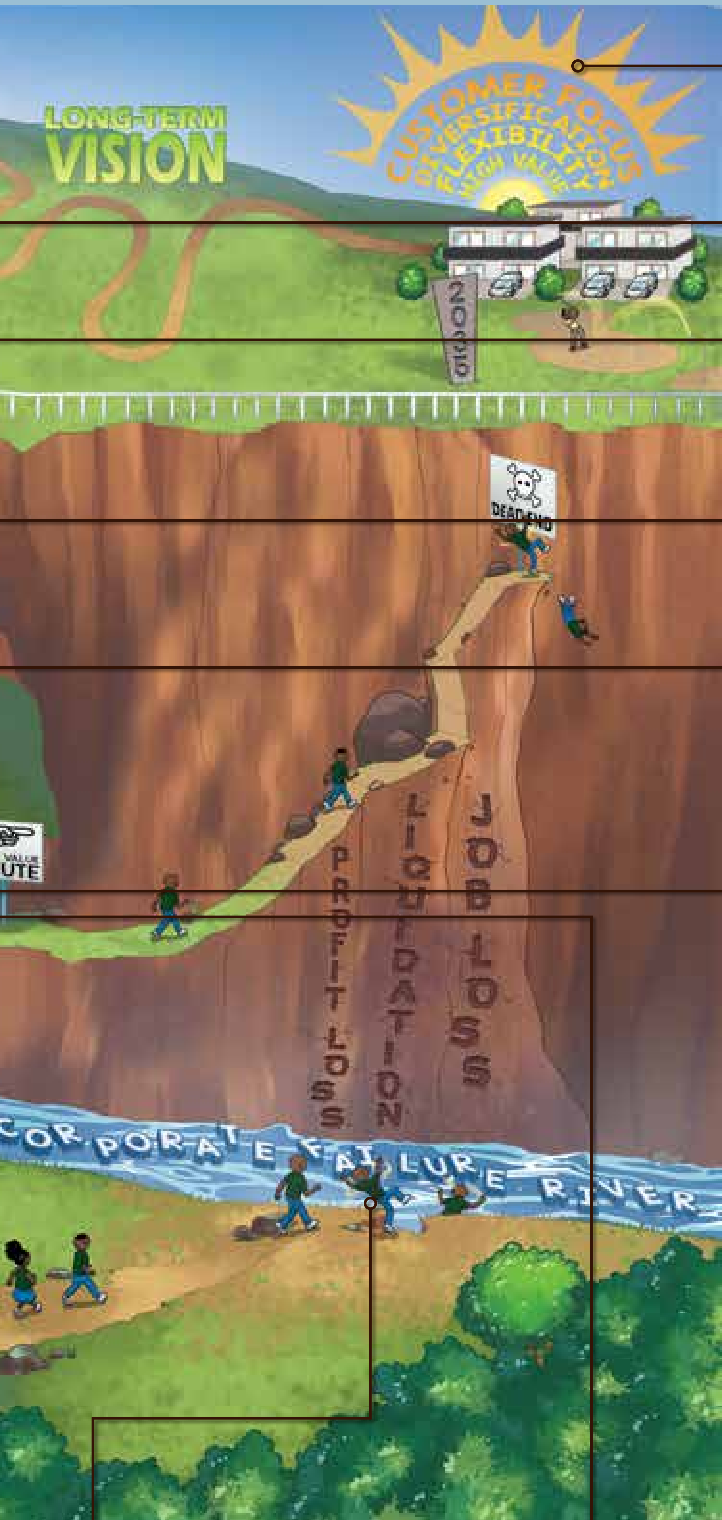
3

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



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

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

9

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

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

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

12

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 Relations

Stakeholders and Materiality

Our ability to create value is impacted by a range of material matters arising from our relationships with our stakeholders. In cognisance of the concerns that these matters raise, we follow a rigorous plan to determine them through consultation and engagement with our stakeholders. In an ongoing and dynamic process we regularly assess our status with regard to these material matters against our desired position, and maintain actions and timelines in order to achieve our objectives. We understand that by scrupulous adherence to our plan we will be able to obtain not only a clear grasp of the means by which we can create value for our shareholders, but strong and mutually beneficial relationships with all of them.

Strategic Objectives

In addition to obtaining approval from the Board for the IGP and its associated financing plan, there are a number of strategic objectives that we will be pursuing during FY2018, including:

- Recovering from the recent drought
- Water security in the long term
- Adherence to strategy framework
- The embedding of SAP
- Unit-cost reduction in alignment with corporate strategy
- The internal recalibration of industry vision
- Co-generation feasibility
- The effective management of employee relations issues
- Developing comprehensive and sustainable learning and the development of initiatives
- The attraction and retention of highly skilled labour
- The embedding of a new organisational structure post-VEP
- The inculcation of a safety culture resulting in zero fatalities
- A holistic review of distillery operations

While the Corporation has a broader range of stakeholders which are managed on a daily basis through a variety of methods, our stakeholder plan outlines the key issues in relation to RSSC objectives for FY2018, and the different ways each key stakeholder will be engaged in order to manage their various expectations and to increase the likelihood of succeeding in achieving these objectives.

The drought was a common problem for both RSSC and the community. We donated about 20 tonnes of maize to the Hlane community.

Our Key Stakeholder Engagement Plan 2017/18

Stakeholder	Material issue	Current position	Desired position	Required action	Frequency
Board/ shareholders	Confidence in the RSSC strategic direction and achievement of return on investments in relation to the Integrated Growth Plan (IGP)	IGP proposed and reviewed in preparation for tabling to board for approval	IGP approved by the Board securing RSSC business in the long term as a source of generating revenue and driving down unit costs	Table the plan for review and subsequent approval by the Board	Quarterly
Banks or financial institutions	Financing for IGP	Development of IGP including interaction with financing institutions to table proposal	Acquire desired funding ingeniously with the goal of favourable terms and conditions	Meet with financing institutions to review their proposal	Once-off
Employees	Employee engagement	Employees are oblivious to the IGP and its implications	Buy-in to the plan by employees in order for direction for implementation to be provided	Engagement with all employees on expectations	Ongoing
Ministry of Natural Resources and Ministry of Agriculture	Water security	As part of RSSC recovery from the recent drought, it was evident that water security is an issue in the region and certain interventions are needed to reduce exposure in future	Government to build two dams to mitigate the situation	Continued positive engagements with ministries through senior officials and portfolio committees. E3 million already set aside for feasibility studies on construction of the two dams – Silele and Silingane	Ongoing
	Cane expansion through IGP	Cane roots were successfully saved and no crops lost during the drought	Cane expansion	Irrigation to meet crop water requirements and reassess water quality for various soils at RSSC, and continue with the replant programme to achieve vertical growth for benefit in subsequent periods	Ongoing
Swaziland Revenue Authority (SRA)	Increased focus on tax collection with little regard to impact on business operations	Tax audit on PAYE completed, giving rise to modifications to RSSC tax structure	RSSC has good reporting and collection practices. Clear understanding and collaboration on systems of revenue collection for all parties in transparent and mutually beneficial manner	Continue to work with SRA on corrective actions resulting from tax audit findings and seek professional advice from tax experts to formulate responses to the report	Periodic
Employees	Impact of new tax regime	Changes in taxable benefits to be implemented for affected employees	Complete awareness among all employees and appreciation of RSSC tax structure and implications	Appointing internal top team to deal with all tax issues and interact with all employees; Embark on specialist review of the RSSC tax agenda	Ongoing
Swaziland Cane Growers Association (SCGA) Executive	Industry Vision	Growers do not want to entertain millers' interests, wanting instead a stake in co-generation	Fruitful negotiation on sugar marketing and co-generation issues, thus progression of Industry Vision	Internal recalibration on expectation and subsequent action	Once-off
Employees	SAP system introduced and projected returns not yet achieved	SAP system not fully adopted and utilised to optimal potential	Optimal value of return experienced through adequate implementation and utilisation of the system, resulting in seamless cohesion within RSSC business processes	SAP embedding through validation of all business processes and SLAs. Training of super users	Once-off
	Implementation of strategy framework	The recent drought affected the advancement of implementation of the strategy	Achieve operational excellence through adherence to strategy framework	Strategy retreat for Exco and senior management	Annually

Stakeholder	Material issue	Current position	Desired position	Required action	Frequency
Employees and contractors	Recurrence of fatalities within RSSC factories	Fatal accidents still occurring and negatively affecting internal and external players as RSSC factories are perceived as unsafe	Zero fatalities and zero tolerance for conditions that may result in fatalities	Restructuring within IMS operations already done and will require review Paying attention to detail for work procedures, work flows and training of operators Buy-in of safety culture and procedures by all levels of management	Ongoing
Customers	Customer relations	Customer relations strained from time to time	Excellent customer relations	Carry out customer visits Carry out customer satisfaction surveys	Annually Bi-annually
Organised labour	Rationalisation of costs	Impact of Phase Two HCRP – employee anxiety and sense of belonging as a result of demotions; Solidarity from other employees Toughened approach to management issues	Workplace harmony and an enabling environment for business to operate Employees who embrace change	Consistent bilateral sessions, team-building programme and capacity-building programme for shop stewards; Focused attention and impact mitigation plans by line managers and employee wellness Interventions must also deal with assisting employees in restructuring their personal expenses	As scheduled but will be monitored monthly Initially bi-monthly and thereafter, as and when necessary
Employees	Ongoing compliance with income tax order	Because of SRA Tax Audit, employees are expected to pay more income tax from April 2017, thus reducing their disposable income. Pressure will be brought to bear on ER climate as a result of increased demand for RSSC to make up shortfall created by tax through higher pay increases	Ongoing compliance with Income Tax Order	Consultations with organised labour representatives and shop stewards on new reality Increased awareness among all employees in preparing for change	Through management briefs, divisional meetings and consultation sessions with employee representatives
Ministry of Labour and Social Security	Localisation and training	Imposes one-size-fits-all on localisation and training standards, or requirements that restrict optimal human resource management within our operation	Ministry's understanding and acceptance of what drives the industry and RSSC business model in terms of localisation quotas and training needs	Continuous relationship building with Training and Localisation Committee including annual presentation on RSSC's status and challenges	Periodic sessions with TLC and annual presentation to committee
Local universities and professional institutions	Talent tracking	Poor collaboration with local universities in developing demand-driven programmes and tracking relevant talent to RSSC business	Demand-driven programmes and effective human resource development through tracker studies in monitoring talent from training stages in collaboration with these institutions	Participation in curriculum development forums with UNISWA and other institutions Annual meeting with Ministry of Labour and Social Security to share information on Swazi-sponsored students in RSA universities	As invited by UNISWA Annually

Managing Risk

Risk Register

Risk Ranking 2017	Risk Issue	Cause(s)	Consequence	Controls	Accountable Manager	Residual risk ranking	Actions for 2016/17
1	Water security	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	a) Increase cane supply b) Achieve and sustain RSSC and outgrowers' cane yields	P Myeni	70	Strategic drought risk management (long term) – initiative in the RSSC strategic map. a) Include water security in strategic maps – In progress b) Engage with Government to start feasibility studies for new dams – In progress c) Review RSSC irrigation strategy – Complete d) Agree with Government on implementation of criteria for inter-basin water transfers – In progress e) Improved measuring of real-time data (river flows, dam levels) to inform decisions – In progress f) Progress water security and ensure timely implementation of initiatives Refer IGP – In progress
2	Growth and optimisa-tion	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 b) Unsuccessful in reducing unit cost	a) Increase sugar mill production	P Myeni	70	a) Present updated, IGP to Board in March 2017 – Complete b) Raising finance for Phase One of expansion – In progress c) Raising finance for Phase Two of expansion – In progress
3	Sugar industry	a) Current Swaziland sugar industry structure does not allow RSSC marketing of own sugar b) Current weighting of millers and growers voting rights (50/50) c) Sub-optimal marketing capability in SSA with knock-on effect on returns	a) Slow decision-making leading to lost opportunities b) Non-identification of lucrative opportunities c) Reduced sustainability	a) Achieve investment return targets b) Improve control over marketing of own sugar	N Jackson	60	a) Progress strategy to advocate and lobby stakeholders to promote New Vision for the sugar industry b) Lobby key stakeholders in sugar industry – To plan c) Engage with Steercom for Swaziland sugar industry to progress RSSC new vision – To plan

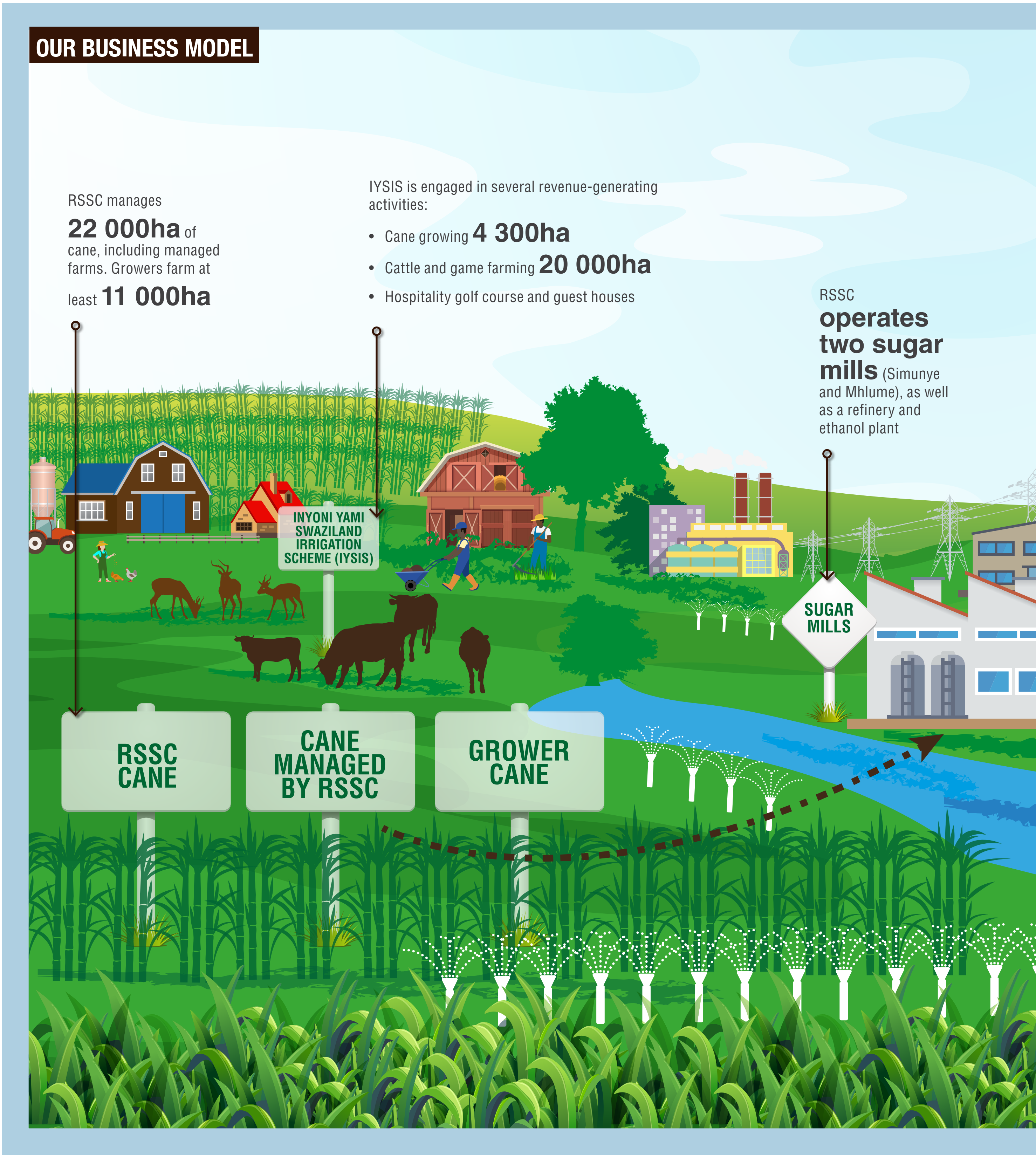
Risk Ranking 2017	Risk Issue	Cause(s)	Consequence	Controls	Accountable Manager	Residual risk ranking	Actions for 2016/17
4	Safety incidents	a) Inadequate health and safety culture b) Negative safety trends experienced in some areas c) Non-compliance incidents d) Insufficient awareness and focus on well-being of employees and contractors	a) Injuries/ fatalities b) Decreased production/ factory downtime c) Increased burden on medical support systems d) Increased sick leave cost.	a) Be a recognised corporate citizen	N Jackson	55	a) Improve safety practices and discipline – In progress b) Develop and implement comprehensive safety plan – In place c) Implement detailed management plan and progress tracker to monitor close-out of recommendations – In progress d) Adjust personal scorecards to support safety culture (April 2016) – In place e) Re-align procedures to streamline and support safety culture – In progress
5	Fire incidents (in factories and fields)	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	a) Be a recognised corporate citizen	P Myeni	50	a) Quarterly Alexander Forbes Risk assessments – Progress and close out fire-related risks b) Maintain and comply with fire emergency procedure – In place
6	Sugar markets	a) Significant price increases in SACU b) No import tariff protection in place c) Threat of imports into SACU d) Currency strengthening significantly, reducing export returns	a) Decreased profitability b) Negative impact on sustainability	a) Achieve investment return targets	N Jackson	50	a) Implement a price increase of 7.75% in the SACU market - In place from 1 April 2017 b) Maximise revenue from sales into markets with higher prices – Provided in SSA budget for 2017/18 c) Overall sugar price has increased considerably over the last year, by 24% for 2016/17, when compared to the prior year. The sugar price is forecast to increase by 4.6% for 2017/18. This increase has been affected by the strengthening of the Rand against the Euro and the US Dollar
7	Procure-ment enable-ment	a) Organisational based release strategy b) Non-stock material still on free-text description c) Maintenance equipment master data not yet fully in place d) Integrity of released reservations	a) Inefficient procurement b) Insufficient stock management (obsolete stock)	a) Working capital manage-ment	SG Potts	45	a) Implement New Release Strategy – In progress b) Reduce free-text description spend to improve time frame of procurement – In progress c) Complete implementation of bills of material for maintenance items – In progress d) Resetting MRP parameters to manage stock levels – In progress e) Execute procurement savings strategy (reduced spend) – In progress

Risk Ranking 2017	Risk Issue	Cause(s)	Consequence	Controls	Accountable Manager	Residual risk ranking	Actions for 2016/17
8	SAP embed-ment	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 implemen-tation and unlocking organisa-tional value	a) Achieve investment return targets	SG Potts	45	a) Embed new SAP ERP to integrate IT systems – In progress b) Implement IT Steercom and governance structures (including Master Data Committee) – In place c) Implement change management – In place d) Expedite SAP training for transactional users – In progress e) Improve super-user programme – In progress f) Review SAP roadmap to better support business needs – In progress g) Implement SAP process embedment – In progress
9	Strategic alignment	a) Insufficient integration between business units b) Lack of skills (IT) c) Embedment of SAP not yet completed (impacts HR, Finance, Procurement, L&D) d) Departmental SLAs not yet completed	a) Non-achievement of strategy b) Inefficiencies and cost creep c) Non-compliance	a) Achieve investment return targets	N Jackson	40	a) Focus on addressing issues through strategic maps – In progress b) Execute departmental strategic maps as aligned to corporate map – In progress
10	Manpower cost	a) Establishment not aligned to new strategic reality b) Scarcity of skills in the market c) Sub-optimal structures d) Isolated business location e) Increased cost due to changes in legal requirements f) Increased tax burden on employees.	a) Unaffordable labour b) Forced retrenchments especially if mooted Employment Act changes, are legislated c) Unsustainable operating cost d) Reduced profitability	a) Lower unit cost	M Mkhonta	40	a) Review manpower costs sustainability level periodically – In progress b) Implement tighter controls on external recruitment – In progress c) Re-distribute and rationalise roles and promote multi-skilling – In progress d) Evaluate cost savings from natural attrition for period 2015-2017 and map attrition plan to March 2020 – In progress e) Exercise vigilance against organisational structures increase creep following finalisation of Phase One and Two of HCRP – In progress

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



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 Sugar and Milling (Pty) Limited. 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 to RSSC and outgrowers as liquid fertiliser.
30MW SIMUNYE
SWAZILAND SUGAR ASSOCIATION
DISTILLERY
Ethanol
QS Pty Ltd
Stillage
Enviro
MANANGA SUGAR PACKERS

The world sugar market is shifting from deficit into surplus, with projections indicating that prices are expected to fall even more in the medium to long term, and macro-economics, such as oil and other commodity cycles, crop prices and exchange rates continuing to exert a major influence on the industry.

SACU sales volumes are projected to increase by 5% in 2017/18.

Our Business World

Sugar

Background

The traditional premium market for our sugar and associated ethanol products has been the EU, with the USA, regional African markets and those of the SACU members remaining lower-priced adjuncts. All sales, amounting to around 800 000 tonnes, are made through the SSA, which markets all sugar and molasses emanating from Swaziland.

Due to favourable soils, climate and water availability, the Swaziland industry has been consistently ranked among the top ten low-cost producers in the world. It produces in excess of 600 000 metric tonnes of sugar per year, employs over 35% of the agricultural workforce and in 2005 contributed 18% of Gross Domestic Product (GDP).

The SSA is responsible for exporting all the raw sugar produced in Swaziland. SACU, comprising South Africa, Botswana, Lesotho, Namibia and Swaziland, is the most important market for the Swaziland sugar industry, accounting for between 45% and 70% of the country's sugar sales.

The EU has historically accounted for between 24% and 55% of Swaziland sugar sales depending on the season, and falls under the EU/SADC Economic Partnership Agreements (EPA). The EPA, concluded in 2014, allows Swaziland to continue exporting to the EU, although lower prices have negatively impacted export revenues from this market.

The United States also allows preferential access for Swaziland sugar under its Tariff Rate Quota programme, with forecasts of Swaziland sugar exports to that market predicting a decrease of 43% to 16 000 Mt in 2016/17.

Sales into the world and regional markets consist largely of residual sales of excess sugar that cannot be sold into other more lucrative markets, or sales in periods when regional or world sugar prices have spiked. These sales are therefore generally characterised by low prices.

Sugar Sales by Market

Sales by market (Quantity)

Period	SACU market	Regional market	EU market	USA	World market	Total sales
2012/13	303 204	–	363 637	–	–	666 841
2013/14	307 918	–	339 250	–	–	647 168
2014/15	365 814	13 343	301 266	34 000	–	714 423
2015/16	408 753	36 354	240 720	28 219	–	714 046
2016/17*	**393 885**	**11 822**	**215 113**	**19 623**	**–**	**640 443**

**Forecast (December 2016)*

Source: SSA

Global Sugar Trends

Domestic policy support measures, such as high import tariffs, tariff rate quotas and minimum price support, will continue to benefit the industry in many developed and developing countries, although these policies could continue to distort markets and contribute to volatility. Nonetheless, new policies such as the abolition of sugar quotas in 2017 in the EU and the deregulation of sales of sugar in the open market in India, could assist in liberalising the sugar market to some degree.

In the longer term, it is expected that global sugar production should rise over the coming decade, sustained by a growth in demand and a reduction in stocks. Forecasts put the increase in production at an average of 2.1% per annum, to reach 210 million tonnes by 2025 – reflecting an increase of around 39 Mt over the period 2013 – 2015.

Global Production and Consumption

In selected revisions of the November 2016 forecasts of global sugar indicators provided by the United States Department of Agriculture (USDA):

- Production is flat at 170.9 million tonnes
- World imports are revised by 2.5 million tonnes to a higher 54.6 million tonnes
- Exports are up by 1.8 million tonnes to 57.7 million tonnes

THE OUTLOOK FOR GLOBAL SUGAR CONSUMPTION

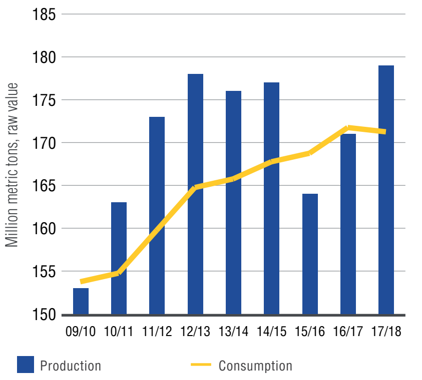


Figure 1

Source: Sugar: World Markets and Trade (USDA)

THE MOVEMENT OF WORLD SUGAR PRICES BETWEEN 2013 AND 2017

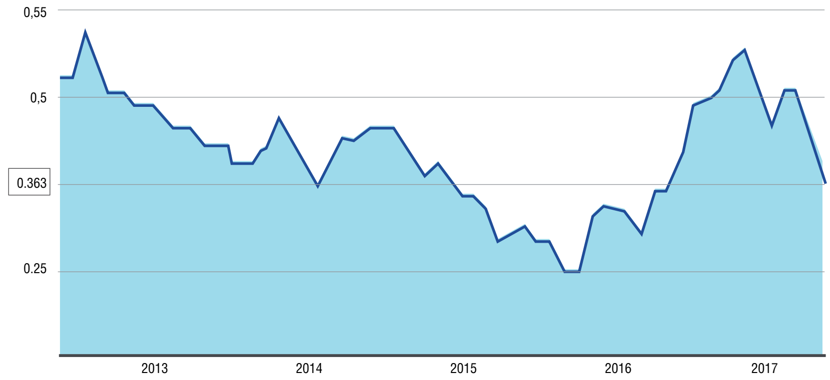


Figure 2

Source: Ycharts: https://ycharts.com/indicators/world_sugar_price

The sugar price has seen an increase of 8% year-on-year.

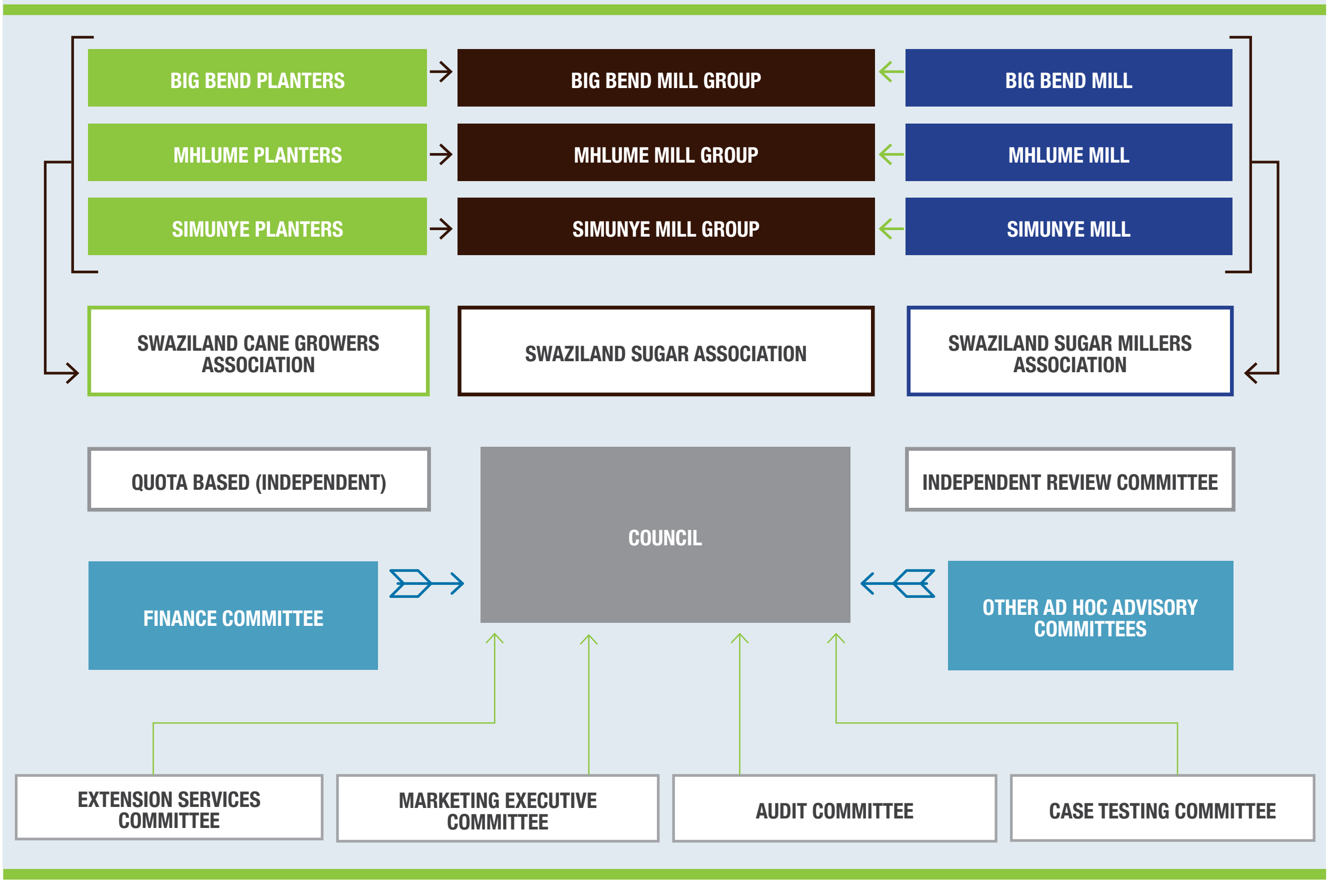
The SSA

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

Neither a parastatal nor a public company, the SSA is a private non-profit-making organisation whose mandate is to promote the efficient production, as well as the optimal marketing of the country's sugar, with all cane delivered to mills being crushed to this end.

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. (For more on the SSA, see Message from the Chairman and Message from the Managing Director on pages 2 and 8 respectively.)

INDUSTRY AND SSA STRUCTURES



Source: SSA Website

The Swaziland Sugar Industry

The operations of the Swaziland sugar industry are regulated by the SSA, whose highest policy-making body is the Council. The Council, in turn, comprises 12 members from the Swaziland Sugar Millers Association (SSMA) and 12 members from the Swaziland Cane Growers Association (SCGA).

Sugar Market Summary

There are a number of observations to be made about the sugar market vis-à-vis RSSC's position within Swaziland:

- Sugar is being supplied to maximise sales into the SACU market, with SACU volume in 2017/18 projected to be up by 5% as against volumes in 2016/17
- An extra 7 000 tonnes are being directed into the higher-priced regional market
- Sugar exports to the EU have been reduced by 54 700 tonnes – of which 20 000 tonnes have been reallocated to the SACU
- Exports realise less due to a strengthening of currency
- There has been no price increase on current SACU pricing

In view of these observations there are certain associated market assumptions that can be made, as shown in the following chart.

MARKET ASSUMPTIONS

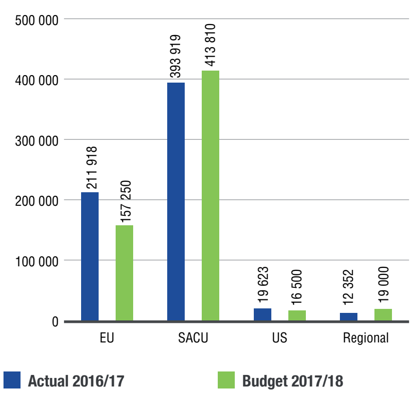


Figure 3

Exchange Rate

During the year under review the Lilangeni gained 20% against the Euro and 15% against the US dollar.

EXCHANGE RATE MOVEMENT: APRIL 2016-MARCH 2017

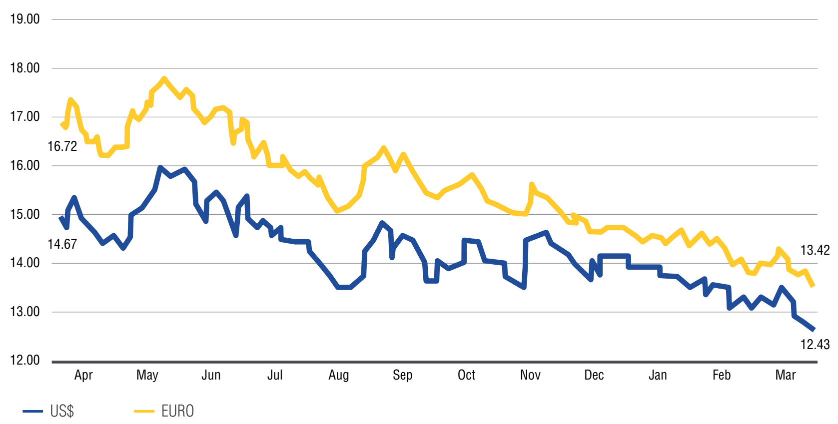


Figure 4

Ethanol

There has been a global trend in policy-making in which a weakened commitment to biofuels can be discerned, with a switch towards non-food-based biofuels and cellulosic material.

The difference between exported sugar and ethanol prices has been gradually narrowing, even reaching parity during the year under review, before widening again. The price of ethanol still stands at about 114 points below sugar. However, it is possible that intercrop seasons and low stocks could add some support to ethanol prices.

The marketing strategy for ethanol is therefore a flexible one based on pursuing value according to changing market circumstances. (To read more about ethanol and ethanol marketing, see under Our Operations on page 41.)

Human Resources (HR)

Building upon the work done in previous years, fair progress was realised towards the repositioning of the HR function during the year under review. All the division's initiatives were designed to focus on seven main areas:

- Implementing a clear attraction and retention value proposition
- Accelerating our skills development programmes
- Strengthening our development pipelines and re-designing the succession planning processes
- Progressing the initiative to develop a robust performance accountability culture
- Sustaining improvements in the employee relations environment
- Consolidating gains in the employee health and wellness area
- Continuing with identifying opportunities to limit financial exposure in support of cost rationalisation efforts

Attraction and Retention

In implementing our attraction and development value proposition we were able to implement a number of initiatives, the most important of which was our talent management framework.

Employee Value Proposition (EVP)

In line with the Simama 20-20 strategy, it was necessary to design a new EVP, which we defined using the notion and concept of great:

- **Great jobs** – interesting and challenging jobs that entrench the principle of talent portability
- **Great rewards** – rewards that motivate, recognition for value, special initiatives for at-risk people in critical, scarce or mobile roles
- **Great company** – talent value proposition, brand, image reputation as an employer of choice
- **Great culture** – conducive environment for learning, growth, accountability, performance excellence, teamwork and ethics
- **Great leaders** – leadership style, engagement, coaching, growing and developing of our people and succession planning

All these focal areas are designed to ensure that our value proposition expresses an improvement in employee engagement, enablement and empowerment.

The EVP, an important intervention in our efforts towards attraction and retention, was approved by Exco in the year under review, and is being rolled out as and when employees are recruited, and when job offers are made to them. In addition, the EVP is being entrenched internally and will be integrated into future employee engagement surveys to ensure that feedback is solicited from employees on the extent to which it is contributing to their retention at RSSC.

Remuneration and Employee Benefits

A critical aspect of attraction and retention is the question of employee remuneration. We reviewed a number of elements in our remuneration proposition:

- A new level in our Long Service Awards was introduced and we now have a 30-year award in addition to those for 10 and 20 years' service
- We also introduced new criteria to identify employees in critical roles which underpin our Critical Skills Retention Scheme. Employees in this scheme are paid out a once-off lump sum based on 15% of a two-year salary at the end of a two-year cycle. The current cycle started in April 2016 and will end in March 2018
- In partnership with MTN our employees are now able to enjoy free mobile calls to any RSSC employee – provided they have access to this facility
- We finalised an in-house insurance scheme underwritten by SRIC to insure employees' vehicles at discounted rates, with each employee able to insure up to three cars
- Personal accident cover has now been introduced to all employees on fixed-term contracts, including trainees, who were not previously covered. As an additional benefit, accidents incurred during private time are also included

Incentive Scheme

During the year under review, the company's Short Term Incentive (STI) paid out a total of E37.02 million in bonuses to 2 736 scheme participants, including eligible seasonal employees. The STI continues to be an integral part of our EVP and is designed to improve business competitiveness and long-term sustainability.

Employee Feedback

The Corporation runs an ongoing survey for all newly recruited employees, with two such surveys having being completed during the year under review. Through the surveys, we have received extremely positive feedback, and have thus been able to assess our EVP and employee onboarding processes. This has enabled us to continuously improve our efforts to ensure that employees are productive within the shortest possible time from their joining the organisation. During the year under review we attained an engagement score for new hires of 73% against a target of 70%.

Employee engagement surveys for current employees are implemented every two years. With the last survey having been undertaken in 2015, preparations are under way to run the next employee engagement survey in the 2017/18 financial year.

Skills Development

A number of initiatives were implemented during the year under review, to ensure that the HR Division delivered an aggressive skills development programme in line with Simama 20-20 strategic objectives.

Human Resource Development and Training Policy

A new Human Resources Development and Training (HRD & T) Policy was developed and implemented which provides guidelines on RSSC's approach to employee development and training. Given that the company's annual training budget can never address all the personnel development requirements of the business nor sufficiently address the personal aspirations of all employees, the Corporation introduced a study-loan facility in line with the new HRD & T Policy which enables employees to undertake part-time studies. The new policy covers matters such as nomination for training, guidelines for pursuing post-graduate studies, time away from work for study purposes, subscribing to professional bodies, and clarity on study leave. The HRD & T Policy will hopefully improve consistency in the management of training and also encourage employees to take personal responsibility for their career development.

RSSC Leadership Academy

Management approved the establishment of the RSSC Leadership Academy which became operational in October 2016 and is designed to:

- Provide RSSC with an improved capability to implement in-house competency-based assessments for both recruitment and employee development purposes. This decision in particular has enabled the company to improve the turnaround time for psychometric assessments from an average of 60 to 90 days, to 48 hours, thereby facilitating speedy decision-making in regard to both recruitment and training decisions
- Deliver customised training initiatives designed to improve overall productivity and accelerate succession planning
- Empower our people to deliver on Simama 20-20 strategic objectives. In particular, the key focus areas are business, technical, personal effectiveness and leadership skills.

The RSSC Leadership Academy has partnered with various service providers to deliver the following programmes to our employees:

- The University of Stellenbosch Business School – Executive Development:
  - New Managers' Development Programme
  - Management Development Programme
  - Senior Management Development Programme
- The University of KwaZulu-Natal Business School– Extended Learning:
  - Building a talent management culture
- Human edge:
  - Conducting crucial conversations
- Beyond Coaching:
  - Consciousness coaching
  - Basics to mentoring
- Futhi Sibiya Consulting Associates:
  - Chairing disciplinary enquiries
  - Initiating disciplinary action
  - Representing employees in disciplinary and grievance enquiries

Development Pipelines and Succession Planning

There were 1 604 permanent employees as at March 2017. The average age for employees was 44, with 67% of the employees aged between 40 and 60. Thirty percent, aged 50-60, are approaching retirement with 15% of employees due to retire in the next five years.

The above statistics constitute a challenge for RSSC to accelerate workforce and succession planning because a number of employees in critical and/or managerial positions will be exiting our employment in the next 10 years. The need for improved mentoring and coaching processes is now more critical than at any time in the history of the company, particularly in the context of a very aggressive business strategy, as well as the implementation of the IGP. As reflected in the age analysis below, more than 400 permanent employees, across most areas, and including artisans, will be retiring in the next 10 years.

AGE PROFILE PERMANENT EMPLOYEES

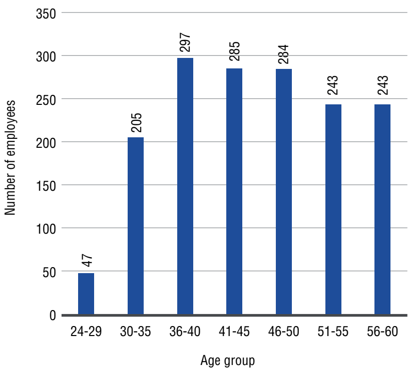


Figure 5

Development Pipelines

Given the foregoing context, we have had to consider a number of interventions which collectively lay a solid foundation for addressing our manpower requirements in the medium to long term The requirements can be summarised as follows:

- Localising the management of the Engineer in Training (EIT) Programme: In past years this responsibility was outsourced to external service providers. Insourcing this function has not only enabled the Corporation to realise cost savings, but has also improved line-management accountability for the engineering pool, a critical development pipeline. Flowing from this improved accountability, the EIT programme has received increased attention in the past year in terms of technical evaluation of the trainees and the revamping of the programme content itself. A new, more responsive EIT programme is being finalised for implementation in the new financial year which will address issues of remuneration and career path clarity for the trainees
- The apprenticeship development pipeline has also received increased attention, especially with regard to ensuring that our trade skills are sufficient to cover the manpower requirements of the company in line with the turnover projections for the next five to ten years. A more agile budgeting model has been adopted which will enable the company to adequately fund this critical pipeline
- The Engineering Steering Committee has also been revitalised and meets consistently to review progress of trainees in all the development pipelines. As a direct result of the improved focus, the traineeship contract has been reviewed to be more accurately responsive to the requirements of the company. The committee's other role is to receive quarterly technical reports on the performance of trainees and apprentices. The Committee met four times during the year under review to fulfil this responsibility.

Succession Planning

The overall objective of RSSC's succession planning framework is to have in place at least two successors per critical role by March 2020, as well as to ensure that these future leaders are adequately prepared to assume higher-level roles. The key driver of the current succession planning interventions is the projected turnover – through normal retirement – which indicates that at least 13% of middle and senior managers will be retiring in the next 10 years. With some of these positions not having any successors being developed:

- A new succession-planning framework was implemented in the year under review having been developed and approved during FY2016. Backed by ongoing training based on the theme of "building a talent

management culture", the new systematic approach is designed to deliver high-calibre managers who will drive the Corporation's long-term vision
- A three-phase development assessment strategy was approved and implemented by management in September 2016. A total of 210 managers and high-potential employees, including all employees at grades T15 and above, were subjected to the first phase of the development assessments. These are based on our competency and leadership framework which was developed and approved in 2016 and in line with Simama 20-20 strategic objectives, employees were principally audited in the areas of business, leadership, personal effectiveness and technical skills
- Phases two and three of the assessments will be completed in the coming financial year and will focus on employees' career aspirations, decision-making and problem-solving potential. The results of all three assessments will be used to finalise Individual Development Plans (IDPs) for all the employees who participated in the process and, critically, to identify candidates for our succession-planning pool – our talent bench strength.

Performance Accountability Culture

We have continued with the implementation of the balanced scorecard, our performance-management system. Personal scorecards were rolled out to all employees in grades T12 and above following the pilot phase in the last financial year. Employees spent a full year being managed under the new system. In addition, performance contracts were extended to all employees in the organisation, making 2016/17 the first full year in which all permanent employees had performance contracts.

Having implemented SAP Enterprise Resource Planning (ERP) from October 2014, the Individual Performance Management module was fully scoped and developed during the year under review. The 2017/18 performance contracting will therefore be based on the computerised system, fully realising the investment in SAP.

Also falling under the rubric of instilling a high-performance culture, was a specific project intended to harmonise benefits. There has been a long-standing issue with regard to the respective benefits of Simunye and Mhlume. During FY2017 a clear roadmap was devised to harmonise all terms and conditions of service, with 15 areas of harmonisation identified. Eight of these areas were completely harmonised during the year, with implementation scheduled for FY2108. The remaining seven will be subject to consultation in FY2018.

Employee Relations Environment

There were a number of interventions in the area of employee relations that we were able to complete this year, with a review of our policies and procedures being a central issue. This review was undertaken to allow for much easier and faster discipline and grievance management.

RSSC has continued to manage its internal stakeholders very carefully, and in particular, the Union and Staff Association. The cordial relations that have existed within the company for decades now, result from a clear commitment to honest engagement with organised labour, especially in ensuring that their views and aspirations are always taken into consideration when implementing all interventions concerning people.

The commitment of organised labour to ensuring that the company remains viable and sustainable in the long term has been a necessary ingredient in successfully concluding and implementing a number of collective agreements, which sought either to improve terms and conditions of service or to address business continuity imperatives. These are summarised below.

Human Capital Rationalisation Project (HCRP)

In line with the cost rationalisation objective of Simama 20-20, Phase Two of the HCRP was successfully concluded in March 2017. This phase was preceded by a Section 40 Notice on the restructuring of the company in line with the new strategic direction. A collective agreement that provided guidelines on the implementation of Phase Two was successfully registered with the Industrial Court in February 2017. New organisational structures were approved for implementation in the new financial year. To a large extent, Phase Two of the HCRP dealt with introducing a new operational model in agriculture operations which was successfully implemented from February 2017.

Flowing from the restructuring process, 30 employees exited RSSC's employ on 31 March 2017, after accepting voluntary exit packages at a cost of E32 million. About 60 employees also accepted lower positions as an alternative to retrenchment and were successfully integrated into their new roles by the end of the financial year. A comprehensive change-management and employee wellness plan was implemented to support the integration process. This support will continue to be available in the new financial year so that the affected employees are able to adapt seamlessly to their new environments and personal realities.

The business area restructured was in agriculture production, where previously each manager had been responsible for 400ha. This was increased to 800ha, effectively doubling responsibility, but with overall numbers reduced. The long-term savings and productivity increases that this reallocation is designed to achieve provide for an additional four tonnes per hectare per manager by March 2018.

Review of the Employee Relations (ER) Policy Manual

The ER Policy Manual had last been reviewed in 2007 and has over the years unintentionally posed a number of challenges in the management of discipline and grievances within the company. With the support of the Union and Staff Association, a new manual will be operationalised from the new financial year in order to:

- Ensure that the policy, practices and rules are aligned to best practice, also taking into consideration new case law
- Simplify the disciplinary process, focusing primarily on corrective discipline
- Remove embedded bias and unfair practices that had unfortunately been introduced into the process over a period of time
- Assist in re-inducting our social partners and employees on the standards of discipline and grievance management expected at RSSC
- Improve efficiency in processing disciplinary cases which over the decade had become too tedious and unnecessarily costly
- Improve the confidence of employees in RSSC's disciplinary and grievance processes

The new procedures will reduce the time it takes to conclude disciplinary cases in particular, with the bulk of the cases being decided outside of disciplinary hearings and as close as possible to the date of occurrence, and with the focus on productivity. Preceding the introduction of the policy manual, we trained a number of managers in the handling and initiating of discipline, as well as shop stewards in effectively representing their members.

Harmonisation of Terms and Conditions of Service

The merger of the then RSSC with Mhlume (Swaziland) Sugar Company Limited in 2001 resulted in the difficult challenge of having to harmonise very different terms and conditions of service. While a number of these were successfully addressed following the merger, this work was not completed, mainly as a result of the cost implications of harmonising pay and benefits.

Over the years, the outstanding harmonisation issue created inconsistency in the management of employee terms and conditions of service. Management and organised labour agreed a roadmap in order to finally put this issue behind us. This included appointing a project team to collect and cost all outstanding harmonisation items from all internal stakeholders. The project team finalised its work and presented its report by December 2016 and management adopted a position on the way forward by February 2017. The company intends signing a collective agreement with the Union and Staff Association by the end of 2017 to deal with this matter once and for all.

2016/17 Cost of Living Negotiations

Cost of Living (COL) adjustments and a review of salaries and wages for the year ending March 2017 were successfully concluded within reasonable time. This is testimony to the Corporation's cordial industrial relations environment. COL adjustments awarded to non-represented employees, employees in the staff bargaining unit (SAMASA) and the union bargaining unit (SAPWU) were set at 6% (average), 6.5%, and 6.75% respectively.

Remaining Challenges

A number of challenges remain, including:

- Managing sick leave – a total of 1 493 employees were booked off during the year, with the cost of sick leave increasing significantly from E2.3 million in 2015/16 to E3.7 million in the year under review. The full implementation of the Management of Illness at Work Programme" in the coming financial year will greatly assist in effectively managing this situation
- Improving the tracking and closing of issues discussed in workplace forums, and to consistently ensure that employees have the opportunity to discuss workplace challenges on the shop floor
- Impending employment legislation governing such matters as outsourcing, fixed-term contract employees and seasonals
- Embedding a new performance-accountability culture and cascading personal scorecards to all employees
- Restructuring remuneration policy, systems and practices to fully support the new EVP
- Continuing the investment in succession-planning and the company's development pipelines.

Employee Health and Wellness

There are three reporting areas for health and wellness and all fall within the domain of our human capital: medical services, lifestyle change, and the Employee Assistance Programme (EAP).

Medical Services

With primary health care being our core mandate, most of our planned services were offered during the year under review. In the course of providing these services, we determined that we could improve our health information system management, and thus began the process of procuring another system.

We are endeavouring to address better patient data management and improve our HIV/AIDS programme management, including tuberculosis (TB). With about 2 300 patients under treatment, and a third of those being employees, we require a system that permits thorough, reliable and accurate follow-up with patients on our programmes.

The implementation of our TB programme is supported by Government. While it has run satisfactorily, we nevertheless feel that more is still required to substantially contribute towards case reduction. As our current system does not allow us to draw up conclusive reports to permit structured decision-making, we have identified the need for improvement through the integration of our services.

While integration has been achieved at the level of implementing the different programmes, this does not take place with data. Thus, if a patient is being treated for a non-communicable disease such as hypertension, knowledge of his condition pertaining to HIV should, for example, also be accessible. One of our wellness programme goals is to be able to deal with individuals holistically and not in terms of separated illnesses. We envisage that the new integrated system will help to address this.

Our key focus on notifiable diseases remains unchanged – in particular those that are infectious. As with every sub-Saharan country, Swaziland has a high prevalence of HIV, with 26% of the population affected – a high statistic compared with other countries.

Tracking and Treating HIV

During the year under review, we had around 237 employees out of a total of about 4 009 testing positive for HIV. Of that new number we were able track 130, and ensure that they were put into effective treatment and care. Among those who were not, many were seasonal employees who leave our area of operation and are absorbed by their own nearest health facilities, with whom we make every effort to put them in contact.

The graph below shows the number of employees on ART during the year.

NUMBER OF EMPLOYEES ON ART

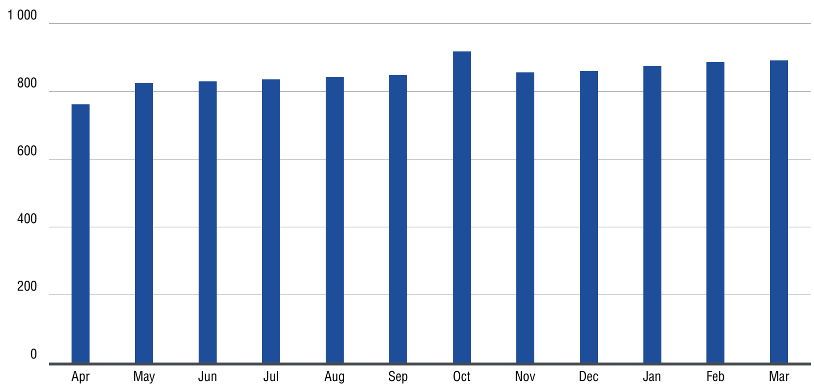


Figure 6

All HIV testing of employees is done on a voluntary basis, with individual rights fully respected. While we provide the service and offer the test, a patient retains the right to decline or accept. We have seen, however, that due to declining stigma, the number of people agreeing to undergo testing has increased. The fact that treatment is provided at no cost provides the hope to the patient that if testing is done, treatment can be accessed. We have people who have been living with HIV for more than 20 years, and people have learnt that it is a manageable disease. The fear of testing has thus been substantially reduced, with a concomitant rise in the number of positive findings.

We have about 895 employees and 1 400 community members and contractors in treatment. Because HIV is an infectious disease, we cannot focus on employees alone, we provide our services to both these two groups. In this we also follow World Health Organisation (WHO) guidelines for using treatment as a form of HIV prevention, and our overall model has worked well for us in containing the spread of HIV.

Tuberculosis (TB)

As a measure of the effectiveness of our programme, we have seen a significant decrease in the number of HIV-related deaths, including those caused by TB, with 80% of disease prevalence found in those living with HIV. We identified about 52 new cases of employees with TB during the year under review, all discovered by means of laboratory tests and presumptive diagnoses based on X-ray and symptomatic analysis.

Given the high mortality and morbidity of TB, we have found that it is better to over-treat than the opposite. Government has decentralised TB management, with the result that we only review cases periodically, with sufferers returning to their homes to be managed at the smaller clinics. All 52 new cases were successfully managed by us, and of those only two were regrettably lost. Statistically, however, the effectiveness of our programme has been vindicated. In order to ensure that our programme is effective, we apply prevention modalities, which include the prescription of drugs, with the result that all HIV-positive patients are given medication to prevent TB pre-emptively.

Once a patient has been diagnosed with active TB, we conduct contact-case-finding, whereby all people who have been in contact with the affected person are required to come to the clinic for TB testing. Even if incidence of the disease is not picked up by us, such contacts are still given drugs pre-emptively, so that the latent TB will not convert to its active state.

We have also worked with the company's Property Services Department to combat overcrowding, as this is another factor which facilitates the easy transmission of TB. Property thus strives to ensure that people who are allocated houses do not introduce more people into their households. House inhabitants are required to remain within manageable numbers. (To read more about RSSC property, see under Property Services on page 46.)

Other Notifiable Diseases

Other notifiable diseases such as malaria continue to come to our attention in our clinics. As close neighbours of Mozambique, and with rains finally having come to the area, from just two cases during 2016, we have seen an increase to 13 in 2017. Of those, five were in locals, and thus endemic to Swaziland. The remaining eight were from Mozambique, where there is a high incidence of the disease.

We are also working with the National Malaria Programme to try and eliminate this disease. While this is an ambitious goal, as it involves the offering by National Malaria Programme of prophylactic drugs at ports of entry, this was accomplished in 2016 as part of a limited campaign. After the campaign ended, however, we saw a rise in the number of cases.

We have noted a significant decrease in cases of diarrhoea, by a factor of about 10. Although we have been used to seeing up to 5 000 cases, only 528 were recorded last year. One of the Government's interventions was the introduction of the rotavirus vaccine for children, a factor which helped in driving the number down.

We are also still struggling with upper-respiratory tract infections, with flu being the major contributor. These incidences are seen, as expected, during the winter months, as well as with the advent of rain, and during the year under review we endeavoured to make the flu vaccine available. Inasmuch as the vaccine does not offer complete protection, we know that 50% to 60% of those who receive it will not suffer from the disease to the degree where they are required to be booked off sick, with a concomitant reduction in production time.

Wellness and Disease-prevention Programmes

These are lifestyle and employee assistance initiatives. We have continued with our Biggest Loser programme, which seeks to address the new epidemic of obesity. An initiative driven by the MD, the programme is now in the third continuous year of its existence. It is coordinated and managed by Health and Wellness with the participation of fitness coaches and the guidance of a dietician. We measure the percentage of weight- and fat-loss, and have seen that even those who have participated in the past have managed to maintain their physical exercise. It has thus has been a major intervention with encouraging results.

Wellness Champions

In every department there are Wellness Champions who serve as pillars of our health agenda. They provide health education talks and raise awareness on key issues, such as HIV testing and treatment adherence. They also promote social and behavioural change dealing with such matters as condom distribution. They also touch on stress and personal finance management which our statistics indicate remains a major problem among our employees. We have endeavoured, through training, to equip our wellness champions with the necessary basic personal finance knowledge and skills so that they are able to share advice and guidance with their colleagues.

During the year under review we trained 277 Wellness Champions – a combination of new and already active participants, and a slight increase of about 25 people. Motivation is noticeable, and the fact that the MD is driving most of these activities, adds to the confidence of the employees that the company is serious about its commitment to their wellness. There has thus been a positive response to the extent that in FY2017 we had managers who requested training – something that had not been the case before. Among the 277 participants, we succeeded in training about 20 line managers. (For more on Wellness Champions, see under Public Affairs on page 34.)

Counselling

We have continued with counselling that focuses on, among other issues, personal finance and its associated issues. In most cases we were able to provide the counselling requested and required. We attach great importance to this service as in previous years there have been cases of suicide on the estate – mostly among contractors and members of the community. We have thus stepped up our counselling services in order to assist people in managing their stress, much of which is also derived from family-related issues such as abuse, rather than from work matters. We have also continued with our Alcoholics Anonymous (AA) and HIV support groups.

Occupational Health and Safety

It is with great regret that we have to note that we lost one of our factory employees in a fatal incident during the year under review. Overall, we managed about 109 cases of injury on duty, a year-on-year improvement on the prior period when we saw about 144 such cases. We were gratified with this progress, and believe that we are moving in the right direction.

Employee Medical Examinations

Within the legal routine of periodic mandatory employee medical examinations, we were pleased to record a full 100% coverage, up from an average of 93% in the past. This means that in FY2017, all employees required to present themselves for the medicals were examined.

We also conducted a review of job-related risk, an exercise providing us with the opportunity of putting in place measures to prevent and monitor occupationally-acquired diseases, and in doing so, we have been able to update our job risk profile.

Other Supporting Activities

There are several supporting projects which the company has undertaken in ensuring that the health and wellness programme is sustainable and that the employees continue to receive quality services.

We have constructed another fully-equipped building at Mhlume, which is completely functional as a facility for occupational health. We have also acquired equipment for the diagnosis and management of our patients – two ultrasound machines and ECG machines to manage cardio-vascular diseases, which are among the top risk conditions within the company.

Outlook

The company is in the process of procuring an advanced life-support ambulance. This is a measure to ensure that we are prepared to manage all emergencies, such as high-risk injury-on-duty cases, and snake bites.

- **Advanced life support**

In the year under review we saw a rise in snakebite incidents as the creatures began to move into residential areas because of the drought. A need for greater preparedness in managing this phenomenon was therefore identified. Although we have not recorded any death arising from snakebite, there have been serious cases, such as a black mamba bite in January 2017, and with our current anti-venom measures we were able to save the victim. Nonetheless, with the addition of our advanced life-support ambulance we anticipate being able to respond even more thoroughly in similar or worse cases.

All four of our doctors are trained in advanced life-support, and will thus be able to utilise the equipment. There is one less doctor than our complement of five in the previous year of reporting. The cutback took place as part of the cost-reduction strategy, taking into account the fact that we could still function at required levels with just four doctors sharing and distributing administrative and other responsibilities.

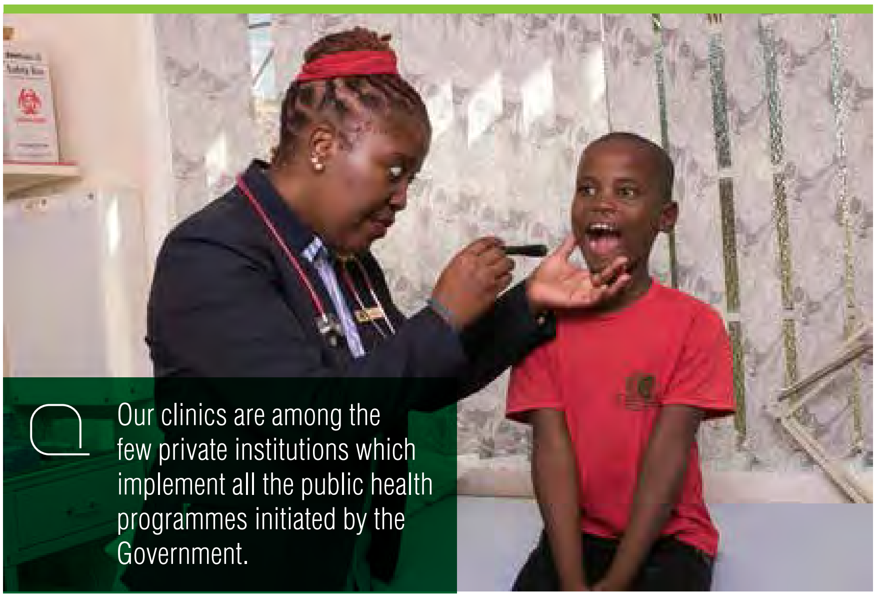
- **Partnerships and relationships**
  We continue all our public-private partnerships (PPP) and relationships with Government and Non-Governmental Organisations (NGOs). Our clinics are among the few private institutions which implement all the public health programmes initiated by the Government, including all those outlined above, as well as social welfare administered through the Deputy Prime Minister's office.

  For the new financial year, we have also taken on the nutrition programme for children, pregnant mothers and people living with HIV – a long-term programme run by the World Food Programme.

Limiting financial exposure and cost rationalisation

- **Leave management**
  The division continued to sustain efforts to drive down leave liability. Focus was on improved leave management, leave data integrity, increased accountability by line management, as well as aggressive leave planning. The Christmas shutdown break was also extended from two weeks to three weeks, although because of the holidays, average leave taken during the period was 11 days. The annual leave liability's average of E17.7 million in 2016/17 financial year shows a significant improvement from that of E19.1 million in the 2015/16 financial year. The leave liability stood at E13.9 million (absolute value) by 31 March 2017 compared to the E19.1 million recorded at the same time last year.

- **Recruitment**
  The division continued to manage the freeze in external recruitment during the year under review to allow for the redeployment of employees in redundant positions as a result of the Human Capital Rationalisation Project Phase Two. This freeze allowed the company to successfully redeploy about 60 employees whose positions were declared redundant, thus mitigating the possibility of retrenchments.



Our clinics are among the few private institutions which implement all the public health programmes initiated by the Government.

Information Technology (IT)

The major IT effort during the year under review was in process mapping. Our goal was to have our SAP system more fully utilised and to obtain even more value from it.

The major part of the year was taken up with this mapping, with excellent results – especially in agriculture – while in the area of finance issues were identified that required improvement, with those inputs ongoing.

We also conducted an initiative for process education, which revealed that while employees were well aware of their own functions within the system, there was often an incomplete grasp of the wider picture, and of where those functions fitted in with respect to the organisation as a whole. Our efforts in this regard enabled us to identify areas where we considered training to be required. Where it came to our attention that processes needed changing, the necessary changes were made. The results from this process education effort have been gratifying.

Support

During the course of the year we co-sourced SAP support from a company called Brighthouse. It was the fact that we did not always have the necessary support across all our modules that led us to undertake this co-sourcing initiative, and its success has enabled us to obtain and provide the required SAP support and to embed it during the year.

Infrastructure

On the infrastructure side we have performed well, with significant work on the facilities completed. Because the electricity delivered to the Corporation is not always as it should be, we strive to make sure that our generators are working properly, with most replacements having been accomplished in that area.

There was no significant expansion of our network, which has remained stable, as has our service function, although there has been an addition of some storage. Security has been improved and addressed with respect to applications and email, with significant input made, and both internal and external assessments having been conducted.

We continue to work on reducing our application footprint, with the result that during the 2016/17 season, in addition to paying for our cane out of SAP, we ran a new module, written on SAP, for our sucrose. During the course of the year the writing of a module for the back end of the factory was also completed, with the result that in FY2018 the factory will be able to run in SAP, and our legacy Cane and Mill system will be closed down.

Business Intelligence (BI)

We have been able to make BI available on mobile, with information concerning elements that are central to decision-making such as dam levels and factory performance available almost in real time. We have made significant progress in helping to ensure that decision-making and the information on which it is based work seamlessly together. (For more on BI, see under Our Strategy on page 13.)

Procurement

The main objective of the procurement department, as a key stakeholder in the Corporation's strategy of ultimately reducing unit cost, is the increase in operational efficiency.

Operational Achievements

We concluded the release strategy for our enterprise resource planning (ERP) system to match our internal requirements. This matter had been outstanding for two years, and concluding it was thus a significant achievement in the year under review.

Previously our approval process had been based on organisational structure, which meant that for the approval of a requirement a designated person was required to generate the requisition. This cumbersome system affected efficiency and effectiveness, because if the responsible person was unreachable, requirements could not be approved.

For this reason we developed a cost-centre-based strategy that enabled any requirement raised against a cost-centre to be examined irrespective of who generated it. The aim was to improve cost control and reduce time wastage in following up mistakes in the calculation of charges, and to resolve issues arising in that regard.

With the introduction of the effective cost-control-based system, cost centres are now able to become aware of items as soon as they are indicated on the cost-centre order, providing an immediate capacity and the right to decline or approve.

This system also encompasses plant maintenance, with the result that all requirements are linked to a works order, and require approval by the cost-centre holder. This has greatly improved both cost-effectiveness and efficiency, and has been a major highlight during the year under review.

We were also able, in FY2017, to successfully configure SAP to transmit all our purchasing documents more efficiently, and of a total of 1 364 vendors 459 were deleted from SAP because they had not been active in a period of least 12 months.

Sourcing

During the year under review we began increasing our scope through a decision not to limit our procurement to South African sources. We made some inroads into the Asian market, obtaining significant provision of spares for the mills from India and Pakistan. We are also looking at increasing our global reach during FY2018, with a crystalliser at Simunye commissioned by a Mauritian company, and with the same company engaged as the Engineering, Procurement and Contract Management (EPCM) consultancy for the Mhlume expansion. We were able to resolve the careful coordination with banks that was required for payment processes in this regard.

Restructuring

During the year under review the implementation of the restructuring programme saw our resources somewhat depleted, with two of our buyers promoted within the company, and one leaving. These movements were a challenge for the department, particularly as they occurred at the time of the off-crop shutdown.

Invoicing

The invoice price issues on which we reported in FY2016 were still relevant, with no solution yet in place to manage invoice price variances. The result was that some of our suppliers were once again not paid on time. This ongoing problem affected our expediting processes and subsequently our replenishing plans, and had a significant impact during the year under review, with the number of suppliers closing our credit accounts increasing. A solution has, however, been developed, due for implantation in June 2017.

Public Affairs and Corporate Social Investment (CSI)

With our clear CSI commitment, and our concern for our social and relationship capital, the communities are positive about RSSC. We have various engagements with them and we have noted that the drought is one of the issues in which they can empathise with the Corporation. Because our workforce comes predominantly from the community, we have direct access to the concerns affecting them.

The year under review has seen improvements in internal communications. After a survey indicated that gaps in communication existed, a strategy was created in response, and news boards, updated every fortnight, were introduced.

The initiative was piloted in Mhlume, and with dipstick surveys informing us that it was working, and that our people were responding to the information they were receiving, the project will be rolled out to the rest of the organisation in FY2018. There are 10 sites at Mhlume, with another 10 planned for Simunye.

We have also conducted a strategy awareness survey in conjunction with the strategy office, with the findings to be implemented during FY2018. (For more on strategy, see under Our Strategy on page 12.) It is planned that the news boards will be instrumental in creating this strategy awareness.

Media Coverage

We have seen a great improvement in media coverage of the Corporation during the year under review, arising from our efforts in engagement. A tour for media representatives was hosted at the estate to foster this interface and to create a better understanding of our business. More work is still required, particularly in view of the relatively rapid turnover of journalists in the country. (For more on stakeholders please see Stakeholder Relations on page 16.)

Water Provision

We have noted that the drought has had an ongoing effect on our communities, with unprecedented requests for help with water supply. As the drought persisted early in the year, we maintained our efforts in this regard together with our stakeholders within the sugar industry, and tankers continued to be sent three times a week to communities where they were needed.

It has clearly emerged that as a community we are faced with long-term water issues. We are endeavouring to address this by commissioning boreholes, and by creatively initiating fundraising efforts. We engage with our suppliers to this end through the MD's Charity Golf Day, and the money raised has gone to community projects such as water supply.

During May 2017 a second borehole was commissioned to provide for more than 150 families. Despite the reprieve that the summer rains have brought, there are still areas that are extremely arid, and almost permanently in drought. In addressing this, we work closely with community leadership. Our approach is that while providing assistance, we also use the initiatives as opportunities for engagement with the communities to further add value.

Health

We have seen an upsurge in snakebite incidences, and E100 000 of the funds raised through the MD's Charity Golf Day was used to sponsor the purchase of anti-venom. With snakebites affecting mostly women and children, we understand that we have a role to play. (For more on health, please see under Health and Wellness on page 30.)

Among the effects of the drought, we have also observed hunger as a result of the death of cattle and the inability to cultivate subsistence crops. RSSC, during the year under review, availed itself of the opportunity to grow maize and to collaborate with the Government in growing maize and addressing the issue of food security in Swaziland in general. This project was taken a step further, and about 30 tonnes of maize was given free of charge to members of communities in distressed areas. (To see more on crops and water, please see under agriculture on page 38.) In order to distribute the maize, we collaborated with the National Disaster Management Agency and made use of their systems.

Community Involvement

Much of our efforts are made in support of the everyday life of the community, by facilitating sporting events and the use of halls, and the promotion of strategic initiatives undertaken proactively with long-term objectives in mind, and not merely as a response to prevailing circumstances.

We have always been a charitable company, but we have taken the view that we should stop feeding the hungry insofar as it is possible, and rather focus on fostering capacity so that people can be self-sufficient.

THE ENTREPRENEURSHIP SKILLS DEVELOPMENT PROGRAMME

BOOTCAMP

- Developing an entrepreneurial mindset.
- Identifying business opportunities
- Business idea generation

TRAINING

- Acquiring entrepreneurial and business management skills
- Developing idea into a viable business plan

MENTORSHIP

- Providing support and skills for financial access
- Support in setting up the business

BUSINESS DEVELOPMENT

- Business advisory services
- Link to financial institutions such as Kickstart, Inhlanyelo and banks
- Business expansion
- Market linkages

- **Youth entrepreneurship**
  An example of this is a youth entrepreneurship programme which targets out-of-school unemployed youth between the ages of 18 and 35. We identified 30 such people across five communities, and they have all been enrolled in entrepreneurship training. Some have been able to start small enterprises, with others still planning to do so. We have also provided an amount of E100 000 to be awarded to the top three businesses.

  The intention is to run the programme annually, and to continue to use local community structures in order to promote it successfully. In addition, as part of an ongoing quest to find ways of collaborating and engaging with stakeholders, we have partnered in this project with Junior Achievement, a youth entrepreneurship NGO with the skills and systems to implement the programme.

Budget for the programme

Item	Amount (E)
Bootcamp training	13 000
Entrepreneurship training	48 050
Seed capital prizes	100 000
Mentorship	89 000
Programme coordination and administration	36 000
Total	286 050

- **Maths competition**
  We support education in general, and as we have reported previously, we try to attract the best teachers with performance and other incentives, and one of our successful existing initiatives is our maths competition. The competition is a demonstration of our desire to engage directly with learners with the goal of changing prevailing views of maths as a difficult subject. Tied to this is the long-term aim of promoting the study of engineering, from which the company will also benefit over time. There has been a massive response to the competition, with full Government support, and the productive and positive cooperation from the schools, including the natural involvement of our employees and teachers as parents in the communities.

- **Swimming training**
  Another initiative begun during the year under review is a swimming training programme. A coach was hired, and 90 children, from the age of four, were enrolled. The courses are conducted in the pools across the estate, and the hope is that it will raise awareness of dangers posed by the presence of our canals, and reduce the number of incidents in which children have experienced difficulties in water.

Our New Structure

Our approach is to address real issues facing the people in our communities, and our structure allows us to take this approach. Since the Public Affairs department was separated from HR, we have over the last few years restructured ourselves so that we are geared towards the efficient facilitation of our initiatives in the field.

In addition, during the year under review we were included in the general employee rationalisation programme. With the aim of increasing our footprint, the position of communication manager has been split to provide for two communication officers. We have also incorporated a graphic designer to enable us to produce our own communications material.

Siyakha 1800

Our soccer initiative continues, with growing participation, with the programme also undertaking its own CSI initiatives, such as the painting of a community kitchen at a child-care centre at Hlane. In doing so, we have partnered with the National Football Association in the regions. Our common interest is in using soccer for development, which in its complete form develops the character of the children, involving them in social investment, and teaching them reciprocity and discipline. The target was to achieve the participation of 1 800 boys and girls, but this target was exceeded with the actual participation in 2017 of 2 948 children.

Wellness Volunteering

A health and wellness initiative undertaken during the year originated with our factory Wellness Champions, who identified poverty-stricken children in the communities and collected money amongst themselves to alleviate their condition. As a department, we pledged to match their donation, which enabled the Wellness Champions to embrace a second school in their efforts. We were gratified to have been able to acknowledge and contribute towards their initiative and to assist in whatever way possible, for example with transport. We subsequently facilitated the extension of the initiative into a third community. These volunteers have also been teaching and promoting wellness issues in the communities and schools.

Formalising Accountability

We are clear about embodying issues of governance with regard to the impact that we want to make in society, so that with any assistance given to any entity, we require full accountability and reporting. If there is no compliance on this condition we do not hesitate to disqualify the offending body. This formalisation was increased during the year under review, and when such disqualifications have taken place, they have been communicated to other benefiting entities in order to reinforce the governance message.

Online Presence

We are improving our online space, and our governance criteria will also be communicated on that platform. We are seeking to create a dedicated presence in the social media space for our activities, which will link back to the main RSSC website. We are cognisant of the fact that our audience is becoming younger, and that this audience has its own patterns of consuming information. We are therefore aiming at promoting our social investment reputation and the employee proposition of RSSC as a preferred employer through the social media platforms

Employee Relationships

We have not experienced a strike for more than 12 years, a good indicator of our relationship with our employees. Our overall relationship with unions is good, and this is attributable to our communication with the Group of 70, which used to be the first layer of managers who were regularly addressed by the MD on company issues. About five years ago it was decided to bring the unions into the ambit of these meetings. This inclusive policy has made them part of the process of consultation, and in some cases, decision-making, outside of the mainstream channels of industrial consultation. In addition, if there are initiatives to be debated in committees, we consciously involve representatives from the employee associations.

Environment

There were a number of major milestones achieved on environmental issues during the year under review, and which related to our social and relationship capital:

- *The development of a 25-year wastewater treatment and effluent management plan*
  This master plan will serve as a roadmap for wastewater infrastructural development for the next 25 years and will be reviewed every five years. Several capital projects stemming from the recommendations of the master plan will be implemented starting from FY2018. The value of the projects that will be implemented within the next two years is in excess of E10 million.
- *The granting of effluent control permits by the Department of Water Affairs*
  These effluent control permits are for the wastewater treatment systems which discharge into natural water courses, and will be valid until 2021. One requirement of the permits is that RSSC should report bi-annually to the regulator about the performance of the wastewater treatment systems.
- *Thirteen special waste management licences*
  These licences, four of which were new, were issued to RSSC by the Swaziland Environment Authority (SEA) in respect of a sanitary-engineered landfill, a medical-waste incinerator, wastewater treatment facilities and our hazardous waste stores.
- *Three authorisations from SEA*
  These authorisations were issued to the Corporation in respect of proposed irrigated sugarcane developments. The total area to be developed is 2 864ha, spread across P2 West (43ha), Volindi (521ha) and IYSIS Homestead (2 300ha).

(For more on water and waste treatment, see Water and Property Services on pages 37 and 46.)

Environmental Impact Analysis (EIA) Status for RSSC Lands

Development site (RSSC/IYSIS)	Area (ha)	EIA status	Authorisation date	Year of development
Pump station 05 (Mlaula)	36	Approved	Jun 2015	2018/19
Pump station 21 (Ngomane)	93	Approved	Jun 2015	2018/19
Pump station 29 (Ngomane)	74	Approved	Jun 2015	2018/19
Citrus Estate	133	Approved	Jun 2014	2018/19
Ekuthuleni Farm	400	Approved	Dec 2013	2022/23
Weir construction	–	Approved	May 2015	2021/22
P2 (West) – IYSIS	43	Approved	Jun 2016	2018/19
Emasotjeni – IYSIS	521	Approved	Dec 2015	2023/24
Homestead – IYSIS	2 300	Approved	Jul 2016	2019/20 – 2022/23

In addition, the Corporation is providing assistance to sugarcane farmer schemes at Mnyangombili and Nkambeni, where farmers received grants for the projects from the EU as part of its poverty alleviation strategy. The total area to be converted to irrigated sugarcane under the EU facility is about 900ha. RSSC will be providing project-management services during the construction phase of the project and extension services during the operational phase. (For more, see Our Crop on page 38.)

A state-of-the-art gym at Mhlume and two other gym sites are strategic points for our wellness programmes.

At the beginning of the year under review, our water supply, a major element of our key natural capital, was dwindling to the extent that the survival of the sugarcane crop was in question. Had we lost the crop, replanting would have been required over an extensive area, at a prohibitive cost.

Water Resources

Overview

Until the drought showed some signs of abating towards the end of FY2017, with very high rainfall received from January through to March, the inter-basin transfer of water from the Komati through to the Mbuluzi basin by means of the weir constructed at Volindi, helped to keep the Simunye estate in survival mode. The rain resulted in rivers flowing above normal during the period and permitted significant harvesting of flood water in the dams. The outcome was such that the volume of water stored in the dams, particularly at Mnjoli, was far above that stored at the same time in 2016.

At the time of compiling this report, Maguga was standing at 83.0% capacity while Mnjoli was at 65.9%, and Sand River at 54.6%. The rain that fell directly on the estate helped significantly in reducing irrigation requirements. Given the available water, soon after the end of FY2017, irrigation at near budget levels was initiated at both estates.

Water restrictions in the Komati River have been relaxed to 20% curtailment, providing 80% supply. On the Mbuluzi River, irrigation is scheduled to be at 80% of crop water requirement.

HISTORICAL RESERVOIR WATER LEVEL AT MNJOLI DAM 1983 – 2017

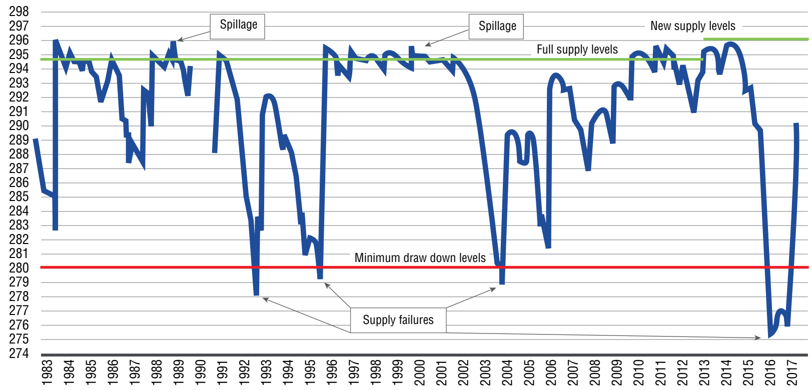


Figure 7

Water Security

An RSSC project completed in 2011, to harvest and store more water by raising the spillway, increased the full supply level of the Mnjoli Dam, and continues to contribute significantly towards increasing the assurance of water supply.

Various efforts were made during the year under review to ensure water security:

- **Efforts within the estates**
  - The utilisation of rainfall was maximised so that irrigation amounts were reduced
  - The Corporation began building more water harvesting structures and dams within the estates to collect runoff water during periods of surplus
  - More areas were converted to more efficient irrigation systems
- **Efforts external to the estates**
  - While it is the responsibility of the Government of Swaziland to build dams, RSSC initiated a proposal with the Government to engage in a PPP to bring forward the construction of Isilele Dam. The proposal was well received and money towards a feasibility study was allocated in the budget for FY2018.

The rains completely changed the dire situation which we had faced at the start of the year, and by 2017 our situation could be summed up as follows:

- Total available water: 312.1 million m^3/y
- Annual requirement: 260.3 million m^3/y
  - Surplus: 51.7 million m^3/y comprising:
    - 42.9 million m^3/y on the Mnjoli system
    - 8.8 million m^3/y on the Mhlume system

These amounts are sufficient for 5 125ha of new sub-surface drip irrigation, with 4 195ha on the Mnjoli system and 931ha on the Mhlume system. With RSSC/IYSIS lands having been identified for 3 600ha expansion, there are sufficient water resources to meet the overall requirements of these expansion areas. (For more on expansion and the IGP, see Our Strategy on page 10.)

The rains in January to March were the saving grace to RSSC.

Available Water Resources

Available water resources	Amount	Unit
Mnjoli Reservoir – 90% assured supply	178.900	Million m^3/y
Mhlume Water – Komati River	124.500	Million m^3/y
Ekuthuleni water permit	0.552	Million m^3/y
Mabiya water permit	0.401	Million m^3/y
Citrus allocation less 200ha citrus tree requirement	4.020	Million m^3/y
IYSIS livestock	0.797	Million m^3/y
Takhamiti SWADE water exchange	2.880	Million m^3/y
Total available resources	312.050	Million m^3/y
Total available resources by system		
Mnjoli system	179.452	Million m^3/y
Mhlume system	132.598	Million m^3/y
Total available resources	312.050	Million m^3/y

Ongoing Initiatives

Despite the gratifying state of the dams, we have continued with rationing to ensure that the water will last, based on, among other things, growth phases and the condition of the cane. The rationing is carefully calculated, targeting certain areas at certain times to ensure minimum loss of water. Initiatives were also instituted to ensure that in the future we are able to harvest water outside of the demarcated river basins, and new five-year contracts were put in place which have achieved a great deal in curtailing the perennial problem of water wastage.

Our Crop

Through our determination to preserve its roots, the entire crop was saved, to the extent that we produced a better crop than the budget target of 87 tonnes of cane per hectare (TCH) by obtaining 89 TCH across the estate, with the 2016/17 season completed on December 1, 2016.

	Actual	Budget	% variance
Tonnes cane crushed	1 802 717	1 617 180	11.5
Tonnes cane per ha	89.3	81.9	9.0
Hectares cut	20 063.7	19 736.6	1.7
Tonnes sucrose	259 012	222 697	16.3
Tonnes sucrose/ha	12.9	11.3	14.2
Pol% cane	14.37	13.77	4.4

Replanting

Although in the majority of cases we work on 10% of the cane growing area being allocated for replanting, it is possible in principle to devise ways of increasing that percentage. During the 2016 season, all replanting was cancelled because of the lack of water. Nevertheless a good yield was ultimately produced, although not to the extent that would have been obtained had replanting taken place.

Harvesting

During the harvest begun in FY2018, the effects of the drought were still felt, and could be seen in the stunted character of the cane in the early harvest. The Corporation is still very mindful of the challenges, and has worked to sensitise our section managers on the issue, by creating a dedicated forum to study what was happening on the ground. This included thorough engagement, observation, debate and planning in the field.

Cane Growing

	Budget 16/17	Actual 16/17	Budget 17/18	Budget vs actual (%)
Area				
Under cane	20 636	20 636	20 636	–
Harvested	19 737	20 064	19 802	(1)
Replanted	–	490	2 113	768
Output				
Estate cane	1 617 180	1 802 717	1 870 200	4
Estate sucrose	222 697	259 014	266 110	3
Sucrose percentage (%)	13.77	14.37	14.23	(1)
Tonnes cane/ha	81.9	89.8	94.4	5
Tonnes sucrose	11.3	12.9	13.4	4
Outgrowers' cane	1 168 803	1 227 477	1 222 115	–
Outgrowers' sucrose	162 864	175 073	175 510	–

Managed Developments

During the year under review we embarked on outgrower developments at Mnyangombili and Mbombowendlovu – developments which the company manages on behalf of the EU, which is funding it, and which form part of the IGP expansion. The outgrower cane development in terms of the original IGP has seen Nkalashane, Malkerns (TTN) and Invermay removed from the plan. (For more on the IGP, see Our Strategy on page 10.)

Outlook

- **Replanting**

In order to maintain optimum production levels, the RSSC estate will replant an average of 2 844ha annually – about 12% of the area under cane. New land identified, and for which water is available, amounts to 736ha of RSSC estate land, 2 864ha of IYSIS land and 1 092ha on outgrower land.

- **Land under cane**

Under the expansion project, RSSC/IYSIS land under cane will increase from 20 636ha to 24 232ha. Outgrower cane land will increase from 14 262ha to 15 354ha, and the total cane land will increase from 34 894ha to 39 586ha.

We create a family-friendly environment through our social facilities.

IGP plant and expansion

Hectares	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total
Citrus estate		133						133
Pump station 05 (Mla)		36						36
Pump station 21 (NG)		93						93
Pump station 29 (NG)		74						74
P2 (West) – IYSIS		43						43
Emasotjeni – IYSIS							521	521
Homestead – IYSIS			500	1 100	500	200		2 300
Ekuthuleni Farm						400		400
Effective growth (ha)		379	500	1 100	500	600	521	3 600
Incremental cane		379	879	1 979	2 479	3 079	3 600	

Land – the Consolidated Picture

Hectares	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total	%
RSSC		336				400		736	15.7
IYSIS		43	500	1 100	500	200	521	2 864	61.0
Outgrowers	930		162					1 092	23.3
Total	930	379	662	1 100	500	600	521	4 692	100.0

Cane Supply

RSSC estate cane will increase from 1.802 Mt in 2016/17 to 2.526 Mt in 2024/25. Outgrower cane, including that from managed farms, is forecast to increase from 1.227 Mt in 2016/17 to 1.658 Mt in 2024/25. The combined effect is that cane supply is projected to increase from a drought-affected 3.030 million tonnes in 2016/17 to 4.184 million tonnes in 2024/25.

PROJECTION OF TONNES CANE TO BE MILLED

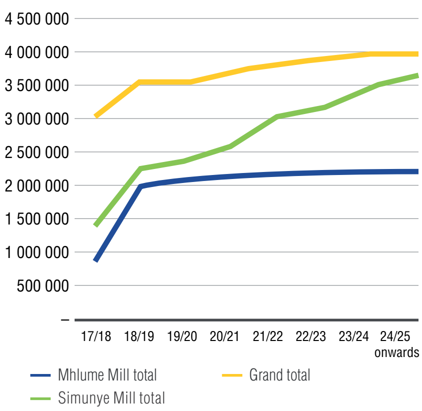


Figure 8

Factory Performance

Organisational Structure

The Operations division, working with our natural capital to produce our manufactured capital, is led by the General Manager (GM), who is assisted by the Head of Factories and six agricultural heads of department (HoDs).

Manufacturing

RSSC's Manufacturing Division comprises the Mhlume and Simunye sugar factories, a back-end sugar refinery at Mhlume and an ethanol distillation plant at Simunye. The mills collectively crush 741 tonnes of cane per hour (tchr), with the Head of Factories responsible for milling activities in both facilities.

The Engineering Support Services Manager heads the Engineering Support Services department, which provides engineering support to the two factories and the distillery, including all maintenance and production processes, as well as the implementation of projects.

Our Factories

Overview

In the manufacturing of sugar from sugarcane, an important indicator is the overall recovery (OR), which is a measure of the percentage of sucrose in the cane that is turned into sugar. That figure, on average, is around 86%, with the remaining 14% lost.

There is a limit to the amount of sucrose available, with the result that the OR is dependent on the amount present in the crop. The measure of this is known as the "purity" of the cane. Among the factors affecting purity is the amount of water available during the growing period. This was a problem that was encountered during the year under review.

Thus, although the drought was eventually broken in the latter part of the year, the general lack of water until the dams were replenished remained a significant factor affecting the quality of the crop. (For more on agriculture and water resources see Our Crop on page 38.)

Simunye

Factory performance was below par at Simunye, a fact entirely attributable to the drought and the resulting crop quality. While all the cane received was crushed, and the crop finished, an essential aspect of the production process, the lower quality of the cane resulted in a lower OR both at the front and back ends of the factory.

The lack of water was also felt in the factory itself, because the power generator requires water for cooling, with that water later being run off to irrigation. This cooling water is normally drawn from the irrigation water in the canal, but because there was no water available from that source, the power station had to be adapted so as to function as a closed system, something that we had never done before.

In a further complication, the water itself has to be cooled in a cooling tower, which is as a rule used for an entirely different cooling process. However, as the water was being recirculated in the adapted process, we found that its quality began deteriorating rapidly, with the growth of bacteria and other matter coagulating and adhering to the condensing tubes at the power station.

Mhlume recorded its second highest production of refined sugar.

Although we were able to overcome these challenges, there was one month during which we were compelled to stop running the generator altogether so that it could be thoroughly cleaned. While the plant was kept running this nevertheless meant that we were forced to import a significant amount of power from the national grid, with a concomitant elevation in costs.

The quality of our sugar was, however, much improved over that of the previous year, when much of our sugar was outside the specification.

Mhlume

At Mhlume the quality of the cane was higher than at Simunye, although similar problems were encountered. The reason for Mhlume's higher quality crop is that the estate draws its irrigation water from the Maguga Dam, whose capacity did not fall as low as that at Mnjoli. With the impact of the drought thus somewhat lessened on the estate, the Mhlume factory performed well, finishing its crop and achieving all its production targets, even if recoveries were slightly down.

Despite a number of no-cane stops in comparison with the previous year, Mhlume recorded its second highest production of refined sugar, with over 156 000 tonnes coming out of the factory during the year under review, only 3 000 less that its record of 159 000 tonnes.

Mill Performance

Sugar factories performance 2016/17 consolidated

	Actual	Budget	Variance	%
Tonnes cane crushed (t)	3 030 194	2 785 983	244 211	8.8
Total sugar (96 pol) (t)	400 102	360 796	39 306	10.9
Refined sugar (t)	156 581	149 160	7 421	5.0
OR sugar – Simunye (%)	85.4	87.1	(1.7)	(2.0)
OR sugar – Mhlume (%)	84.9	85.4	(0.5)	(0.6)
Factory stops (hrs)	1 009	683	326	47.7
No-cane stops (hrs)	652	573	79	13.8
Supplementary fuel (coal eq.) (t)	73 106	58 536	14 570	24.9
Power export from Simunye (MWh)	16 690	21 453	(4 763)	(22.2)

Ethanol

Distillery

Ethanol production remained on par with budget during the year under review, with the unit cost of producing alcohol also remaining steady over the three-month period from December 2016 to February 2017.

Producing additional rum and moving to rectified spirits helped survive competition and brought higher revenues.

YTD ETHANOL BUDGET VS ACTUAL PRODUCTION APRIL 2016 – MARCH 2017

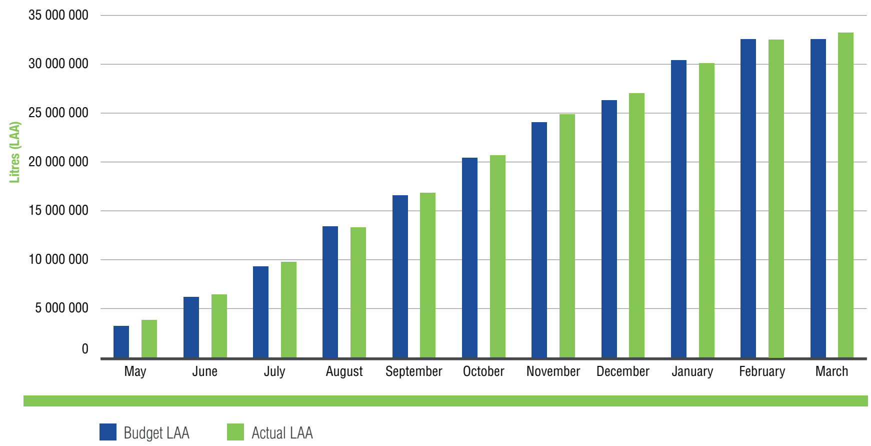


Figure 9

The comparative curve indicating performance since 2009 continues to show improvements in efficiency.

STATUS OF DISTILLERY PRODUCTION AND PROFIT FROM 2003/04 TILL 2016/17

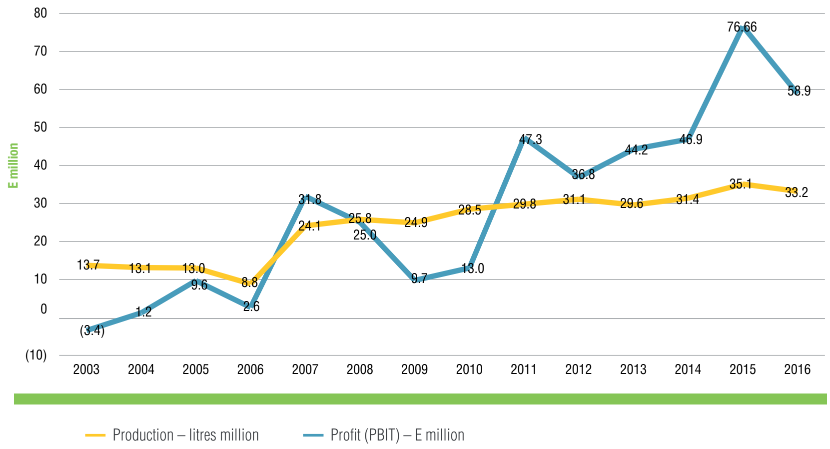


Figure 10

The reverse osmosis (RO) plant showed improvement during the year under review, but more work is required. With production on budget, both ethanol recovery and yield improved, continuing an ongoing trend. With ethanol markets and prices still under pressure due to weak oil prices, Asian competition and a strong rand, revenues nonetheless improved as a result of additional rum production, as well as a move to rectified spirit. In addition we will be seeking to polish our feints to upgrade them to rectified spirit. There was one incidence during the year under review of 16 containers being recalled for reprocessing.

Outlook – New Projects

A number of key projects were undertaken during FY2017.

- **Drumming Plant Project**
  The new drumming warehouse project is targeted for completion by May 2017. By the end of the year under review, the fire and safety system installation was in progress and was completed by the end of March 2017, as was the washing and painting of the structures and floors, which followed a month of drumming plan structural screeding work. A hazard and operability (hazop) study to identify any potential risks to personnel, and inspection and commissioning activities took place in April, with the drumming plant ready for operations in May 2017.
- **New 1 000 KL Extra Neutral Alcohol (ENA)/500 KL feints storage tank project**
  This project was delayed by the civil contractor experiencing funding problems, leaving the civil component of the project running more than two months late. The mechanical contractor nevertheless began erecting the base plates of the tanks, with the order for the ENA/Feints transfer pump and line procurement and installation and that for the electrification work and instrumentation work placed in April 2017. The project is expected to be completed by September 2017.

Safety and Human Capital

While the disabling injury frequency rate (DIFR) at both factories was within target, regrettably it was at Mhlume, during the operations period, that the single fatality that occurred during the year under review took place. Safety has been the subject of intense and ongoing focus during FY2017, with education and training high on the agenda.

Both factories implemented a new system whereby selected shop floor employees were engaged as "safety spotters", and tasked with observing potential safety problems, an initiative that has worked very effectively. Furthermore, as part of our annual bonus scheme, a sanction originating with the MD has been planned by means of which penalties will be levied on the annual bonus should a fatality occur.

We will be completely revising our Integrated Management System (IMS), which includes safety, quality, and environmental health. Although the initiative was not launched during FY2017, the IMS department was restructured during the reporting period with the project in mind. (For more on health, see Health and Wellness on page 30.)

Both factories were able to fill all their |positions at engineer and area-production level, with the appointments of local Swazi engineers being a significant achievement. (For more on safety and human capital please see Health and Wellness and HR on pages 30 and 26 respectively).

Maintenance

Investment involving our financial, manufactured and intellectual capitals continues to be made annually in the factories with the replacement of old equipment and the introduction of new technology.

A Maintenance Systems department was established two years ago that was tasked with improving the standards and quality of the maintenance systems that we use. This extensive project continued during the year under review, with implementation expected to be completed during FY2018.

Self-Sufficiency

Our boilers are fuelled by bagasse, the residue from the sugar cane, and if both factories were stand-alone facilities producing only brown sugar, that fuel would be all that would be required. However, at both factories there is additional plant attached, and at Simunye there is a need to supply steam to the distillery. As a result the bagasse is not sufficient, and wood chips are burnt. We have found this preferable, not only because it is cheaper than coal, but from an environmental perspective it is a renewable resource.

Environment

While carbon emissions are not tracked, fluid gas analysis is conducted with respect to the boilers. These annual measurements monitor nitric oxide (NO) and nitrogen dioxide (NO_2) the nitrogen oxides (NOx) and other elements that are most relevant in air pollution. Also, during the year under review, there was zero factory discharge of effluent into the river. (For more on environmental issues, see Environment on page 36.)

Outlook

At Mhlume there are a number of new projects taking place as IGP expansion begins to take shape in 2017, although the natural growth of the Simunye factory does not form part of this initiative. All the new cane to be developed under the IGP expansion will be delivered at Mhlume.

Inyoni Yami Swaziland Irrigation Scheme (IYSIS)

Overview

IYSIS, with its 110 employees, is a partnership between RSSC and Tibiyo and is a component of RSSC's natural and financial capital. Its Board, to which the General Manager (GM) reports, comprises three representatives from each partner and the Chairman elected from Tibiyo representatives. 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. (For more on RSSC Board, committees and related issues, see Governance on page 48.)

IYSIS is engaged in several revenue-generating activities:

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

The cane growing is managed on behalf of IYSIS by RSSC, with 80% of the profit from cane sales accruing to IYSIS. The ranch is managed utilising cattle and game on a commercial basis, while ensuring protection of a high level of biodiversity and sustainable utilisation, and represents a buffer zone between cane and Swazi Nation Land (SNL). As can be seen from the above breakdown, it is cane that provides the bulk of the company's revenue.

During FY2017 the effects of the drought were felt more strongly, with the cost of supplementary feeding rising from E2.3 million to nearly E8 million. Every single animal was moved off the farm as there was no grazing at all to be had. Although there has since been some recovery, the weed component has increased dramatically, and it will take some time for perennial grasses to dominate again.

During the year under review, the company negotiated a deal whereby 199 cows and seven bulls were trucked to Usutu Forests, south of Mbabane, and placed where there were fire-breaks and valleys without trees. In terms of the deal the female progeny were kept there, with the males being sent back to IYSIS, while the building up of a herd in Usutu was facilitated without capital outlay on their part.

In the early stages of the drought, before animals were removed off the veld, we managed to keep most of them alive. While our average conception rate is around 75%, we achieved only 44% during the year, with the cows too weak to accept the bulls. This low rate will affect the farm for a number of years to come, with fewer male weaners to sell and fewer replacement females.

In our efforts to maintain the herd, a conscious decision was taken to feed the animals, although our herd of 1 466 females in the prior year was reduced to around 1 350, some of which were those at Usutu.

With no other option, game was simply left to survive. Fortunately there was browsing available, with the result that nyala, giraffe and kudu survived. Zebra, as grazers, were however severely affected, with a loss of about 520 animals, as were impala, wildebeest and waterbuck, with those surviving occupying the green fringe around the dam as it receded. About 3 000 head of game of all kinds were ultimately lost.

IYSIS – indicators over the past seven years

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Ranch area (hectares)	20 786	20 786	20 786	20 786	20 786	20 786	20 786
Cattle							
Average herd size	2 373	2 214	2 465	2 592	2 532	2 519	2 323
Females bred	1 351	1 389	1 347	1 437	1 443	1 466	1 165
Conception (%)	73%	84%	68%	85%	70%	74%	44%
Calving (%)	57	72	54	75	61	66	39
Mortality (%)	11.0	10.3	9.7	9.2	7.5	11.70	9.90
Number sold	588	421	544	669	691	729	772
Wildlife – population estimates							
Impala	6 700	8 500	8 000	8 000	8 000	7 000	5 000
Zebra	860	950	1050	900	800	800	280
Warthog	480	440	400	400	350	380	200
Waterbuck	190	190	200	180	150	100	60
Kudu	380	450	500	500	550	600	550
Bushbuck	340	300	250	250	200	200	50
Nyala	500	650	700	720	700	800	800
Wildebeest	55	65	70	72	75	80	60
Giraffe	15	20	21	22	24	25	25
Wildlife – number sold							
Impala	449	610	862	923	723	1768	807
Zebra	0	0	63	100	29	50	11
Warthog	38	44	54	61	73	33	23
Feedlot – excluding homebred cattle							
Head of cattle sold	1 023	880	1 336	1 743	1 185	1 542	1 668
Butcheries							
Beef sold (kg)	94 167	90 286	77 548	81 865	77 240	70 354	64 072

Financial Position

Livestock made an anticipated loss, which was in essence equal to our over-expenditure on feeding. The feedlot was full as a result of the selling of cattle on the part of local people, although the year also saw beef prices beginning to recover.

Risk

With new younger employees having entered the system, succession is no longer an issue. If spring rains do not fall in FY2018, there will be no further ability to overspend on feeding. This means that climate has become an important risk as the herd will have to be reduced if grazing is not available in the short to medium term.

Game

Both hunting and recreational fishing are popular sports which generate revenue, with animals taken paid for per kilogram. No limits are placed on impala, with other species reserved and IYSIS determining a sustainable off-take. For ethical reasons hunters are only allowed to ply their activities on foot. With two camps, each catering normally for about 16 weekends and accommodating about 20 different groups, and with weekdays also occupied, there is a total of about 40 groups a year generating an additional stream of income from accommodation. Two guards are assigned to each camp, permitting four hunters to be out in their designated area at any one time, with the guards ensuring that the hunting is restricted to the allocated areas. RSSC has always been generous with capital, which is used by IYSIS to upgrade its facilities such as guest houses, bush camps and clubs. This process is ongoing, with continual effort being expended on improvements.

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 who might be reluctant to come to Swaziland for reasons of perceived complicated bureaucracy. Hunting, which brings in more revenue per animal than game capture, with the additional stream of accommodation income, cannot always remove sufficient animals, and capture operations become necessary, and have a positive role to play in this regard. The number of animals allocated for capture is however central, in that the effort and costs of bringing a helicopter, trucks and staff into the country need to be covered.

Storm Damage

A hailstorm in September destroyed the roofs of 218 houses. A mini tornado in January ripped feedlot shelters from their supports and upended a leisure craft which had to be written off, at a cost of E0.5 million. (For more on property issues, see Property Services on page 46.)

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. (For more on RSSC community projects and initiatives, see Public Affairs and CSI on page 34.)

Outlook and Growth

The IGP assumes that RSSC will lease the targeted IYSIS expansion areas on an 'arm's-length' basis. Consequently, all capital and operating expenditures relating to the IYSIS expansion areas will be 100% incurred and reported in RSSC's books. One hundred percent of all funding relating to the project will thus be sourced by RSSC. In view of the significance of this investment, it will be necessary for RSSC to enter into a lease agreement with IYSIS for an extended period where His Majesty the King's approval will be required.

Mananga Sugar Packers (MSP)

MSP is a partnership between RSSC and RCL Foods Sugar and Milling (Pty) Limited and is a component of RSSC's manufactured and financial capital. The company specialises in pre-packing sugar, castor and icing sugar in a state-of-the-art packaging facility at Mhlume, within the sugar mill premises. MSP employs approximately 150 employees including seasonal and casual employees and operates 24 hours a day.

MSP procures sugar from the SSA, and pre-packs and markets both brown and refined sugar as different brands, with pack sizes ranging from 500g to 25kg for both refined and brown sugar. The current sugar quota for MSP is 102 000 tonnes, of which 71 645 comprises refined sugar and 31 076 brown.

Performance

During the year under review, Mananga Sugar Packers performed well, despite the fact that during December, January and February production was scaled down due to low sales, with the plant running most of its lines for 16 hours a day instead of the normal 24. At 31 March 2017, MSP had produced 74 864 tonnes against a budget of 76 041 tonnes, showing a deficit of 1 177 tonnes.

The table below shows MSP production up to the end of March 2017.

Breakdown of MSP production to 31 March 2017

Category	Production (tonnes)
White	42 999
Brown	21 167
Specialities (icing and castor)	10 698
Total	74 864

Marketing and Sales

MSP sells and markets sugar through South African-based Quality Sugars, owned by RCL Sugar, with a 75% stake, and RSSC with 25%. About 99% of the sugar packed at MSP is sold in South Africa with the balance sold in Swaziland as MSP's own brand, First Sugar, and small quantities sold as icing sugar to industrial customers.

The year under review has seen difficult trading due to competition in the market as a result of imports into South Africa affecting white pre-packs in the wholesale and retail space.

As at 31 March 2017, MSP had sold 72 246 tonnes against a budget of 83 874 tonnes, an amount that left the company with a total of 4 644 tonnes shortfall, with the white sugar deficit of 5 602 tonnes accounting for most of this lag.

MSP Monthly Sales

YTD SALES VERSUS BUDGET

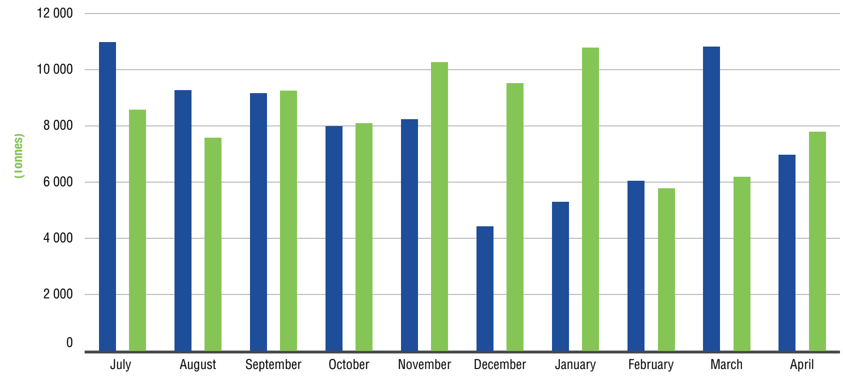


Figure 11

The off-take for SSA was on budget for FY2017, with the result that stocks were up, but expected to drop as sales increase. The profitability was E47.2 million against a budget of E44.6 million. In terms of outlook – with significant amounts of world-market sugar entering the SACU market, prices are expected to drop in the short to medium term.

Marketing

Marketing forms a component of our financial capital, and while we managed to achieve our profit targets of E58 million against budget of E51 million for ethanol during the year under review, the business nevertheless faced some marketing challenges.

Route to Market

RSSC owns a drumming plant in Durban which supplied the product for our drum shipments to the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) markets. Under the terms of a lease the Corporation's plant was managed by a lessee, Greenpoint Alcohols.

When it was taken over by a competitor, we were compelled to serve six months' notice until December 2016 – to Greenpoint, which had retained its name in the transaction. When that period lapsed, we requested Greenpoint to vacate, but were met with a refusal. As a result, we have not been able to reach our customers supplied from that plant for a significant portion of FY2017.

Where before we had been taking the product in bulk from Swaziland to Durban, to be drummed and shipped to offshore markets, we had to cease drumming and devise a plan in response.

Our solution was to internalise our drumming operations, bringing them in-house from the Durban plant. However, at the start there was no infrastructure, such as lifting equipment, in place to expedite this.

We also incurred significant demurrage with the necessity of having to collect all our containers from Durban, and then return the product, drummed, to the port. We investigated the option of using Maputo port, a solution that worked for containers. However, with fewer vessels calling at that port, we found ourselves restricted to just two shipping lines. In addition, most of our ISO tank operators are reluctant to use Maputo. We were thus forced to collect the 25 000l ISO tanks in Durban, and then return them to Durban by road, with the result that we were loading just under half of our normal load of 40 000l per trip at the prevailing rate, with a significant concomitant increase in our transport costs.

The issue was exacerbated by the collapse of the EU market, which in 2011/12 had been the primary destination for our product. During the year under review, however, none of our main product, extra neutral alcohol (ENA), was sold to the EU market at all, as it was trading there below our break-even point.

It was decided that if ENA could not be profitable, the company should move up the value chain to sell rum – a premium product at about 10% above our normal ENA prices. Because of transport costs, however, rum too proved problematic as there are road transport limits for ISO tanks containing liquor.

The Price Gap

Matters have been exacerbated by the increase of the molasses price during the year under review by 22% by the SSA, a price which immediately excluded the EU market. Another issue was the foreign exchange rate. While in the prior year, even when prices were not as good as we might have wished, there had been a favourable rate. Throughout FY2017, however, month-on-month, the rate was always below our budget.

The SACU market, which is fundamentally the South African market, is difficult to penetrate because of restrictive labelling requirements, with origin having to be specified. In addition, one of our largest customers, based in Cape Town, and taking 6 million litres from us, was forced to relocate to Nigeria and Angola because of similar problems, with the consequent loss of those 6 million litres in RSSC sales.

An alternative profitable market was thus sought for the product. This was not easy, and with the EU out of the picture we tried to direct it to East Africa. The biggest challenge, however, was the fact that our current FOB price at Durban or Maputo was less than the landed price of drums from Pakistan and India.

With this price gap, it is our COMESA certificate that has enabled us to continue. Without the preferential access it provides, we would not be able to compete with the cost leaders in the market. For these reasons FY2017 has been a challenging year, although one in which the company was gratified to have reached its profit targets.

Ethanol markets FY2017

BUDGET SALES BY MARKET

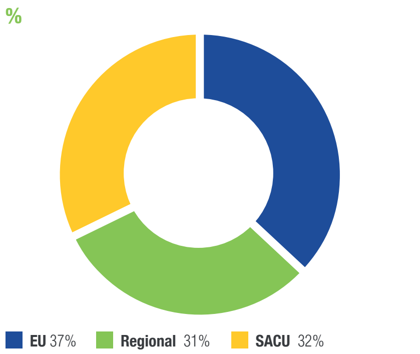


Figure 12

ACTUAL SALES BY MARKET

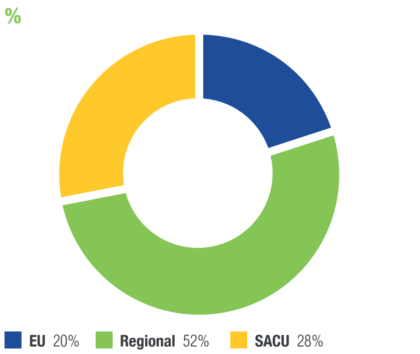


Figure 13

Distillery

The distillery performed extremely well during FY2017. Where there had been problems with isopropanol, those issues have been engineered out, with a consequent improvement in quality.

Drought

The drought affected us because of the late start to the manufacturing period, and we would have been forced to inform customers at one point that we did not have stock because of it. It was fortunate, however, that we had retained enough stock, some of which was stored at RSSC, and some at Richards Bay, to cover the deficits. It is fortunate too that we supply our product to a high-margin market, where customers are able to absorb the high transport cost involved in using the Richards Bay stock that we supply to Zambia and Malawi.

Property Services

With a major change in structure, the year under review proved to be a challenging one which saw two senior management positions in the Property department frozen in terms of the company's human capital rationalisation programme.

As a result of the human capital rationalisation, four sections at Property Services were combined to form just two. The positions of Housing Manager and Parks and Sanitation Manager were declared redundant, with a new position of Parks and Real Estate being established. The Estate Services and Contracts function was similarly declared redundant, and the new position of Civil Works and Maintenance Manager was created, which remained vacant to the end of FY2017. These changes meant that all remaining personnel were required to carry a heavier workload.

In addition, two new planner positions were created in order to maximise our planning and enhance the usage of SAP, within which there is a new planning tool to help us maximise our efficiencies.

The ultimate outcome of the rationalisation within the department was that year-on-year, our previous staff complement of 79 was reduced to 60.

We had two cases of major storm damage in September and January, with a total of 302 houses that had to be re-roofed at a cost of E3.8 million. This includes 218 houses belonging to IYSIS.

Focus Areas

- **Contracts**
  One of our important achievements was the necessity, as a result of the constraints caused by the drought, of renegotiating our contracts with our major service providers and adjusting their scope downwards so that savings could be made. The exercise required that we bring some services in-house under Agriculture and Engineering Services, where we had the capacity, such as in grounds maintenance. For areas around offices, the supply of mowers, trimmers and the services of people to collect litter were left with the contractors.

  All affected parties were consulted with regard to the renegotiating of the contracts, and it was explained to them that with the effect of the drought, the only options were termination or a renegotiation that would benefit all sides. Agreement was reached on this approach, and the scope was curtailed in a successful process which realised savings of around E3 million.

  In a second phase, we wished to make the maintenance of housing stock subject to zone-based contracts. This maintenance had previously been undertaken according to an agreed unit rate subject to quotations from a number of vendors on our system before work was allocated. While this proposal came under scrutiny during the year under review, no conclusion was reached. The process has been scheduled for completion by mid-June 2017, with benefits to both sides.

- **Waste management**
  The year also saw the company's solid waste master-plan presented to the Swaziland Environmental Authority (SEA) from whom we received approval. That document will be key in facilitating our handling of solid waste.

  In another development, we were able, in line with the corporate-driven wastewater plan, to begin implementing some of the measures it contains. The wastewater treatment regime has been a major point of deficiency as we were not meeting standards for effluent. This will continue to be a focus of the department during FY2018, with the establishment of two wastewater plants during FY2018 in two capital works. All four of the IYSIS sewerage ponds will be integrated using the technologies that have been proposed in the wastewater master plan. (For more on environmental issues, see Public Affairs and CSI, Water Resources and IYSIS, on pages 34, 37 and 42, respectively.)

- **Storm damage**
  As a result of severe damage to property caused by two major storms, damage to houses is now identified as a risk. A plan to counter this was developed to change all roofing in a three-phase approach, but the required funding was so high that the business decided to hold back on its implementation. The current roofing material is asbestos, which cannot be repaired, and needs to be replaced. The asbestos itself is not a health and safety risk as long as it is not damaged. Our internal procedures require that if 70% of an asbestos roof is damaged, it is to be replaced with zinc.

- **Electricity**
  In another major change, Outside Electricity was moved from Property Services to the recently created Energy Department, with the budget for FY2018 being split between the two areas. Energy has set funds aside in the budget for consultancy services, with the whole infrastructure and status quo being examined to see what measures can be undertaken to improve efficiencies and optimisation of the entire network.

  During the year under review power quality has been a major issue. Property receives all its power from the Swaziland Electricity Company (SEC), which receives its power from Eskom. Problems relating to voltage and switch persist, however, and there are plans for addressing this by upgrading the power station at Simunye, which is the estate most affected. SEC, however, is reluctant to spend significant funds for this without knowing what the plans are at RSSC regarding co-generation. Means of improving the quality of power are now being discussed by Energy.

Efforts are also being made to reduce SEC power at the Mhlume factory, and during the year under review, almost 2kWh of power, worth about E2 million, was provided from the factory to substitute SEC. This is a potential saving for the factory as it did not need to burn extra fuel.

In addition, there is a project to supply power directly to Tshaneni, and to improve power stability from the Simunye substation to the factory. (For more on co-generation and power, see Our Factories on page 40.)

- **Housing**
  With the second phase of the voluntary exit having ended in March 2017, it was only during the following month that people were placed in their various houses. Complaints were submitted, especially by those who had been permanent employees and were now, designated as "seasonal" and required to share accommodation. These issues will be dealt with during FY2018. There are also cases of people who had previously been "under-housed", who are now automatically housed correctly as a result of having been moved from higher to lower grades.

  While there are still not enough houses available both at Mhlume and on the Simunye side, we still endeavour, to the best of our ability, to provide the needed accommodation. The process of gauging how many people are worse off than before will take place during FY2018 because some complications remain as certain people have changed their workplaces, and their accommodation is no longer nearby. The difficulty of transporting these people on a daily basis has not been resolved.

Environmental Outlook

Some of the recommendations of the wastewater master plan are being adopted. Aerobic bio-reactors will be installed at Hambanathi and at Tshaneni during FY2018 in an initiative to purify the effluent so that it meets regulatory standards.

There are currently about 35 oxidation ponds across the estate, and there is a 10-year plan in place to address all these remaining facilities.

07 Our governance framework

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

Overview

We review our governance structures and practices and enhance them on an ongoing basis in order to implement appropriate and applicable recommendations on good governance that are suitable for the Corporation's circumstances, with the aim of incorporating those that are key to delivering sustainable growth in the interest of all stakeholders.

We see corporate governance as the responsibility of both the Board and Executive Management, with a culture of good governance embedded throughout the organisation. The Board endorses the principles of fairness, responsibility, transparency and accountability articulated in the King III Report, and 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 the formulation of strategy.

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.

The 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. These policies are aimed at ensuring that directors perform their fiduciary duties diligently 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 to thoroughly peruse 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 compliance with the Corporation's Articles of Association. Accordingly, four will be retiring at the next AGM:

- JN Gule
- ZR Magagula
- MSM Shongwe
- B Mkhaliphi

Director Development

Training was conducted on the Board's role in risk and strategy, at which 100% attendance was recorded. A number of directors attended a function where they were addressed by a renowned speaker from the South African Institute of Directors, who provided highlights and comments on King IV, a presentation that was extremely helpful in laying the foundation for the implementation of the King IV principles in our reporting process. In a further initiative during the year under review, ongoing insight was provided on the technical aspects of the business.

Chairman and Managing Director

The clearly delineated roles and functions of the Managing Director and the Chairman are set out in the Board Charter, with their respective positions separated to ensure a balance, such that neither individual has unfettered powers of decision-making. Each has a specific and defined set of duties to prevent any overlap of obligations and responsibilities, and to eliminate any conflict of function.

Company Secretary

The Company Secretary 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 Company Secretary. Appointment and removal of the Company Secretary are matters for the Board as a whole.

The Company Secretary, who also acts as compliance officer, ensures that all Board proceedings and meetings are conducted in full compliance with laid-down procedures, applicable rules and regulations, relevant statutes and the requirements of the Swaziland Stock Exchange.

Matters Dealt with by the Board in 2016/2017

In the executions of its duties and responsibilities during the year under review, the Board:

- Provided strategic direction with respect to management of the risk posed by the persistent drought situation. This undertaking was hugely successful, with no cane roots lost or abandoned and the Corporation posting exceptional results – the second best recorded in its history (For more on water and agricultural measures, see Water Resources and Our Crop on page 38.)
- Endorsed the Corporation's strategic direction as a point of reference for all activities and operations within RSSC and laid the foundation for the IGP and the company's business plan
- Continued to focus on the IGP, approving in principle the revised, phased and updated framework which falls within the company's risk appetite and approving the engagement of an engineering procurement construction and management contractor in connection with the planned Mhlume factory expansion
- Continued its oversight with regard to the two EU projects – Umbombo Wendlovu and Mnyangombili, to ensure increased cane supply to meet the requirements of the expanded Mhlume factory capacity under the IGP
- Endorsed the company's partnership with the Swaziland Government in terms of which the company planted maize in order to assist the Government in meeting its food security objectives in return for the supply of water to the company (For more on water management, see Water Resources on page 38.)
- Reviewed and approved the following policies:
  - Corporate Citizenship Policy
  - Legal and Compliance Policy
  - Policy for Management of Stakeholder Relations
  - 2017/18 Stakeholder Management Plan
- Undertook annual and continuous disclosure of directors' interests
- Reviewed sub-committee membership.

Our Board

Mr AT 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 as 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 and Milling (Pty) Limited 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, Dip. Farm 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 Cane 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 (Pty) Limited. Prior to joining RCL Foods Sugar and Milling (Pty) Limited (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 Limited 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 Gerhard van der Walt – Member
BCom (Hons), Chartered Accountant S.A.

Gerhard van der Walt is the Financial Director of RCL Foods Sugar and Milling (Pty) Limited. 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 Sugar and Milling (Pty) Limited 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.

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

Idris Alhaji Ahmed 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.

He 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 and Chamber of Commerce. 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. Mr Shongwe 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.

Mr Micheal Geraghty
BEng [Hons], PGrad Diploma Strategy & Innovation

Micheal Geraghty is currently General Manager of Conco Limited in Swaziland. A qualified engineer he has held senior management positions across numerous industries including semiconductors, IT delivery and beverage manufacturing. Prior to joining Coca-Cola he was General Manager of IBM's IT delivery centre for northern Europe based in Dublin, Ireland. He has extensive international work experience having worked in Ireland, UK, US and Singapore before coming to Swaziland. He currently sits on the board of Enactus Swaziland and of the Coca-Cola Africa Foundation.

Our Board Committees

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

Each committee acts according to written terms of reference (TOR) approved by the Board and has a clear mandate which defines its activities. From time to time ad hoc committees are established to better assist with specific matters. All the Board committees comprise appropriately skilled members and these members have access to specialist advice when necessary.

Board committee meetings are conducted in a structured manner that ensures that pertinent matters contained in the TOR receive proper and timely attention. Board committees report and make their recommendations to the Board, which is ultimately accountable and responsible for the performance and affairs of the Corporation.

AUDIT COMMITTEE
IG van der Walt (Chairman)
B Mkhaliphi
ZR Magagula
JN Gule

Overview

The Audit Committee oversees 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.

Audit Committee – terms of reference

The committee meets three times per year. The MD and senior managers who are responsible for the financial reporting process attend the meetings by invitation. Attendance of 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, the Audit Committee is satisfied that during FY2017 it 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 Corporation'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 Corporation's systems for compliance with applicable legal and regulatory requirements
- Ensuring that the expertise, resources and experience of the finance function are appropriate for its size and nature.

Audit Committee – FY2017 highlights

In addition to attending to general items as indicated above, during the year under review the Audit Committee:

- Ensured the monitoring of drought-related risk mitigation plans
- Considered and approved the replacement of the audit partner handling the RSSC account in order to meet rotation requirements for the audit partner
- Passed a resolution to carry out a post-implementation review of the SAP ERP system upon close-out of projects such as Business Intelligence that were still under way, in order to ensure shareholder value
- Received and discussed reports on legal/statutory compliance, the Corporation's tax status (specifically noting the Swaziland Revenue Authority's (SRA) Pay As You Earn tax audit report) and monitored management's actions in response to tax liability imposed by the SRA

Our governance framework

RISK COMMITTEE
D van Niekerk (Chairman)
Chief ZN Ndlangamandla,
N Jackson
MSM Shongwe
M Geraghty

Overview

The Risk Committee ensures 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; ensuring an ongoing process for risk identification, mitigation and management, and overseeing the implementation of the Corporation's risk management programme.

Risk Committee – terms of reference

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 Corporation is exposed are systematically identified, assessed and managed to acceptable levels and 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 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 market, economic, environmental and legislative environment, and changes in the business environment that could affect the Corporation.

As recommended by King III, the committee also satisfies itself that an effective internal IT control framework exists, and that the IT strategy is integrated and aligned with the Corporation's strategy and business processes. IT risks are addressed appropriately in conjunction with the Head of IT, who attends committee meetings by invitation and presents a comprehensive report on all IT and related risks to the Committee.

Risk Committee – FY2017 highlights

In addition to attending to general items as indicated above, during the year under review the Risk Committee:

- Received a report on the fatality at Mhlume factory and continued to increase its oversight on safety issues
- Monitored management's progress with respect to the Strategic Environmental Assessments (SEAs) for sugarcane and factory expansion, as well as other optimisation initiatives which form part of the Corporation's strategy
- Assumed an oversight role on development of a wastewater treatment and effluent-management master plan to manage the risk of non-compliance with regulatory standards on industrial effluent discharges and treated domestic wastewater
- Continued monitoring the embedding of the SAP ERP system and maintained oversight on IT projects, including the upgrading of MyAgri to the Agri Business Suite, the sucrose solution project and the Business Intelligence project
- Oversaw ISO audits, all of which were successful, permitting the Corporation to retain its ISO certification and with ISO standards having been revised, has focused on the transition to these new standards during FY2017
- Undertook risk management of the situation caused by the drought, and devised strategies and action plans to mitigate the impact on cane roots, production and profitability
- Undertook the monitoring of the top 10 risks and devised action plans to mitigate them
- Approved the Risk Management Policy, as well as the policy on safety and health, quality and the environment.

REMUNERATION COMMITTEE
AT Dlamini (Chairman)
ZR Magagula
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.

Remuneration Committee – terms of reference

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

- Remuneration consists of fixed and variable components, with variable pay aimed at encouraging added value to performance and shareholders. The STI scheme aligns the short-term interests of management and staff with those of shareholders, as performance bonuses are subject to the financial performance of the Corporation and KPIs
- The LTI scheme and awards to participants are subject to the satisfying of financial performance conditions supporting the creation of long-term shareholder value
- 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 three times during the year.

Remuneration Committee – FY2017 highlights

In addition to attending to general items as indicated above, during the year under review the Remuneration Committee:

- Approved Phase Two of the HCRP, and also discussed the new organisational structures to come into effect on 1 April 2017, as well as the rationale for restructuring.
  The HCRP had an impact on 99 employees: 25 of whom permanently exited RSSC under the VEP on 31 March 2017, 60 took lower grade positions and 11 were converted from seasonal to permanent employees
- Undertook an exercise to consider a new methodology for the Short Term Incentive Scheme (STI) and Long Term Incentive Scheme (LTI) aimed at ensuring motivation and retention of skills, creating shareholder wealth, and alignment of shareholders' and participants' interests.

COMMITTEE ON NON-EXECUTIVE DIRECTORS
AT Dlamini (Chairman)
NM Jackson
LS Masango

The Committee on Non-executive Directors met once during the year under review to consider Non-executive Directors' remuneration, which was adjusted based on benchmarks with peer companies, as well as taking inflation into account.

Board and committee attendance 2016/2017

Attendance at Board and Board subcommittee meetings during the year ended March 31, 2017 is shown in the table below:

Board member's name	Nature of meeting							
	Board		Audit		Risk		Remuneration	
	SM	AM	SM	AM	SM	AM	SM	AM
AT Dlamini[1]	4	4	–	–	–	–	3	3
Chief ZN Ndlangamandla	4	4	–	–	3	3	–	–
IG van der Walt[2]	4	4	3	3	–	–	3	3
HRH Princess Phumelele	4	4	–	–	–	–	–	–
ZR Magagula	4	4	2	2	–	–	3	3
ID van Niekerk[3]	4	4	–	–	3	3	–	–
MSM Shongwe	4	4	–	–	3	3	–	–
JN Gule	4	3	3	3	–	–	–	–
M Geraghty	4	4	–	–	1	1	–	–
NM Jackson[4]	4	4	–	–	3	3	–	–
J du Plessis	4	4	–	–	–	–	–	–
B Mkhaliphi	4	4	3	3				
I Ahmed	4	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 scheduled meetings attended by directors as a member of the Board and/or subcommittee
– Not applicable to directors
1 Board and Remuneration Committee Chairman
2 Audit Committee Chairman
3 Risk Committee Chairman effective 09/09/2016
4 Managing Director

All of our cane is cut by hand, and this is good for the business and the community in socio-economic terms.

Executive Management

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 Exco, the Tender Committee, the Risk Management Executive Committee and the IT Steering Committee) and individual members of the management team who assist the MD 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 act, among others, to translate and implement the Corporation's strategic direction in 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 Corporation, allocate human resources throughout the Corporation, 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.

Our Management Team

Our Group Executive Committee

Mr Nick Jackson – Managing Director
Bsc (Hons) Biochemistry

Nick Jackson joined RSSC as Managing Director in February 2009 and is the only executive Board member. He is Chairman of SWABCHA. He also serves on several other boards, including NERCHA, the SSA, Country Coordinating Mechanism (CCM), Uniswa Foundation and the Federation of Swaziland Employers and Chamber of Commerce. Prior to joining 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 extensive experience in HR management, having worked in a variety of industries including pulp and paper, textile, communication, services and energy. He serves on several boards in Swaziland.

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 and Chamber of Commerce 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.

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 serves on a number of committees including The Swaziland Fuel Pricing, National Adaptation Strategy and the Swaziland Sugar Association Council. He is also a member of the IYSIS Board.

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

Stephen Potts has many years' experience in Finance, Projects Finance, Sugar Marketing, Business and Strategic Planning. He reports to the RSSC Board on all financial matters and attends the Audit, Risk and Remuneration Committee meetings. He is also 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 is also Chairman of the Inyoni Yami Swaziland Irrigation Scheme (IYSIS) Audit and Risk Committee and a member of the IYSIS Board.

Our restructuring programme has resulted in improved operating efficiencies. We now have motorbikes, which help employees cover larger areas in the fields.

Internal Audit

The Corporation manages significant risks affecting the Group and the business environment in which it operates by maintaining internal controls and systems designed for the purpose of providing 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.

Other work undertaken by the function includes consulting engagements and special requests and fraud prevention and awareness workshops.

Induction and Development

RSSC is committed to the continuing development of its directors to support them in building on their expertise and developing 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 is encouraged between individual Board members and the MD and other members of the management team to enable directors to gain a better understanding of the Corporation and its operations.

Shareholder Engagement

The Corporation is committed to communicating and engaging with shareholders and pursues this interaction in line with the King III principles on stakeholder management. Shareholders are provided with an update on the Corporation performance at the Annual General Meeting (AGM) which also offers an opportunity for shareholders to ask questions. The Corporation also undertakes proactive engagement with institutional shareholders on a continuous basis and we employ a variety of both formal and informal engagement processes to ensure alignment with the interests of shareholders and to enable an understanding of their views. (To read more about shareholder engagement, see under Stakeholder Relations, page 16.)

Ethics

Our fundamental policy of conducting business with honesty, integrity and in accordance with the highest legal and ethical standards is central to our operations. Guidance regarding the ethical and behavioural standards to which the Board adheres in carrying out its duties and responsibilities in a manner that is consistent with effective corporate governance practices, is provided by the Board's Code of Conduct.

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

The Corporation does not engage in or accept or condone any illegal acts in the conduct of its business, and operates a "whistle-blowing" line managed by an independent firm of auditors. This line 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 deviation from ethical conduct. All matters received via the line are investigated, appropriately resolved and reported upon to the Risk Committee.

Controls

The Corporation conducts a number of reviews to determine the effectiveness of various elements of its internal controls, procedures and systems. Reviews undertaken during the year under review concerned controls relating to:

- 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 these reviews, there is reasonable assurance that an effective system of internal controls and risk management is in place.

Governance Outlook

With a view to improving our governance processes, enhancing operational effectiveness and ensuring process optimisation and improved capital allocation, the Corporation adopted an integrated approach to governance, risk and compliance with effect from 1 April 2017. This integrated approach entails a consolidation of the governance and compliance function with the risk control and IMS department.

During 2017 the Corporation is engaged in conducting a gap analysis of current governance practices and developing an action plan on implementing King IV principles.

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 March 2017

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 2017, the statements of profit or loss and other 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 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 62 to 107, were approved by the board of directors on 30 June 2017 and are signed on their behalf by:

A T Dlamini
(Chairman)

N M Jackson
(Director)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Royal Swaziland Sugar Corporation Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of The Royal Swaziland Sugar Corporation Limited (the group and company) set out of pages 62 to 107, which comprise the statements of financial position as at 31 March 2017, the statements of profit or loss and other 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, including a summary of significant accounting policies and the directors' report.

In our opinion the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The Royal Swaziland Sugar Corporation Limited as at 31 March 2017, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Swaziland Institute of Accountants Code of Professional Conduct (SIA Code) and other independence requirements applicable to performing audits of financial statements in Swaziland. We have fulfilled our other ethical responsibilities in accordance with the SIA Code and in accordance with other ethical requirements applicable to performing audits in Swaziland. The SIA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of goodwill for impairment – goodwill of E286 481 000 in the consolidated financial statements

Refer to Note 4 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Goodwill is required to be assessed for impairment on an annual basis. The impairment assessment, made by the directors, in respect of the goodwill allocated to Mhlume (Swaziland) Sugar Company Limited (the cash generating unit, "CGU") involves judgement in relation to forecasting future cash flows and is sensitive to growth rates and the discount rate applied to the future cash flows. The estimation uncertainty in respect of determining the value in use of the CGU resulted in the assessment of goodwill for impairment being a key audit matter in our audit of the consolidated financial statements.	We challenged the assumptions used by the directors in the goodwill impairment assessment specifically in respect of the cash flow forecasts, discount rates and growth rates applied by performing the following: • Using our own valuation specialist on our audit team to assess the reasonableness of the discount rate applied. • Evaluating the cash flow forecasts by analysing projected income and expenditure streams in line with the company's projected production. • Assessing future projected production for reasonableness in relation to current production and management's future plans. • Comparing capital expenditure projections to existing plans to acquire assets necessary to ensure the company meets production targets. • Assessing the reasonableness of future growth rates by: – Comparing forecast sugar prices to current prices and to the expected prices from global markets. – Comparing the inflation adjustments on expenses to current and projected inflation rates. • Performing our own sensitivity analysis in relation to the key assumptions applied to assess the impact on the value in use of the CGU by changing the key assumptions. • Assessing the appropriateness of the disclosures made in note 4 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Valuation of biological asset – growing cane of E507 880 000 in the consolidated financial statements and E349 557 000 in the separate financial statements

Refer to Note 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Growing cane is classified as a biological asset in terms of IAS 41 *Agriculture* and is carried at fair value. The fair value of the growing cane is determined using level 3 valuation techniques which includes significant unobservable inputs. We concentrated on the valuation of growing cane given the level of judgement and estimation involved in determining the fair value. The fair values are derived from the following significant unobservable inputs; forecast yields per hectare of sucrose, forecast contents of sucrose in cane, forecasted sucrose prices, exchange rates (indirectly) and the forecast costs for harvesting and transporting cane to the mills. Accordingly the fair value of the growing cane was considered a key audit matter in our audit of the consolidated and separate financial statements.	• We assessed the reasonableness of assumptions applied in the determination of the fair value of growing cane by comparing the data that was used in the previous financial period against current year results, particularly with regards to the yields per hectare of cane, sucrose percentage in cane, harvest age, future sugar prices in destination markets and exchange rate fluctuations. • We physically inspected a sample of cane fields to assess the quality of the crops to support the inputs used in the fair value determination of the growing cane. The quality of the crops was corroborated by discussions held with the Swaziland Sugar Association (SSA) and group's agronomists. • We assessed the appropriateness of the disclosures made in note 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of responsibility by the Board of Directors, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG Chartered Accountants (Swaziland)
Robert Sithebe
Partner
Registered Auditor

30 June 2017

Umkhiwa House, Lot 195 Kal Grant Street, Mbabane, Swaziland

DIRECTORS' REPORT
for the year ended 31 March 2017

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2017.

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 12.3):
- A first interim dividend for the year ended 31 March 2017 of 53.5 cents per share which was paid in October 2016;
- A second interim dividend for the year ended 31 March 2017 of 130.0 cents per share which was paid in February 2017, and
- A final dividend for the year ended 31 March 2017 of 81.2 cents per share which was paid in June 2017.

Board structure
The Board comprises of one executive and twelve non-executive directors.

Directorate
The directors of the Company during the year were:

Directors

A T Dlamini	(Chairman)
N M Jackson	(Managing Director)
J M du Plessis	
H R H Princess Phumelele	
J N Gule	
A Idris	(resigned 9 September 2016)
I Ahmed	(appointed 9 September 2016)
M Khumalo	(resigned 31 March 2016)
M Geraghty	(appointed 1 May 2016)
Z R Magagula	
B Mkhaliphi	
Chief Z N Ndlangamandla	
M S M Shongwe	
I G van der Walt	
I D van Niekerk	

Alternates

O E Fagbemi	(to A Idris – resigned 9 September 2016)
B Wadinga	(to I Ahmed – appointed 9 September 2016)
M Ndlela	(to JN Gule)
A Ngcobo	(to AT Dlamini)

Secretary and registered office

Secretary	Registered Office
L S Masango	Simunye Sugar Estate
	P O 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
P O Box 331
Mbabane
H100

Management structure

Managing Director

N M Jackson*

Commercial

M I 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
M Mango Factory Manager – Simunye
Dr L S Ndlovu Agricultural Manager – Water Resources
M Tshawuka Agricultural Manager – Services
V Malubane Agricultural Development Projects Manager

Strategy

P M Mweli Head of Strategy Management

Finance

S G Potts* General Manager – Finance
R Coombe Group IT Manager
D V Dhliwayo Financial Manager – Management Accounting
A B Hlatshwayo Financial Manager – Financial Accounting
I Fakudze Property Services Manager

Human Resources

M B Mkhonta* Group Human Resources Manager
H Dludlu Human Resources Manager – Services
B A Maziya Human Resources Manager – Employment Relations
S Shiba Human Resources Manager – Learning and Talent
Dr R Shoshore Human Resources Manager – Health and Wellness

Public Affairs

S Nyembe Group Public Affairs Manager
**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 2017

	Note	GROUP 2017 E'000	GROUP 2016 E'000	COMPANY 2017 E'000	COMPANY 2016 E'000
ASSETS					
Property, plant and equipment	3	**1 340 865**	1 434 137	**955 189**	1 026 717
Goodwill	4	**286 481**	286 481	**–**	–
Intangible assets	5	**3 110**	3 254	**3 110**	3 254
Investments in subsidiaries	6	**–**	–	**666 474**	666 474
Equity accounted investees	7	**111 090**	98 839	**52 500**	52 500
Deferred tax assets	24.4	**184**	299	**–**	–
Total non-current assets		**1 741 730**	1 823 010	**1 677 273**	1 748 945
Inventories	9	**128 275**	125 463	**72 742**	63 751
Biological asset – growing cane	8.2	**507 880**	367 960	**349 557**	239 143
Biological asset – livestock	8.3	**7 053**	7 263	**7 053**	7 263
Trade and other receivables	10	**115 907**	142 434	**96 787**	97 639
Taxation prepaid	29.2	**34 963**	–	**34 963**	–
Cash and cash equivalents	11	**404 253**	180 318	**247 894**	68 719
Total current assets		**1 198 331**	823 438	**808 996**	476 515
Total assets		**2 940 061**	2 646 448	**2 486 269**	2 225 460
EQUITY					
Share capital	12.1	**128 639**	128 639	**128 639**	128 639
Share premium	12.1	**632 379**	632 379	**632 379**	632 379
Preference share redemption reserve	12.2	**78 104**	78 104	**78 104**	78 104
Retained earnings		**1 053 987**	915 511	**608 447**	514 558
Total equity		**1 893 109**	1 754 633	**1 447 569**	1 353 680
LIABILITIES					
Deferred tax liabilities	24.4	**324 710**	307 545	**231 564**	215 456
Loans and borrowings	14	**8 571**	23 571	**8 571**	23 571
Employee benefits	15	**100 188**	76 852	**70 926**	52 078
Total non-current liabilities		**433 469**	407 968	**311 061**	291 105
Trade and other payables	16	**381 364**	232 056	**562 755**	372 735
Short term employee benefits	17	**113 296**	112 889	**70 858**	73 897
Bank overdraft	11,18	**–**	2 265	**–**	–
Current portion of loans and borrowings	14	**15 000**	15 030	**15 000**	15 030
Current tax liabilities	29.2	**24 797**	27 661	**–**	25 067
Dividends payable	29.3	**79 026**	93 946	**79 026**	93 946
Total current liabilities		**613 483**	483 847	**727 639**	580 675
Total equity and liabilities		**2 940 061**	2 646 448	**2 486 269**	2 225 460

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

		GROUP		COMPANY	
	Note	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000
Revenue	19	**2 957 614**	2 864 712	**1 812 772**	1 823 134
Cost of sales		**(2 226 725)**	(2 144 803)	**(1 472 008)**	(1 332 676)
Change in fair value of biological assets	8	**139 710**	(52 048)	**110 204**	(67 974)
Gross profit		**870 599**	667 861	**450 968**	422 484
Other income	20	**51 121**	48 812	**227 518**	35 080
Distribution expenses		**(6 973)**	(4 957)	**(6 973)**	(4 957)
Administration expenses		**(404 526)**	(365 604)	**(247 313)**	(241 817)
Operating profit	21	**510 221**	346 112	**424 200**	210 790
Finance income		**33 457**	33 760	**13 493**	23 412
Finance costs		**(10 657)**	(5 889)	**(10 643)**	(5 588)
Net finance income	23	**22 800**	27 871	**2 850**	17 824
Share of profit of equity accounted associate companies (net of income tax)	7	**31 026**	18 204	**–**	–
Profit before taxation		**564 047**	392 187	**427 050**	228 614
Income tax expense	24.1	**(162 922)**	(106 984)	**(70 851)**	(64 106)
Profit attributable to owners of the Company		**401 125**	285 203	**356 199**	164 508
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurements of defined benefit liabilities	15	**(10 511)**	(16 531)	**(10 043)**	(18 023)
Related tax	24.2	**2 891**	4 546	**2 762**	4 956
Other comprehensive income, net of tax		**(7 620)**	(11 985)	**(7 281)**	(13 067)
Total comprehensive income for the year attributable to owners of the Company		**393 505**	273 218	**348 918**	151 441
Basic and diluted earnings per share (cents)	25	**416.3**	296.0	**369.7**	170.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
2017 Group					
Balance at 1 April 2016	**128 639**	**632 379**	**78 104**	**915 511**	**1 754 633**
Profit	**–**	**–**	**–**	**401 125**	**401 125**
Other comprehensive income	**–**	**–**	**–**	**(7 620)**	**(7 620)**
Total comprehensive income for the year	**–**	**–**	**–**	**393 505**	**393 505**
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	**–**	**–**	**–**	**(255 029)**	**(255 029)**
Balance at 31 March 2017	**128 639**	**632 379**	**78 104**	**1 053 987**	**1 893 109**
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 income	–	–	–	(11 985)	(11 985)
Total comprehensive income for the year	–	–	–	273 218	273 218
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	–	–	–	(195 997)	(195 997)
Balance at 31 March 2016	128 639	632 379	78 104	915 511	1 754 633

STATEMENT OF CHANGES IN EQUITY – COMPANY

for the year ended 31 March 2017

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
2017 Company					
Balance at 1 April 2016	**128 639**	**632 379**	**78 104**	**514 558**	**1 353 680**
Profit	**–**	**–**	**–**	**356 199**	**356 199**
Other comprehensive income	**–**	**–**	**–**	**(7 281)**	**(7 281)**
Total comprehensive income for the year	**–**	**–**	**–**	**348 918**	**348 918**
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	**–**	**–**	**–**	**(255 029)**	**(255 029)**
Balance at 31 March 2017	**128 639**	**632 379**	**78 104**	**608 447**	**1 447 569**
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 income	–	–	–	(13 067)	(13 067)
Total comprehensive income for the year	–	–	–	151 441	151 441
Transactions with owners recorded directly in equity					
– Dividends (note 12.3)	–	–	–	(195 997)	(195 997)
Balance at 31 March 2016	128 639	632 379	78 104	514 558	1 353 680

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

	Note	GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Cash flows from operating activities					
Cash generated from operations	29.1	**757 402**	544 764	**449 470**	342 126
Interest paid	23	**(4 798)**	(5 889)	**(4 784)**	(5 588)
Taxation paid	29.2	**(180 578)**	(112 974)	**(112 011)**	(56 544)
Net cash generated by operating activities		**572 026**	425 901	**332 675**	279 994
Cash flows from investing activities					
Finance income	23	**33 457**	17 854	**13 493**	7 506
Dividends received		**18 775**	8 702	**199 396**	8 702
Proceeds from sale of property, plant and equipment		**955**	798	**266**	682
Acquisition of property, plant and equipment	3	**(88 211)**	(99 060)	**(55 853)**	(64 469)
Net cash (utilised in)/generated by investing activities		**(35 024)**	(71 706)	**157 302**	(47 579)
Cash flows from financing activities					
Repayment of borrowings		**(15 030)**	(15 097)	**(15 030)**	(15 097)
Dividends paid	29.3	**(269 949)**	(169 550)	**(269 949)**	(169 550)
Net cash utilised in financing activities		**(284 979)**	(184 647)	**(284 979)**	(184 647)
Net increase in cash and cash equivalents		**252 023**	169 548	**204 998**	47 768
Cash and cash equivalents at beginning of year	11	**178 053**	1 213	**68 719**	13 659
Effect of exchange rate fluctuations on cash held		**(25 823)**	7 292	**(25 823)**	7 292
Cash and cash equivalents at year end	11	**404 253**	178 053	**247 894**	68 719

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 2017 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 financial statements and company financial statements were authorised for issue by the Board of Directors on 30 June 2017.

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.

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 and 30 – classification of joint arrangements;
- Note 6 – consolidation: whether the Group has de facto control over an investee; and
- Note 33 – 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 3 – measurement of useful lives and residual values of property, plant and equipment;
- Note 4 – goodwill impairment test: key assumptions underlying recoverable amounts;
- Note 8 – biological assets: key assumptions relating to unobservable inputs into valuation techniques;
- Note 15 – measurement of defined benefit obligations: key actuarial assumptions; and
- Note 28 – contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2017

The Group has consistently applied the accounting policies set out to all periods presented in these consolidated financial statements.

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 a 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 date of acquisition.

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 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)

for the year ended 31 March 2017

Basis of consolidation (continued)

Interests in equity-accounted investees

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

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 when the entity becomes a party to the contractual provisions of the instrument.

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

Receivables comprise trade and other 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.

Cash and cash equivalents

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.

These are measured at amortised cost.

Non-derivative financial liabilities – measurement

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

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.

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 loss when the item is derecognised.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2017

Intangible assets

Favourable lease contracts

Favourable lease contracts are those assets identified through business combinations where 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.

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.

Employee benefits

Defined benefit obligations – Retirement pay and long service awards

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The retirement pay 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)

for the year ended 31 March 2017

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.

Revenue

Sale of goods

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 Swaziland Sugar Association 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 Swaziland Sugar Association (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 Swaziland Sugar Association 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.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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.

Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized 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.

Measurement of fair values

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2017

Measurement of fair values (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group does not expect these changes to have an impact on the consolidated financial statements.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. This assessment does not indicate any significant impact.

IFRS 9 *Financial Instruments*

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments.*

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 April 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 March 2017.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 March 2017, would have had a material impact on its accounting for trade receivables and loans.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group does not believe that impairment losses will change materially in the scope of the IFRS 9 impairment model.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 March 2017.

iv. Disclosures

IFRS 9 will require extensive new disclosures. Of relevance to the group are the disclosures regarding credit risk and expected credit losses.
The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group has started to identify and assess the potential impact on its consolidated financial statements. So far the group has identified operating leases of farms, storage locations and printing equipment. The significance of these is still to be determined. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

As at 31 March 2017 the Group did not have any active finance leases.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 March 2017

New standards and interpretations not yet adopted (continued)

IFRS 16 *Leases* (continued)

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

The Group has not yet quantified the impact on its reported assets and liabilities on adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Group is still assessing the impact of this interpretation.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

New *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The Group does not expect this amendment to have a significant impact to its financial reporting.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled – The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The Group does not expect this amendment to have a significant impact to its financial reporting.

The amendments are effective for annual periods commencing on or after 1 January 2018.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 *Investment property* on when a company should transfer a property asset to, or from, investment property.

The Group does not expect this amendment to have a significant impact to its financial reporting.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. 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 Swaziland Sugar Association.
- 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 2017.

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.

		Cane Growing		Sugar manufacturing and marketing		Ethanol production and marketing		Elimination		Consolidated	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000
1.1	Information about reportable segments										
	External revenue	**7 305**	9 749	**2 598 250**	2 521 547	**327 225**	315 775	**–**	–	**2 932 780**	2 847 071
	Inter segment revenue	**921 703**	924 544	**–**	–	**–**	–	**(921 703)**	(924 544)	**–**	–
	Total revenue	**929 008**	934 293	**2 598 250**	2 521 547	**327 225**	315 775	**(921 703)**	(924 544)	**2 932 780**	2 847 071
	External revenue of all other operations not meeting segment criteria									**24 834**	17 641
	Total consolidated revenue									**2 957 614**	2 864 712
	Reportable segment operating profit before corporate costs and income tax	**475 691**	195 832	**342 956**	405 385	**58 916**	76 667	**–**	–	**877 563**	677 884
	Results of other operations not meeting segment criteria									**(7 870)**	(9 106)
	Unallocated other income									**50 949**	43 901
	Unallocated corporate costs									**(409 366)**	(365 686)
	Unallocated net finance income									**21 745**	26 990
	Share of profit of equity accounted associate companies									**31 026**	18 204
	Consolidated profit before tax from continuing operations									**564 047**	392 187

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Cane Growing		Sugar manufacturing and marketing		Ethanol production and marketing		Unallocated		Consolidated	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000
1. Operating segments (continued)										
1.1 Information about reportable segments (continued)										
Segment capital expenditure	**25 394**	38 332	**33 652**	18 595	**13 366**	17 709	**15 799**	24 424	**88 211**	99 060
Depreciation and impairment	**80 282**	85 842	**56 321**	52 035	**13 215**	13 214	**31 480**	31 676	**181 298**	182 767
Amortisation of intangible assets	**47**	47	**–**	–	**–**	–	**97**	97	**144**	144
Increase/(decrease) in fair value of biological assets	**139 920**	(52 273)	**–**	–	**–**	–	**(210)**	225	**139 710**	(52 048)
Net foreign exchange (losses)/gains	**–**	–	**–**	–	**–**	–	**(5 859)**	15 906	**(5 859)**	15 906

1.2 Geographical information

	Swaziland		South Africa		Consolidated	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000
External revenue	**2 957 614**	2 864 712	**–**	–	**2 957 614**	2 864 712
Non-current assets	**1 738 951**	1 820 386	**2 779**	2 624	**1 741 730**	1 823 010
Capital expenditure	**88 211**	99 060	**–**	–	**88 211**	99 060

Eliminated inter-segment sales from Swaziland to South Africa were Enil (2016 – Enil).

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

2. Use of judgements and estimates

In preparing these consolidated 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 consolidated financial statements is included in the following notes:

- Note 6 – consolidation: whether the Group has de facto control over an investee; and
- Note 33 – lease classification.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2017 is included in the following notes:

- Note 15 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 24 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 8 – determining the fair value of biological assets on the basis of significant unobservable inputs; and
- Note 4 – goodwill impairment test: key assumptions underlying recoverable amounts.

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 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 4 – measurement of the recoverable amounts of cash-generating units containing goodwill;
- Note 5 – measurement of the recoverable amounts of intangible assets; and
- Note 8 – biological assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

3. Property, plant and equipment

	Land and buildings E'000	Plant and machinery E'000	Irrigation equipment E'000	Vehicles, computer equipment, furniture and fittings E'000	Bearer plants E'000	Capital work in progress ("CWIP") E'000	Total E'000
GROUP							
Cost							
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
Balance at 1 April 2016	**492 409**	**1 211 337**	**458 495**	**785 711**	**272 751**	**15 911**	**3 236 614**
Additions	**–**	**–**	**–**	**–**	**–**	**88 211**	**88 211**
Transfers in from CWIP	**3 984**	**23 597**	**2 247**	**36 055**	**7 220**	**–**	**73 103**
Disposals	**–**	**(276)**	**–**	**(10 868)**	**(7 105)**	**–**	**(18 249)**
Transfers out from CWIP	**–**	**–**	**–**	**–**	**–**	**(73 103)**	**(73 103)**
Balance at 31 March 2017	**496 393**	**1 234 658**	**460 742**	**810 898**	**272 866**	**31 019**	**3 306 576**
Accumulated depreciation and impairment losses							
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)
Balance at 1 April 2016	**(248 624)**	**(750 862)**	**(336 604)**	**(389 225)**	**(77 162)**	**–**	**(1 802 477)**
Depreciation for the year	**(14 340)**	**(56 573)**	**(23 567)**	**(44 549)**	**(42 269)**	**–**	**(181 298)**
Disposals	**–**	**179**	**–**	**10 780**	**7 105**	**–**	**18 064**
Balance at 31 March 2017	**(262 964)**	**(807 256)**	**(360 171)**	**(422 994)**	**(112 326)**	**–**	**(1 965 711)**
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
Carrying value at 31 March 2017	**233 429**	**427 402**	**100 571**	**387 904**	**160 540**	**31 019**	**1 340 865**

	Land and buildings E'000	Plant and machinery E'000	Irrigation equipment E'000	Vehicles, computer equipment, furniture and fittings E'000	Bearer plants E'000	Capital work in progress ("CWIP") E'000	Total E'000
COMPANY							
Cost							
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
Balance at 1 April 2016	**319 172**	**682 663**	**329 351**	**491 700**	**189 513**	**9 918**	**2 022 317**
Additions	**–**	**–**	**–**	**–**	**–**	**55 853**	**55 853**
Transfers in from CWIP	**3 242**	**12 353**	**1 865**	**23 183**	**5 250**	**–**	**45 893**
Disposals	**–**	**–**	**–**	**(3 718)**	**(6 875)**	**–**	**(10 593)**
Transfers out from CWIP	**–**	**–**	**–**	**–**	**–**	**(45 893)**	**(45 893)**
Balance at 31 March 2017	**322 414**	**695 016**	**331 216**	**511 165**	**187 888**	**19 878**	**2 067 577**
Accumulated depreciation and impairment losses							
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)
Balance at 1 April 2016	**(143 039)**	**(365 253)**	**(229 259)**	**(210 359)**	**(47 690)**	**–**	**(995 600)**
Depreciation for the year	**(10 792)**	**(34 137)**	**(20 728)**	**(34 408)**	**(27 232)**	**–**	**(127 297)**
Disposals	**–**	**–**	**–**	**3 634**	**6 875**	**–**	**10 509**
Balance at 31 March 2017	**(153 831)**	**(399 390)**	**(249 987)**	**(241 133)**	**(68 047)**	**–**	**(1 112 388)**
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
Carrying value at 31 March 2017	**168 583**	**295 626**	**81 229**	**270 032**	**119 841**	**19 878**	**955 189**

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 E114 659 188 (2016 – E122 042 923).

Subsidiaries

Erf 65 Umbogintwini (Southgate) registration division ET situated in the South Local Council Area province of Kwazulu Natal in extent of 5705 square metres. At year end the net book value of freehold land and buildings was E2 595 768 (2016 – E2 324 692).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

3. 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 11 633 hectares; and Portion of the remainder of Farm 78, situated in the district of Siteki, Swaziland, measuring 450 hectares.
- 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 3 808 hectares.
- Mlaula Estate: Farm No. 1244, situated in the district of Siteki, Swaziland, measuring 5 570 hectares.

Portions of Farm number 94 situated in the district of Lubombo, Swaziland, measuring 2 258 hectares 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 number 860 and a certain portion 4 of farm number 94 situated in the district of Siteki, Swaziland, measuring 6 540 hectares are leased from the Swazi Nation for a period of 25 years following renewal of the initial 25 year lease which lapsed on 08 September 2008.

Assets pledged as security

All moveable and immoveable assets are pledged as security for loans. (Refer note 14.4 and note 18).

4. 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 (Refer to note 6 for Mhlume (Swaziland) Sugar Company Limited's operations). 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	
	2017 E'000	2016 E'000	**2017 E'000**	2016 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 Mhlume Sugar Company 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 E849 million was based on its value in use as determined by management. This amount exceeds the carrying value of E221 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 5 year business plan.
- Cash flows for a further 15 years were extrapolated on a five percent growth rate.
- A discount rate of 15.8% was used. This is based on the Group's weighted average cost of capital which is based on debt leveraging of 20% at an after-tax market interest rate of 7.61%.

In order for the carrying amount to equal the recoverable amount the pre-tax discount rate would need to be 21.04%.

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
5.	**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	**(946)**	(802)	**(946)**	(802)
	Amortisation for the year	**(144)**	(144)	**(144)**	(144)
	Balance at 31 March	**(1 090)**	(946)	**(1 090)**	(946)
	Net carrying amount	**3 110**	3 254	**3 110**	3 254
	There have been no impairment losses recognised against the above intangible assets.				
6.	**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 has been ceded to the Company and are operated as part of the cane growing division.

7. 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 principle business activity is the purchase of sugar from the Swaziland Sugar Association 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

7. Equity accounted investees (continued)

	Mananga Sugar Packers		Simunye Plaza		Quality Sugars		Total	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 E'000	**2017 E'000**	2016 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	**48 032**	37 105	**3 297**	3 169	**7 261**	6 065	**58 590**	46 339
	100 532	89 605	**3 297**	3 169	**7 261**	6 065	**111 090**	98 839
Summary of unaudited financial information for equity accounted investees is as follows:								
Property, plant and equipment	**44 728**	46 329	**10 658**	10 829	**1 098**	1 209	**56 484**	58 367
Goodwill	**18 139**	18 139	**–**	–	**3 751**	3 751	**21 890**	21 890
Intangible assets	**1 387**	2 775	**–**	–	**–**	–	**1 387**	2 775
Current assets	**264 930**	160 209	**6 061**	5 656	**345 193**	342 040	**616 184**	507 905
Deferred tax (liabilities)/assets	**(12 138)**	(12 138)	**(1 700)**	(1 770)	**2 215**	1 486	**(11 623)**	(12 422)
Employee benefit liability	**–**	–	**(87)**	(72)	**(698)**	(1 009)	**(785)**	(1 081)
Current liabilities	**(115 982)**	(36 103)	**(1 746)**	(1 968)	**(322 516)**	(323 215)	**(440 244)**	(361 286)
Net assets	**201 064**	179 211	**13 186**	12 675	**29 043**	24 262	**243 293**	216 148
Group's share of associate's net assets	**100 532**	89 605	**3 297**	3 169	**7 261**	6 065	**111 090**	98 839
Revenue	**931 906**	822 151	**5 663**	5 989	**91 958**	84 050	**1 029 527**	912 190
Profit	**56 522**	31 002	**2 012**	1 184	**9 046**	9 631	**67 580**	41 817
Group share of profit for the year	**28 261**	15 501	**503**	296	**2 262**	2 407	**31 026**	18 204
Reconciliation of carrying amounts								
Opening Balance at 1 April	**89 605**	81 726	**3 169**	2 873	**6 065**	4 738	**98 839**	89 337
Group share of profit for the year	**28 261**	15 501	**503**	296	**2 262**	2 407	**31 026**	18 204
Dividends paid	**(17 334)**	(7 622)	**(375)**	-	**(1 066)**	(1 080)	**(18 775)**	(8 702)
Closing balance at 31 March	**100 532**	89 605	**3 297**	3 169	**7 261**	6 065	**111 090**	98 839

8. Biological assets

8.1 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 (2016 – 16 346) hectares of sugar cane on land leased from the Swazi Nation (refer note 3). The Group manages a further 4 286 (2016 – 4 286) hectares on behalf of the IYSIS/MSCO Sugar Partnership (refer note 30.1) and 796 (2016 – 796) hectares on behalf of Tibiyo Taka Ngwane.

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 (2016 – 31) hectares on freehold land.

Livestock rearing

The New 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 2017, the partnership held 2 723 (2016 – 3 441) head of cattle.

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
8.2	Reconciliation of carrying amounts of growing cane				
	Carrying amount at 1 April	**367 960**	420 233	**239 143**	307 342
	Gain or (loss) arising from changes in fair values less estimated costs to sell attributable to physical changes	**96 929**	(130 709)	**80 140**	(118 518)
	Gain arising from changes in fair values less estimated costs to sell attributable to price changes	**42 991**	78 436	**30 274**	50 319
	Balance at 31 March	**507 880**	367 960	**349 557**	239 143
8.3	Reconciliation of carrying amounts of livestock				
	Balance at 1 April	**7 263**	7 038	**7 263**	7 038
	Purchases	**3 372**	4 098	**3 372**	4 098
	Net increase due to births and deaths	**813**	3 485	**813**	3 485
	Decrease due to sales	**(4 395)**	(7 358)	**(4 395)**	(7 358)
	Balance at 31 March	**7 053**	7 263	**7 053**	7 263

8.4 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 Swaziland Sugar Association which is then responsible for onward sale to local and foreign customers. The Swaziland Sugar Association 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 water management strategies, use of best practice farming techniques and regular pest and disease surveys. The Group is also insured against natural disasters.

8.5 Biological assets pledged as security

Growing cane is pledged as security over borrowings. (Refer note 14.4 and note 18).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

8. Biological assets (continued)
8.6 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	367 960	7 263	375 223	239 143	7 263	246 406
Purchases	–	3 372	3 372	–	3 372	3 372
Sales	–	(4 395)	(4 395)	–	(4 395)	(4 395)
Gain included in profit or loss						
– Change in fair value (realised)	–	–	–	–	–	–
– Change in fair value (unrealised)	139 920	–	139 920	110 414	–	110 414
– Net increase due to births and deaths	–	813	813	–	813	813
Gains included in OCI	–	–	–	–	–	–
Carrying amount at 31 March	507 880	7 053	514 933	349 557	7 053	356 610

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.	• Estimates of yields per hectare of cane (90tc/h to 115tc/h). 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).

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
9.	**Inventories**				
	Raw materials	**786**	3 877	**786**	2 103
	Consumables stores and spares	**107 884**	110 932	**52 351**	50 994
	Finished goods and by products	**19 605**	10 654	**19 605**	10 654
		128 275	125 463	**72 742**	63 751
	Write down of obsolete consumable stores and spares to net realisable value included in profit or loss	**18 993**	15 757	**9 362**	7 581
	Inventories are pledged as security over borrowings. (Refer note 14.4 and note 18).				
10.	**Trade and other receivables**				
	Trade receivables	**35 292**	67 792	**19 862**	52 541
	Related party receivables (note 32.1)	**20 203**	31 562	**26 255**	5 901
	Prepayments	**54 936**	34 599	**45 959**	33 269
	FEC asset	**–**	–	**–**	–
	Other receivables	**6 009**	9 513	**5 130**	6 394
	Less: impairment (note 31.2)	**(533)**	(1 032)	**(419)**	(466)
		115 907	142 434	**96 787**	97 639
	Receivables are pledged as security for borrowings (Refer note 14.4 and note 18)				
11.	**Cash and cash equivalents**				
	Bank balances	**286 790**	53 540	**246 313**	51 043
	Cash on hand	**127**	125	**47**	45
	Call deposit	**117 336**	126 653	**1 534**	17 631
		404 253	180 318	**247 894**	68 719
	Bank overdraft	**–**	(2 265)	**–**	–
	Per statement of cash flows	**404 253**	178 053	**247 894**	68 719
12.	**Share capital and premium**				
12.1	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.				
12.2	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
12. Share capital and premium (continued)				
12.3 Dividends				
1st Interim dividend for the year ended 31 March 2017 of 53.5 cents (2016 – 42.0 cents) per "A" and "B" ordinary shares.	**51 545**	40 466	**51 545**	40 466
2nd Interim dividend for the year ended 31 March 2017 of 130.0 cents (2016 – 64.8 cents) per "A" and "B" ordinary shares.	**125 250**	62 432	**125 250**	62 432
Final dividend for the year ended 31 March 2017 of 81.2 cents (2016 – 96.63 cents) per "A" and "B" ordinary shares.	**78 234**	93 099	**78 234**	93 099
	255 029	195 997	**255 029**	195 997

13. 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 percent, calculated as total comprehensive income for the year attributed to owners of the company divided by shareholders' equity. For the current year, the return on shareholders' equity achieved was 20.8% (2016 – 15.6%). The Board of Directors implement 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.

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
14. Loans and borrowings				
14.1 Unsecured loan				
The loan is payable in eight equal annual instalments bearing interest at 10% per annum.	**–**	30	**–**	30
14.2 Secured loan for Simunye mill power plant upgrade.				
The loan is repayable over 14 half yearly instalments that commenced on 30 September 2012. The loan bears interest at the Swaziland prime rate, currently 10.75% (2016 – 10.00%), less 1.0%.	**6 429**	12 857	**6 429**	12 857
14.3 Secured loan for Simunye mill power plant upgrade.				
The loan is repayable over 14 half yearly instalments that commenced on 30 September 2012. The loan bears interest at the Swaziland prime rate, currently 10.75% (2016 – 10.00%), less 0.55%.	**17 142**	25 714	**17 142**	25 714
	23 571	38 601	**23 571**	38 601
Deduct: current portion included in current liabilities	**(15 000)**	(15 030)	**(15 000)**	(15 030)
Total non-current loans and borrowings	**8 571**	23 571	**8 571**	23 571

14.4 Loan securities

The loan in 14.2 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 14.3, 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 of 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 immovable assets for the duration of the facility.

A security sharing agreement covering loan and bank overdraft facilities (refer note 18) provided by First National Bank Swaziland Limited, Nedbank (Swaziland) Limited, and Standard Bank Swaziland Limited is in place to cover common pledged assets.

15. Employee benefit liabilities

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Retirement pay	**75 753**	59 437	**55 341**	41 056
Long service awards	**9 773**	5 066	**7 011**	3 574
Actuarially valued employee benefit liabilities	**85 526**	64 503	**62 352**	44 630
Long term incentive scheme	**25 465**	25 984	**14 971**	15 011
Total employee benefit liabilities	**110 991**	90 487	**77 323**	59 641
Deduct: current portion included in current liabilities (note 17)	**(10 803)**	(13 635)	**(6 397)**	(7 563)
	100 188	76 852	**70 926**	52 078

Retirement pay

The Group provides retirement benefits for most of its employees through defined contribution plans (refer note 26). 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 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, twenty or thirty years' continuous service. The latter category was introduced during the current year.

Long term incentive scheme

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

15. Employee benefit liabilities (continued)

Long term incentive scheme (continued)

An actuarial valuation of the retirement pay and long service awards was done at 31 March 2017. The actuarially valued liabilities are accordingly reported as follows at 31 March 2017:

	2017 Retirement pay E'000	2017 Long service awards E'000	2017 Total E'000	2016 Retirement pay E'000	2016 Long service awards E'000	2016 Total E'000
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	**75 753**	**9 773**	**85 526**	59 437	5 066	64 503
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**75 753**	**9 773**	**85 526**	59 437	5 066	64 503
Movement in present value of the obligation:						
Opening liability	**59 437**	**5 066**	**64 503**	49 123	4 241	53 364
Included in profit or loss:						
– Current service cost	**5 085**	**4 416**	**9 501**	2 820	422	3 242
– Curtailment cost	**1 937**	**–**	**1 937**	–	–	–
– Interest cost	**5 181**	**430**	**5 611**	3 810	298	4 108
	12 203	**4 846**	**17 049**	6 630	720	7 350
Included in OCI:						
– Actuarial loss recognised	**9 725**	**786**	**10 511**	15 591	940	16 531
Other:						
– Benefits paid	**(5 612)**	**(925)**	**(6 537)**	(11 907)	(835)	(12 742)
	75 753	**9 773**	**85 526**	59 437	5 066	64 503

	2017 Retirement pay E'000	2017 Long service awards E'000	2017 Total E'000	2016 Retirement pay E'000	2016 Long service awards E'000	2016 Total E'000
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	**55 341**	**7 011**	**62 352**	41 056	3 574	44 630
Unrecognised actuarial gain	**–**	**–**	**–**	–	–	–
Liability recorded in statement of financial position	**55 341**	**7 011**	**62 352**	41 056	3 574	44 630
Movement in present value of the obligation:						
Opening liability	**41 056**	**3 574**	**44 630**	27 755	2 681	30 436
Included in profit or loss:						
– Current service cost	**2 775**	**3 195**	**5 970**	1 682	290	1 972
– Curtailment cost	**1 937**	**–**	**1 937**	–	–	–
– Interest cost	**3 611**	**299**	**3 910**	2 164	188	2 352
	8 323	**3 494**	**11 817**	3 846	478	4 324
Included in OCI:						
– Actuarial loss recognised	**9 280**	**763**	**10 043**	17 046	977	18 023
Other:						
– Benefits paid	**(3 318)**	**(820)**	**(4 138)**	(7 591)	(562)	(8 153)
Closing liability	**55 341**	**7 011**	**62 352**	41 056	3 574	44 630

	GROUP 2017 %	GROUP 2016 %	COMPANY 2017 %	COMPANY 2016 %
The principal actuarial assumptions used were as follows:				
Discount rate	**9.00**	8.20	**9.00**	8.20
Future salary increases	**7.00**	6.00	**7.00**	6.00

	GROUP 2017 E'000	GROUP 2016 E'000	COMPANY 2017 E'000	COMPANY 2016 E'000
16. Trade and other payables				
Trade payables	**259 012**	187 053	**149 441**	121 900
Related party payables (note 32.1)	**28 126**	26 759	**358 546**	234 112
Retentions	**8 256**	7 395	**6 653**	7 395
FEC liability	**–**	–	**–**	–
Other payables	**85 970**	10 849	**48 115**	9 328
	381 364	232 056	**562 755**	372 735
17. Short term employee benefits				
Employee bonuses	**60 056**	47 353	**33 921**	27 950
Leave pay accrual	**15 194**	19 302	**11 480**	14 619
Termination Benefits	**22 178**	29 015	**15 259**	20 709
Other	**5 065**	3 584	**3 801**	3 056
	102 493	99 254	**64 461**	66 334
Current portion of long term employee benefits (note 15)	**10 803**	13 635	**6 397**	7 563
	113 296	112 889	**70 858**	73 897

18. 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 movable 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 movable and immovable property.

	GROUP 2017 E'000	GROUP 2016 E'000	COMPANY 2017 E'000	COMPANY 2016 E'000
19. Revenue				
Inter group sucrose sales for the year	**–**	–	**138 346**	115 333
Final sucrose price adjustment for the previous year based on final sugar price	**–**	–	**2 268**	2 558
Sale of sugar for the year	**2 552 460**	2 473 901	**1 296 556**	1 343 856
Final sugar price adjustment for previous year from Swaziland Sugar Association	**45 790**	47 646	**26 723**	25 229
	2 598 250	2 521 547	**1 463 893**	1 486 976
Ethanol sales	**327 225**	315 775	**327 225**	315 775
Other sales	**32 139**	27 390	**21 654**	20 383
	2 957 614	2 864 712	**1 812 772**	1 823 134

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
20.	**Other income**				
	Dividends received	**–**	–	**199 396**	8 702
	Rental income	**23 474**	21 178	**14 420**	12 731
	Management fees	**8 835**	8 121	**2 941**	2 387
	Other	**18 812**	19 513	**10 761**	11 260
		51 121	48 812	**227 518**	35 080
21.	**Operating profit**				
	The operating profit for the year is stated after charging/(crediting) the following:				
	Auditors' remuneration				
	– current year	**849**	796	**505**	473
	– prior year	**1 260**	1 614	**769**	959
	– other services	**845**	520	**472**	264
	– disbursements	**437**	457	**251**	270
	Amortisation of intangible assets (note 5)	**144**	144	**144**	144
	Depreciation of property, plant and equipment (note 3)	**181 298**	182 767	**127 297**	124 305
	Directors' emoluments				
	– for services as directors	**3 308**	2 866	**3 308**	2 866
	– for other services	**9 082**	8 405	**9 082**	8 405
	– expenses	**347**	491	**347**	491
	Leasehold property rentals (note 33)	**2 224**	2 222	**2 224**	2 222
	Gain on disposal of property, plant and equipment	**(770)**	(666)	**(182)**	(550)
22.	**Staff costs**				
	Salaries, wages, and incentive scheme accruals	**559 080**	567 495	**299 230**	304 558
	Contributions to defined contribution plans	**24 255**	21 678	**13 347**	11 145
	Termination costs	**22 135**	20 462	**11 576**	10 584
	Expense related to defined benefit plan (note 15)	**17 049**	7 350	**11 817**	4 324
	Decrease in liability for leave pay	**(4 108)**	(282)	**(3 139)**	191
		618 411	616 703	**332 831**	330 802
23.	**Net finance costs**				
	Interest income on cash and cash equivalents	**33 457**	17 854	**13 493**	7 506
	Net foreign exchange gain	**–**	15 906	**–**	15 906
	Finance income	**33 457**	33 760	**13 493**	23 412
	Interest expense on financial liabilities measured at amortised cost	**(4 798)**	(5 889)	**(4 784)**	(5 588)
	Net foreign exchange loss	**(5 859)**	–	**(5 859)**	–
	Finance cost	**(10 657)**	(5 889)	**(10 643)**	(5 588)
	Net finance income recognised in profit or loss	**22 800**	27 871	**2 850**	17 824

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
24. Income taxes				
24.1 Amounts recognised in profit or loss				
Current tax expense				
Swaziland current tax				
– current year	**142 766**	119 974	**51 981**	77 574
– Changes in estimates related to prior years	**(15)**	–	**–**	–
	142 751	119 974	**51 981**	77 574
Deferred tax				
– origination and reversal of temporary differences	**20 171**	(12 957)	**18 885**	(13 435)
– Changes in estimates related to prior years	**–**	(33)	**(15)**	(33)
	20 171	(12 990)	**18 870**	(13 468)
Total tax expense from continuing operations	**162 922**	106 984	**70 851**	64 106
24.2 Amounts recognised in OCI				
Deferred tax charge on measurement of defined benefit liability	**2 891**	4 546	**2 762**	4 956
	%	%	**%**	%
24.3 Tax rate reconciliation				
Tax expense as a percentage of profit before income tax	**28.9**	27.3	**16.6**	28.0
Share of profit of equity-accounted investees reported net of tax	**0.6**	0.7	**–**	–
Effect of dividend income	**0.9**	0.6	**12.8**	1.1
Effect of other non-qualifying items	**(2.9)**	(1.1)	**(1.9)**	(1.6)
Standard rate of tax	**27.5**	27.5	**27.5**	27.5
	E'000	E'000	**E'000**	E'000
24.4 Recognised deferred tax assets and liabilities				
Deferred tax assets				
Property, plant and equipment	**184**	299	**–**	–
Inventories	**5 223**	4 333	**2 574**	2 085
Defined benefit obligations	**21 592**	16 755	**15 219**	11 290
Employee bonuses, employee leave and other provisions	**31 258**	26 875	**19 816**	17 366
Income in advance	**4 167**	4 576	**4 167**	4 576
Deferred tax assets before set off	**62 424**	52 838	**41 776**	35 317
Set off against deferred tax liabilities	**(62 240)**	(52 539)	**(41 776)**	(35 317)
Deferred tax asset after set off	**184**	299	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
24.	**Income taxes (continued)**				
24.4	Recognised deferred tax assets and liabilities (continued)				
	Deferred tax liabilities				
	Property, plant and equipment	**191 806**	198 557	**138 142**	142 956
	Intangible assets	**483**	496	**483**	496
	Biological assets	**174 768**	146 055	**119 837**	95 787
	Agricultural consumable stores	**5 021**	5 837	**2 372**	2 521
	Prepayments	**14 872**	9 139	**12 506**	9 013
	Deferred tax liabilities before set off	**386 950**	360 084	**273 340**	250 773
	Deferred tax assets set off	**(62 240)**	(52 539)	**(41 776)**	(35 317)
	Deferred tax liabilities after set off	**324 710**	307 545	**231 564**	215 456
	Overall net deferred tax liabilities	**324 526**	307 246	**231 564**	215 456
	Movement in net deferred tax liability				
	Opening net deferred tax liability	**307 246**	324 782	**215 456**	233 880
	Recognised in profit or loss (note 24.1)	**20 171**	(12 990)	**18 870**	(13 468)
	Recognised in OCI (note 24.2)	**(2 891)**	(4 546)	**(2 762)**	(4 956)
	Closing net deferred tax liability	**324 526**	307 246	**231 564**	215 456
25.	**Earnings per share**				
	Group basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E401 125 092 (2016: E285 203 617) and 96 346 320 (2016: 96 346 320) weighted ordinary shares in issue.				
	Company basic and diluted earnings per share is based on profit attributable to ordinary shareholders of E356 198 742 (2016: E164 507 422) and 96 346 320 (2016: 96 346 320) weighted ordinary shares in issue.				
	Basic and diluted earnings per share (cents)	**416.3**	296.0	**369.7**	170.7

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

26. 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 22).

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
27.	**Capital commitments**				
	Approved by the directors:				
	Contracted for	**40 309**	24 657	**29 848**	14 627
	Not contracted for	**337 115**	60 709	**228 675**	46 809
		377 424	85 366	**258 523**	61 436

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.

28. Contingent liabilities

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

	COMPANY		SUBSIDIARY	
	2017 E'000	2016 E'000	2017 E'000	2016 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**	10 000	–	–
South African Revenue Service – VAT	**550**	550	–	–
European Union [€4 658 315 (2016 – €2 810 932)]	**69 248**	49 219	–	–

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.

29. Notes to the statement of cash flows

29.1 Cash generated by operations

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Profit before taxation	**564 047**	392 187	**427 050**	228 614
Adjusted for:				
Depreciation	**181 298**	182 767	**127 297**	124 305
Amortisation of intangible assets	**144**	144	**144**	144
(Increase)/decrease in fair value of biological assets – growing cane	**(139 920)**	52 273	**(110 414)**	68 199
Decrease/(increase) in fair value of biological assets – livestock	**210**	(225)	**210**	(225)
Increase/(decrease) in non-current employee benefits	**12 825**	(3 499)	**8 805**	(2 391)
Profit on disposal of property, plant and equipment	**(770)**	(666)	**(182)**	(550)
Dividend income	**–**	–	**(199 396)**	(8 702)
Finance income	**(33 457)**	(17 854)	**(13 493)**	(7 506)
Finance costs	**4 798**	5 889	**4 784**	5 588
Unrealised currency loss/(gain)	**25 823**	(7 292)	**25 823**	(7 292)
Share of associated company net profit	**(31 026)**	(18 204)	**–**	–
Operating cash flows before movement in working capital	**583 972**	585 520	**270 628**	400 184
Movement in working capital				
Increase in inventory	**(2 812)**	(21 595)	**(8 991)**	(9 106)
Decrease/(increase) in trade and other receivables	**26 527**	(56 676)	**852**	(41 179)
Increase/(decrease) in trade and other payables	**149 308**	8 960	**190 020**	(28 466)
Increase/(decrease) in short term employee benefits	**407**	28 555	**(3 039)**	20 693
	757 402	544 764	**449 470**	342 126

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

		GROUP		COMPANY	
		2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
29.	Notes to the statement of cash flows (continued)				
29.2	Taxation paid				
	Balance owing at 1 April	**27 661**	20 661	**25 067**	4 037
	Current tax charge per statement of comprehensive income (note 24.1)	**142 751**	119 974	**51 981**	77 574
	Balance prepaid/(owing) at 31 March	**10 166**	(27 661)	**34 963**	(25 067)
	Cash amount paid	**180 578**	112 974	**112 011**	56 544
29.3	Dividends paid				
	Balance at 1 April	**93 946**	67 499	**93 946**	67 499
	Declared during the year (note 12.3)	**255 029**	195 997	**255 029**	195 997
	Balance at 31 March	**(79 026)**	(93 946)	**(79 026)**	(93 946)
	Cash amount paid	**269 949**	169 550	**269 949**	169 550

30. Interests in joint operations

30.1 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 Inyoni Yami Swaziland Irrigation Scheme ("IYSIS") in return for a 20% share of all profits or losses derived from operations (see note 30.2).

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

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Statement of comprehensive income				
Share of pre-tax operating profit*	**17 321**	12 103	**–**	–
Non-Current assets				
Property Plant and equipment	**6 511**	8 261	**–**	–
Current assets				
Biological assets – growing cane	**24 461**	19 153	**–**	–
Current liabilities				
Amounts due to partners	**30 972**	27 414	**–**	–

* *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.*

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
30.2 Inyoni Yami Swaziland Irrigation Scheme ("IYSIS")				
The Company holds a 50% interest in the Inyoni Yami Swaziland Irrigation Scheme. This is a partnership with operations in the lowveld of Swaziland (see note 32). The results include the following amounts relating to the Company's interest in the partnership:				
Statement of comprehensive income				
Share of pre-tax operating profit*	**33 125**	16 932	**33 125**	16 932
Statement of financial position				
Non-current assets	**30 596**	34 173	**30 596**	34 173
Current assets	**119 120**	92 151	**119 120**	92 151
Non-current liabilities	**(227)**	(227)	**(227)**	(227)
Current liabilities	**(63 144)**	(55 362)	**(63 144)**	(55 362)
Interest in partnership equity	**86 345**	70 735	**86 345**	70 735
Statement of cash flows				
Cash generated by operating activities	**18 465**	28 884	**18 465**	28 884
Cash outflows from investing activities	**(808)**	(666)	**(808)**	(666)
	17 657	28 218	**17 657**	28 218
Distribution of profits to partners	**(17 515)**	(12 556)	**(17 515)**	(12 556)
Net increase in cash and cash equivalents	**142**	15 662	**142**	15 662
Cash and cash equivalents at beginning of the year	**18 019**	2 357	**18 019**	2 357
Cash and cash equivalents at end of the year	**18 161**	18 019	**18 161**	18 019

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

31. Financial instruments – fair values and risk management

31.1 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 2017 E'000**	**Fair value 2017 E'000**	Carrying amount 2016 E'000	Fair value 2016 E'000
GROUP					
Financial assets measured at fair value					
– Forward exchange contract asset	10	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	10	**60 971**	**60 971**	107 835	107 835
– Cash and cash equivalents	11	**404 253**	**404 253**	180 318	180 318
		465 224	**465 224**	288 153	288 153
Financial liabilities measured at fair value					
– Forward exchange contract liability	16	**–**	**–**	–	–
Financial liabilities not measured at fair value					
– Bank loans	14	**(23 571)**	**(23 571)**	(38 571)	(38 571)
– Other loans	14	**–**	**–**	(30)	(30)
– Bank overdraft	11	**–**	**–**	(2 265)	(2 265)
– Trade and other payables	16	**(381 364)**	**(381 364)**	(232 056)	(232 056)
		(404 935)	**(404 935)**	(272 922)	(272 922)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

31. Financial instruments – fair values and risk management (continued)

31.1 Accounting classification and fair values (continued)

Fair values versus carrying amounts (continued)

	Note	**Carrying amount 2017 E'000**	**Fair value 2017 E'000**	Carrying amount 2016 E'000	Fair value 2016 E'000
COMPANY					
Financial assets measured at fair value					
– Forward exchange contract asset	10	**–**	**–**	–	–
Financial assets not measured at fair value					
– Trade and other receivables	10	**50 828**	**50 828**	64 370	64 370
– Cash and cash equivalents	11	**247 894**	**247 894**	68 719	68 719
		298 722	**298 722**	133 089	133 089
Financial liabilities measured at fair value					
– Forward exchange contract liability	16	**–**	**–**	–	–
Financial liabilities not measured at fair value					
– Bank loans	14	**(23 571)**	**(23 571)**	(38 571)	(38 571)
– Other loans	14	**–**	**–**	(30)	(30)
– Bank overdraft	11	**–**	**–**	–	–
– Trade and other payables	16	**(562 755)**	**(562 755)**	(372 735)	(372 735)
		(586 326)	**(586 326)**	(411 336)	(411 336)

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.

31.2 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 (2016- 88%). 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 (2016 – 11%) 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 Swaziland Sugar Association. 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	
	2017 E'000	2016 E'000	**2017 E'000**	2016 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	**60 971**	107 835	**50 828**	64 370
Cash and cash equivalents	**404 253**	180 318	**247 894**	68 719
	465 224	288 153	**298 722**	133 089
The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:				
Domestic	**55 122**	70 216	**44 979**	26 751
Europe	**3 311**	32 504	**3 311**	32 504
South Africa	**2 538**	5 115	**2 538**	5 115
	60 971	107 835	**50 828**	64 370
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Sugar debtors	**36 604**	54 800	**35 904**	17 469
Ethanol debtors	**6 247**	37 619	**6 263**	37 619
Other	**18 120**	15 416	**8 661**	9 282
	60 971	107 835	**50 828**	64 370
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:				
Swaziland Sugar Association	**18 108**	18 834	**9 525**	10 309
Ethanol customers	**6 247**	37 619	**6 263**	37 619
Related parties	**20 203**	31 562	**26 255**	5 901
Other	**16 413**	19 820	**8 785**	10 541
	60 971	107 835	**50 828**	64 370
Impairment				
The ageing of trade and other receivables at the reporting date was:				
Not past due	**59 373**	106 847	**49 463**	63 382
Past due over 90 days	**2 131**	2 020	**1 784**	1 454
Impairment on past due receivables	**(533)**	(1 032)	**(419)**	(466)
	60 971	107 835	**50 828**	64 370
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**	1 032	**466**	466
Impairment loss reversed	**(499)**	–	**(47)**	–
Balance at 31 March	**533**	1 032	**419**	466

The impairment loss allowance at 31 March 2017 relates to numerous individually insignificant customers who failed to honour their past due debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

31. Financial instruments – fair values and risk management (continued)

31.2 Financial risk management (continued)

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.

At year end the Group had overdraft facilities of E165 million (2016 – E165 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 10.75%) less 1% (2016 – 10.0% 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
GROUP					
2017					
Non derivative financial liabilities					
Bank loans	**23 571**	**(27 106)**	**(17 440)**	**(9 666)**	**–**
Other unsecured loans	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**381 364**	**(381 364)**	**(381 364)**	**–**	**–**
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Dividends payable	**79 026**	**(79 026)**	**(79 026)**	**–**	**–**
Derivative financial liabilities					
Forward exchange contracts	**–**	**–**	**–**	**–**	**–**
	483 961	**(487 496)**	**(477 830)**	**(9 666)**	**–**
2016					
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)	–

	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
COMPANY					
2017					
Non derivative financial liabilities					
Bank loans	**23 571**	**(27 106)**	**(17 440)**	**(9 666)**	**–**
Other unsecured loans	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**562 755**	**(562 755)**	**(562 755)**	**–**	**–**
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Dividends payable	**79 026**	**(79 026)**	**(79 026)**	**–**	**–**
Derivative financial liabilities					
Forward exchange contracts	**–**	**–**	**–**	**–**	**–**
	665 352	**(668 887)**	**(659 221)**	**(9 666)**	**–**
2016					
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)	–

For derivative financial liabilities the gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to such 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 14 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

31. Financial instruments – fair values and risk management (continued)

31.2 Financial risk management (continued)

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	
	2017 '000	2016 '000	**2017 E'000**	2016 E'000	**2017 '000**	2016 '000	**2017 E'000**	2016 E'000
Euro cash in bank	**3 645**	1 210	**50 531**	19 749	**3 645**	1 210	**50 531**	19 749
Euro trade receivables	**596**	218	**8 255**	3 558	**596**	218	**8 255**	3 558
US Dollar cash in bank	**11 640**	1 065	**151 081**	15 365	**11 640**	1 065	**151 081**	15 365
US Dollar trade receivables	**96**	2 006	**1 243**	28 947	**96**	2 006	**1 243**	28 947
US Dollar trade payable	**478**	478	**6 653**	7 395	**478**	478	**6 653**	7 395
Euro Forward exchange contracts (inflows)	**–**	–	**–**	–	**–**	–	**–**	–
US Dollar Forward exchange contracts (inflows)	**–**	–	**–**	–	**–**	–	**–**	–

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

	Reporting date			
	Bank buying rate		Bank selling rate	
	2017	2016	**2017**	2016
USD 1	**12.98**	14.43	**13.96**	15.47
GBP 1	**16.20**	20.68	**17.37**	22.18
EURO 1	**13.86**	16.32	**14.87**	17.51

	Average rate	
	2017	2016
USD 1	**14.06**	13.79
GBP 1	**18.44**	20.74
EURO 1	**15.45**	15.23

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 2016. 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	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
USD	**14 567**	1 996	**14 567**	1 996
Euro	**5 879**	1 975	**5 879**	1 975
GBP	**–**	–	**–**	–
Interest rate risk				
The Group does not have a formal policy to manage exposure to changes in interest rates. Management do 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:				
Profile				
Fixed rate instruments				
Financial liabilities	**–**	(30)	**–**	(30)
Variable rate instruments				
Financial assets – call deposits	**117 336**	126 653	**1 534**	17 631
Financial liabilities	**(23 571)**	(40 836)	**(23 571)**	(38 571)
	93 765	85 817	**(22 037)**	(20 940)

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 2016.

	GROUP		COMPANY	
	100 bp increase E'000	100 bp decrease E'000	**100 bp increase E'000**	100 bp decrease E'000
31 March 2017				
Net cash flow sensitivity of variable rate instruments	**(543)**	543	**(505)**	505
31 March 2016				
Net cash flow sensitivity of variable rate instruments	**(890)**	890	**(662)**	662

NOTES TO THE FINANCIAL STATEMENTS (continued)

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32. Related parties

Significant related party relationships exist between the Company and:

- major shareholders, Tibiyo Taka Ngwane, 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 7; and
- subsidiary and associate companies as stated in notes 6 and 7.

A subsidiary company has entered into a partnership agreement with Inyoni Yami Swaziland Irrigation Scheme ("IYSIS") an organisation controlled by Tibiyo Taka Ngwane 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 30.1). 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 arms' 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.

32.1 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	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Amounts owing by related parties				
The following amounts are due from related parties at year end:				
IYSIS/MSCo Sugar Partnership	**18 333**	27 840	**8 725**	5 398
IYSIS	**207**	2 377	**80**	23
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**16 892**	–
Mananga Sugar Packers (Proprietary) Limited	**997**	788	**–**	30
Mhlume Country Club	**108**	107	**–**	–
Simunye Country Club	**131**	322	**131**	322
Simunye Plaza	**427**	128	**427**	128
	20 203	31 562	**26 255**	5 901
Amounts owing to related parties				
IYSIS/MSCo Sugar Partnership	**16 892**	15 540	**26 693**	33 237
Mhlume (Swaziland) Sugar Company Limited	**–**	–	**318 290**	188 285
Mhlume Water	**1 593**	–	**–**	–
Royal Swazi Distillers (Proprietary) Limited	**–**	–	**13 413**	12 204
Tibiyo Taka Ngwane	**9 491**	10 949	**–**	116
RCL Foods Sugar and Milling (Proprietary) Limited	**150**	270	**150**	270
	28 126	26 759	**358 546**	234 112

32.2 Related party transactions

Transactions are on an arms' length basis and include the following un-eliminated transactions:

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Share of IYSIS/MSCo Sugar partnership profit	**20 878**	12 103	**–**	–
Share of IYSIS partnership profit	**33 124**	16 932	**33 124**	16 932
Water cost paid to Mhlume Water	**648**	555	**648**	555
Mhlume Water – water charged to IYSIS	**29**	26	**29**	26
Mhlume Water – water charged to IYSIS/MSCo Sugar partnership	**2 239**	2 316	**1 493**	1 544
Mhlume Water – water `charged to Mhlume (Swaziland) Sugar Company Ltd	**4 679**	4 607	**–**	–
Interest paid – Royal Swazi Distillers (Proprietary) Limited	**–**	–	**(1 221)**	(1 008)
Management, marketing and technical fees (paid)/received:				
– RCL Foods Sugar and Milling (Proprietary) Limited	**(2 020)**	(3 235)	**(2 020)**	(3 235)
– Mhlume Water	**2 429**	2 490	**2 429**	2 490
– Mananga Sugar Packers (Proprietary) Limited	**896**	764	**896**	764
– Tibiyo Taka Ngwane	**3 608**	3 519	**3 608**	1 212
	4 913	3 538	**4 913**	1 231

Directors' emoluments are disclosed in note 21.

32.3 Compensation for key management personnel

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Short term benefits	**15 356**	19 709	**8 754**	11 234
Other long term employee benefits	**10 841**	8 375	**6 179**	4 774
	26 197	28 084	**14 933**	16 008

32.4 Related party contingent liabilities and commitments

Related party contingent liabilities and commitments are disclosed in note 28.

32.5 Impairments

There are no impairments on amounts due from related parties.

33. Operating leases

Where the Group is a lessee

Future operating lease commitments in respect of operating leases outstanding at year end were as follows:

	GROUP		COMPANY	
	2017 E'000	2016 E'000	**2017 E'000**	2016 E'000
Payable within one year of reporting date	**2 481**	2 159	**2 481**	2 159
More than one year and less than five years from reporting date	**9 611**	9 425	**9 611**	9 425
Five years or more from reporting date	**16 791**	17 172	**16 791**	17 172
	28 883	28 756	**28 883**	28 756

The Group leases land as detailed in note 3. 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.

ABBREVIATIONS AND ACRONYMS

ACP	Africa, Caribbean and Pacific
BOM	Bills of Materials
CDC	Commonwealth Development Corporation
CMP	Comprehensive Mitigation Plan
CMS	Concentrated molasses stillage
CSI	Corporate Social Investment
CXL	An EU import duty on sugar
DIFR	Disabling Injury Frequency Rate
EAP	Employee Assistance Programme
EIA	Environmental Impact Assessment
EIT	Engineers-in-Training
ENA	Extra Neutral Alcohol
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EU	European Union
EVP	Employee Value Proposition
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	Liters 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
MSP	Mananga Sugar Packers
NERCHA	National Emergency Response Council on HIV and Aids
OSM	Office of Strategy Management
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

FORM OF PROXY

The Royal Swaziland Sugar Corporation Limited
Annual General Meeting
To be held on 15 September 2017

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 15th day of September 2017 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..2017.

Name (in full) and address

....

....

....

....

Signature ....

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Nineth 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, 15 September 2017 at 2:00pm for the following purposes:

1. To receive the Chairman's report for the year to 31 March 2017.
2. To receive and adopt the Group Financial Statements for the year ended 31 March 2017, together with the related reports of the Directors and Auditors.
3. To authorize the Directors to re-engage the Auditors for the 2017/18 financial year and to fix the remuneration of the Auditors.
4. To approve the remuneration paid to Directors during the year ended 31 March 2017.
5. To note the replacement or re-appointment of Messers JN Gule, ZR Magagula, MSM Shongwe and B Mkhaliphi 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 2:00pm, on 15 September 2017.

By order of the Board.

L S Masango
Company Secretary

01 August 2017

REGISTERED OFFICE
The Royal Swaziland Sugar Corporation Ltd
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L301
Swaziland

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