THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

INTEGRATED REPORT 2014

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RSSC will be a leading producer and marketer of sugar and renewable energy

Abbreviations and Acronyms

A number of acronyms are used for the names of products, systems, stakeholders and other terms. To assist readers they are defined below:

AMS	AIDS Management System
CMS	Concentrated Molasses Stillage
COD	Chemical Oxygen Demand
DIFR	Disabling Injury Frequency Rate calculated as the Number of disabling incidents x 200 000 / Total man-hours worked per month
ETP	Effluent Treatment Plant
EU	European Union
EXCO	Executive Committee
IRR	Internal Rate of Return
ISO	International Organisation for Standardisation
LTA	Loss Time Available
LTM	Long Term Mean
MSP	Mananga Sugar Packers
NERCHA	National Emergency Response Council on HIV/AIDS
OHSAS	Occupational Health and Safety Assessment Series
REACH	Registration, Evaluation and Authorisation of Chemicals
ROSE	Return On Shareholders' Equity
RSSC	The Royal Swaziland Sugar Corporation Limited
SACU	Southern African Customs Union
SADC	Southern African Development Community
SASRI	The South African Sugarcane Research Institute
SSA	Swaziland Sugar Association
UDL	Undetermined losses
VHP	Very High Polarisation
2014	2014 and any other year mentioned shall refer to a financial year and not a calendar year
F2015	Refers to forecast for the 2015 financial year, not calendar year

We have also used abbreviations for units as follows:

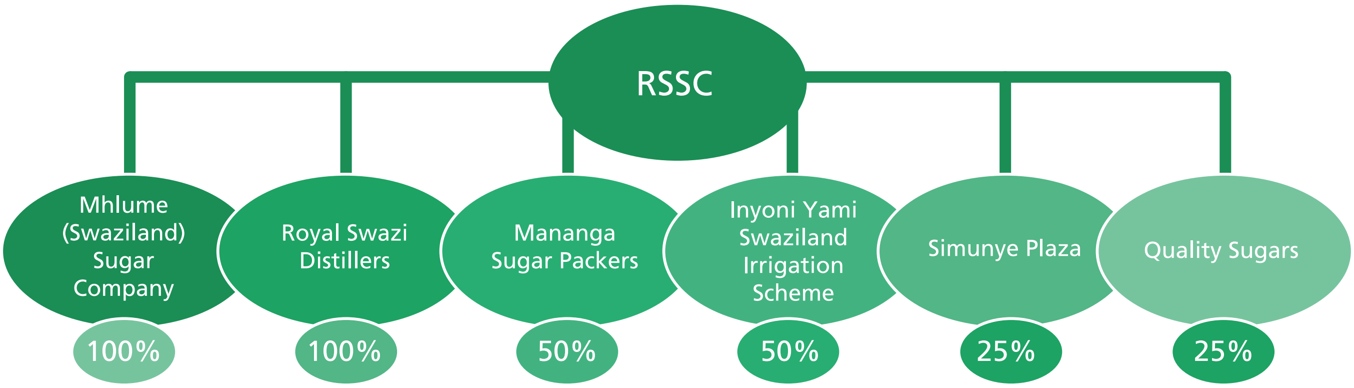
bn	billion
E	Emalangeni
ha	hectares
kl	kilolitres
kwh	kilowatt hour
LAA	Litres of Absolute Alcohol
m	millions
m3	Cubic metres
mg/l	milligrams per litre
Ml	Mega litres
mm	millimetres
Mt	Million tonnes
MTTQ	Metric Tonne Tel Quel
MW	Megawatt
Pol	polarity
t	tonnes
tc/ha	tonnes cane per hectare
tc/hr	tonnes cane per hour

About This Report

Welcome to RSSC's third Integrated Report, in which we aim to communicate to our stakeholders the collective thinking applied to material issues impacting on our ability to create long-term value. Throughout the report we address the challenges faced by the Group, as well as opportunities and external drivers influencing the Group's strategy.

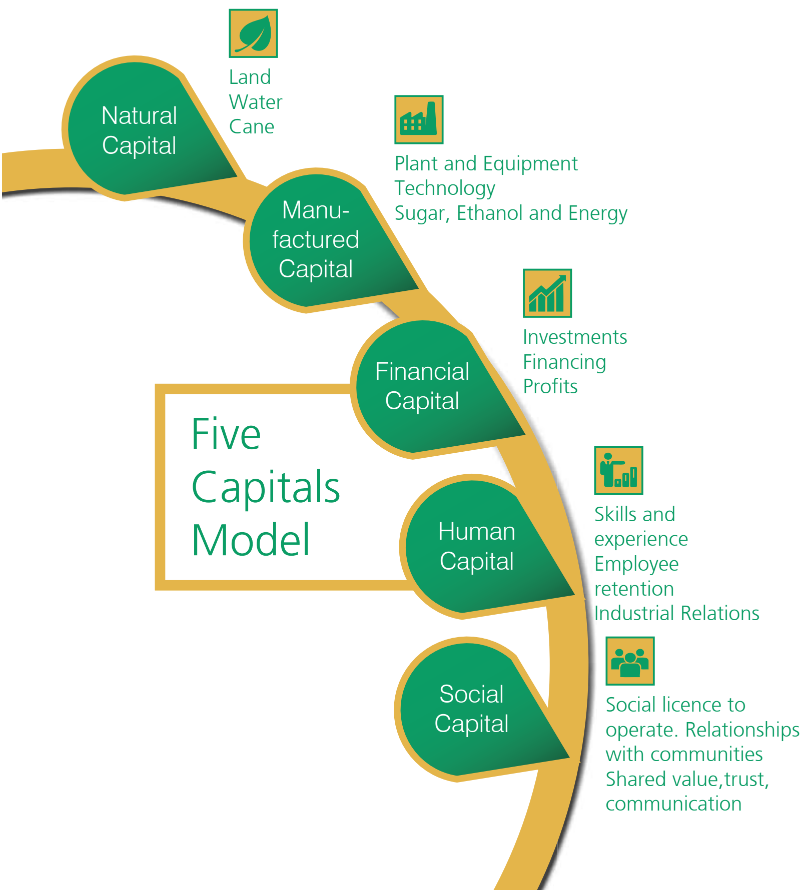
The Integrated Report is the primary report to our stakeholders and includes corporate governance and financial information, which are also available in full on our website (www.rssc.co.sz). The scope of this report includes entities over which we exerted significant control or influence for the year 1 April 2013 to 31 March 2014.

Figure 1: Structure of the Royal Swaziland Sugar Corporation



Once again, the structure of our report follows the Five Capitals Model, as developed by the Forum for the Future. This model provides a basis for understanding sustainability in terms of the economic concept of wealth creation or 'capital' for a broad group of stakeholders, from the natural environment to the societies in which we operate. (Figure 2)

Figure 2: the Five Capitals Model



The Royal Swaziland Sugar Corporation at a glance

The Royal Swaziland Sugar Corporation Limited (RSSC), is one of the largest companies in Swaziland and is located in the north-eastern Lowveld. We employ over 4,000 people and produce two-thirds of the country's sugar and a significant quantity of ethanol.

Listed on the Swaziland Stock Exchange, RSSC is owned by several hundred shareholders, the majority shareholder being Tibiyo Taka Ngwane with 53.1%, followed by Tsb Sugar International (Proprietary) Limited with 26.3%. Other shareholders include the Swaziland Government, the Nigerian Government, Coca-Cola Export Corporation Limited and Booker Tate Limited.

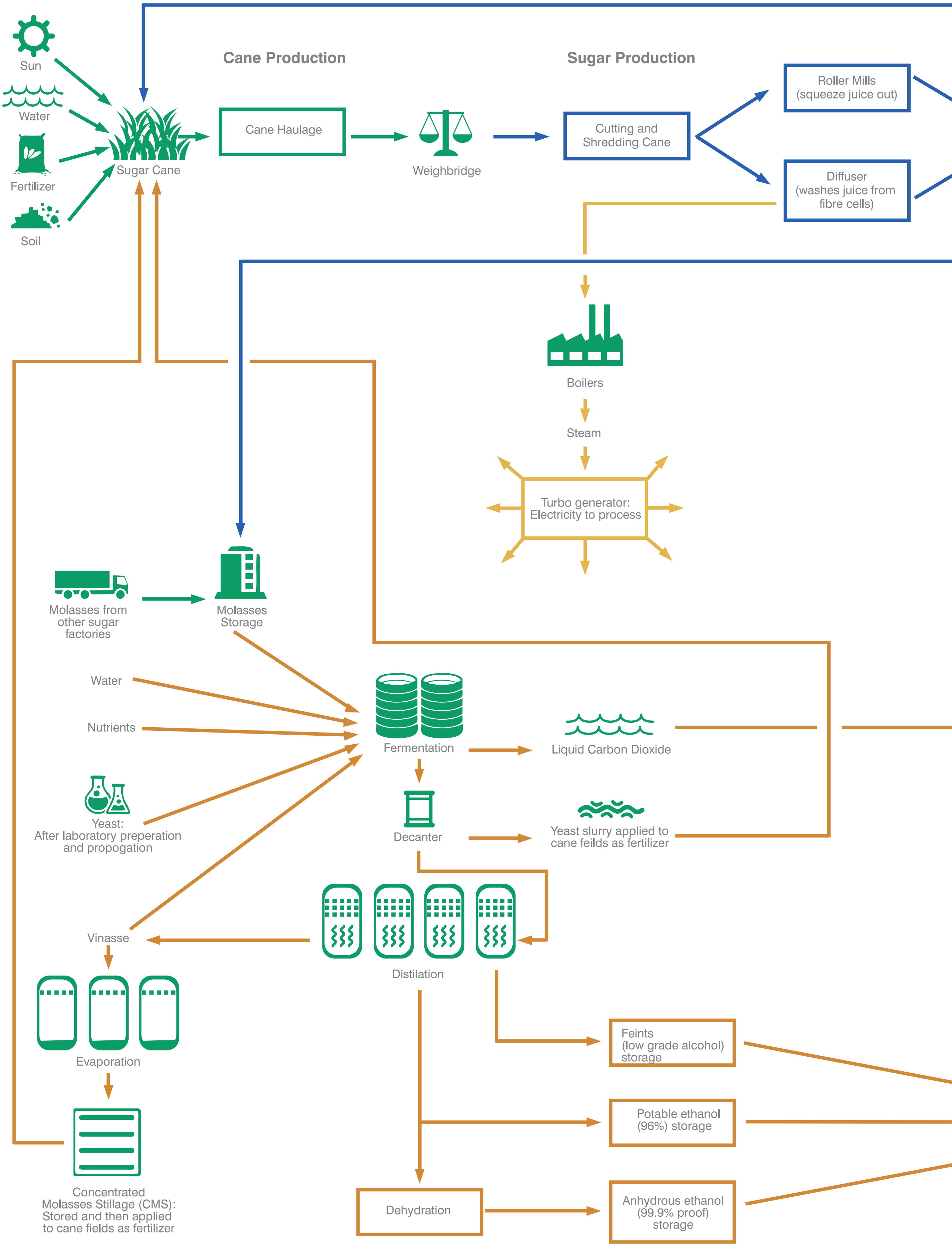
We manage a total of 21,901ha of irrigated sugar cane on two estates leased from the Swazi Nation and further manage 5018ha on behalf of third parties, which collectively delivered 2,162,767t of cane this year to the Group's two sugar mills: Simunye and Mhlume.

These two mills currently crush cane at a combined throughput of 780tc/hr, and produced 433 255t of sugar (96°Pol) this season. RSSC also operate a sugar refinery at the Mhlume Mill with a capacity of 170,000t of refined sugar; and a 32Ml capacity ethanol plant adjacent to the Simunye mill.

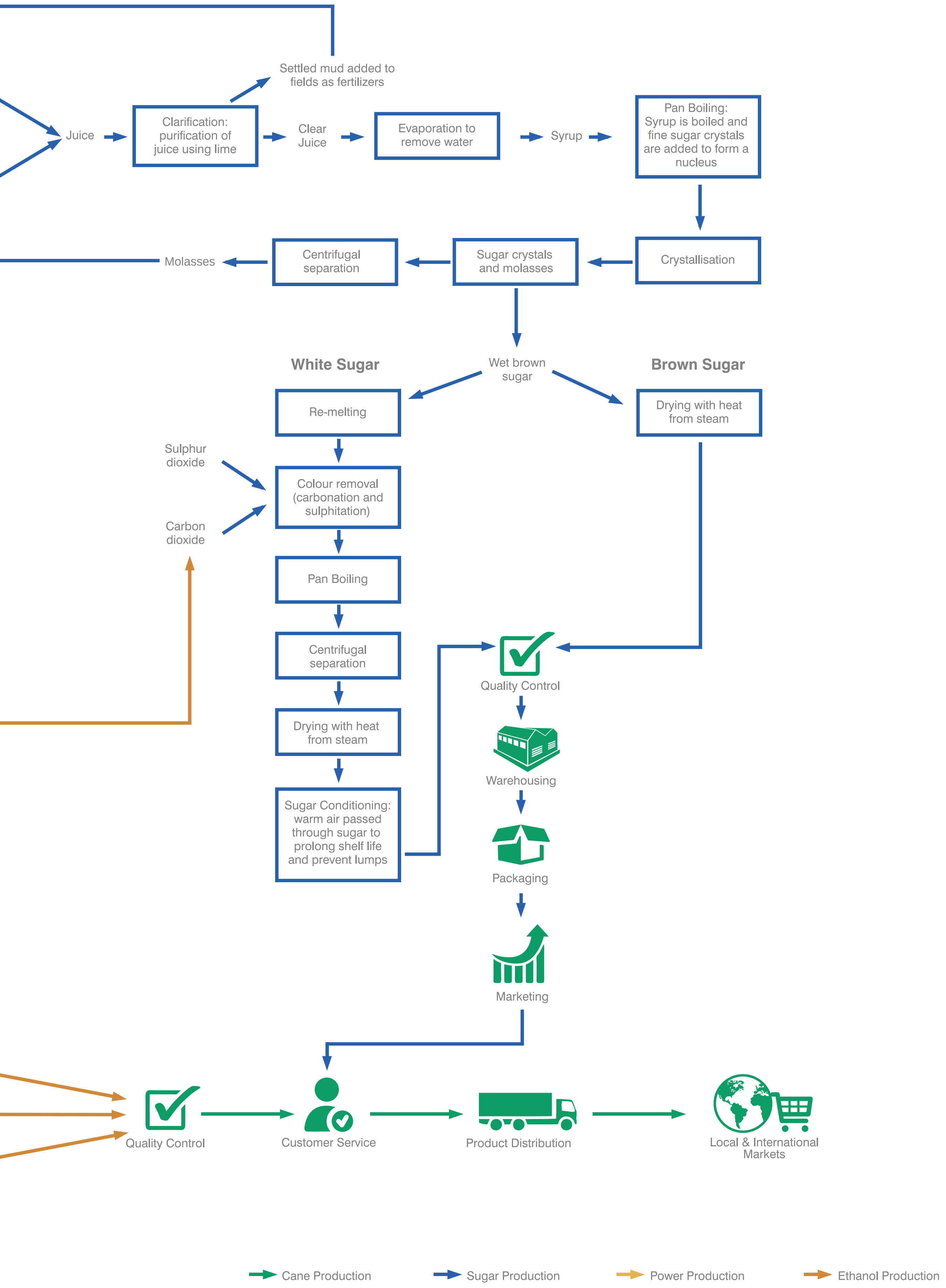
We play a significant role in the development of rural Swaziland, with over 2,500 families currently involved in sugar cane production as small-scale farmers who deliver to our two mills. From a land area measuring 12,300ha, they produced 1,263,178t of sugar cane this year and supply a total of 41% of the cane we crush.

Introduction

Overview of the RSSC Production Processes



Overview of the RSSC Production Processes



Introduction

Innovation, investment and growth

Highly competent and motivated people

Mission:
RSSC will be a leading producer and marketer of sugar and renewable energy

Working in an efficient, sustainable and environmentally conscious manner

Adopting high standards of corporate governance

Values:
RSSC shares the following important and lasting ideals and beliefs:

Integrity:
We are fair, honest and open

Delivery:
We meet our targets and deadlines

Respect:
We respect, value and care for our people

Corporate Objective:
To maintain the Return on Stakeholders Equity (ROSE) at a sustainable 20%

In 2013/14, RSSC achieved cane yields of
102 tc/ha

Sugar is one of the fastest growing soft commodities with demand increasing by
2% a year.

Strategic objectives

Sugar is one of the fastest growing soft commodities, with demand increasing by some 2% per year as the world's population rises and those in emerging markets gain higher incomes. To meet this growing demand, production needs to be enhanced and more land needs to be turned over to cane production.

Although RSSC is one of the most efficient and lowest cost sugar producers in the region, we cannot afford to be complacent. Against a background of changing market dynamics, RSSC needs to enhance productivity, lower unit costs of production, and increase margins in order to remain competitive in increasingly challenging domestic, regional and global markets.

Expansion is one of the main elements of RSSC's Strategic Plan for the following reasons:

- A 'no growth' scenario is not sustainable in the longer term: cost inflation would exceed sugar price increments and profitability, and the key financial ratios would decline;
- RSSC's cane supply is showing an increasing trend, as a result of yield improvement and new areas which are, or could come under cane;
- In a business such as sugar with a high proportion of fixed costs, expansion will result in a reduction of average unit costs;
- Given the likely significant rise in energy prices in the region, RSSC has the potential, through expansion, to both reach energy self-sufficiency and become a long term 'green' power exporter;
- A key constraint to the ethanol business is the insufficient supply of feedstock such that the plant has to close during the last three months of the year. The expansion of cane supply leading to greater molasses volumes will go some way towards addressing this issue.

The above factors support the case for RSSC's growth strategy, which is based on the following broad objectives:

1. Increase cane supply
2. Optimise operational efficiencies and cost savings
3. Business growth and investment
4. Improve sugar and ethanol marketing
5. Become a producer of energy
6. Optimise human capital

The following medium-term corporate targets and objectives have been set:

Items	Targets/Objective	2014 Performance	Report Reference
Cane supply	Increase cane supply to over 4.5 million tonnes	3,365,055t of cane was delivered this year	Natural Capital, page 16
Cane yields	Achieve and sustain yield of 115 tc/ha Increase outgrower yields to 106 tc/ha	102tc/ha was achieved, compared to 112tc/ha in 2012/13, due to the harvesting of young cane. Outgrower yields decreased marginally from 104.6tc/ha to 102.7tc/ha	Natural Capital, page 16
Sugar production	Achieve over 570,000 tonnes sugar production (96° Pol equivalent)	Mills produced 442,756t of sugar (96°Pol) this season	Manufactured Capital, page 28
Ethanol production	More than 40m LAA (95% potable ENA)	A total of 29.67m litres of absolute alcohol (LAA) were produced compared to a budget of 31.40m LAA	Manufactured Capital, page 34
Sugar sales	A restructured industry in which RSSC has marketing control over its own sugar	Much work had been completed but the growers decided to withdraw	Financial Capital, page 43
Investment return	A sustainable 20% ROSE	ROSE decreased from 29% in 2013 to 23.6% in 2014	Financial Capital, page 43
Human resources	Ensure critical skills are in place	Engineering skills have been sourced and the favourable impact is already visible	Human Capital, page 50
Corporate brand	Be a recognised corporate citizen	A wide variety of initiatives to improve our positive impact on the communities in which we operate	Social Capital, page 60

Stakeholder Engagement

Stakeholder	Material issues to each Stakeholder	Communication Forums
Shareholders, Investors and Financiers	• Financial profitability • Return on investment and ROSE • Foreign exchange for the country • Job creation • Skills retention and attraction • Industry review • Electricity costs and power generation • Country risk, macro-economic and social Issues	• Board meetings & Board Sub-Committee meetings • Quarterly briefings • Press statements • Integrated Report • Website • Public Affairs
Employees	• Skills: career opportunities within RSSC and facilities to progress within the company (publishing training courses, standards at each level, performance feedback, leave availability) • Job security • Accessibility to company performance information • Employee motivation • Social services: schooling, housing, water, electricity, recreation, security, health and welfare facilities • Wage competitiveness and benefits • Transparency on performance management processes • Health and Safety	• Annual plan and quarterly skills plan • Intranet • Notice boards • Management Briefs • Newsletter • Monthly communication letter, quarterly briefing sessions, Press statements, Integrated Report • Intranet for collective agreement and recognition agreement • HR Procedure manual • Daily incident reports and quarterly briefings to group of 70 • Employee-management consultative forums • Human Resources consultants • Monthly briefings to all employees • Quarterly meetings between MD, SAMASA and SAPWU • Employee-Management Consultative Forums • Individual Employment Contracts • Company policies and procedures • IMS meetings (feedback from internal audits) • Tripartite Forum
Graduates		• Visits to tertiary institutions in Southern Africa (Swaziland and South Africa) career expo • Website
Customers (Swaziland Sugar Association)	• Quality • Food Safety (no foreign matter, contamination, colour, health risks, etc.) • Management systems and standards of production (including Health and Safety) • Product traceability • Volume accounting, including security, risk, fraud and theft • Logistics (dispatching sugar to customers) • Bagging, labelling, accuracy of information	• Quality certificates for each customer (moisture, turbidity, POL, etc.) • External audit reports (TUV, NQA) • Daily and monthly stock take reports • Monthly production reports • Warehouse management system: daily, weekly, monthly and season-to-date reports
Consumers (end-users of sugar, ethanol, stillage)	• Quality • Food safety (no foreign matter, health risks, etc.) • Product traceability • Religious compliance (Kosher, Halaal) • Retail and beverage producers (Pick 'n Pay, Coca Cola)	• Batching system audit reports (external auditors hired by consumers) • External audit reports • ISO certifications

Stakeholder Engagement (continued)

Stakeholder	Material issues to each Stakeholder	Communication Forums
Smallholder Outgrowers	• Mill availability • Analysis of cane, integrity of systems, consistency between the mills • Crushing schedule for season • Allocation of time slots for off-loading and turn-around times • Industry autonomy review	• SSA Council • Mill group meetings • Cane Testing Committee • Cane Growers Association • Daily mill meetings • Extension Committee: Technical Assistance • Revolving Fund Meetings
Suppliers	• Terms of payment • Financial sustainability of RSSC • Strategic direction of RSSC • Tender Process: scoring mechanisms, transparency of the tender evaluation process • VAT legislation in Swaziland • Harvesting schedules: delays due to interruptions to mill production, rainfall, etc. • Changes in cane varieties	• Contractual terms and tender documentation • Integrated Report • Tender policy • Site meeting • Scoring criteria • Tender opening process • Tender evaluation and adjudication • Supplier forums, site visits, tender documentation • Morning meetings • Contract management meetings
Neighbours – Hlane Game Reserve, Lulombo Conservancy and Villages	• Impacts on biodiversity: fence maintenance, drainage, poaching, general environmental issues • Impacts on water releases from RSSC and water abstraction (quantity and quality)	• Quarterly meeting with Hlane Game Reserve and Lubombo Conservancy • Monthly meetings with Mhlume Water, including allocations and projections for water abstractions
Employee Organsitions (SAMASA and SAPWU)	• Production, operational efficiencies and financial performance of the company including ROSE • Wage competitiveness, benefits, working conditions (Health and Safety, shifts, hours of work) • Collective bargaining process outcomes	• Monthly and quarterly briefing with management • Financial performance information pack • Wage and salary bill • Swaziland economic data • Departmental: monthly consultation meetings with management • Corporate: monthly and annual consultation forums team building sessions for wage negotiation teams • Monthly briefs and individual letters • Toolbox talk sessions • Mass meetings with members (Unions)

Materiality

The material issues and challenges covered in this report are those that our stakeholders and management believe have the potential to significantly affect the Group's achievement of its strategic objectives. In identifying these issues, we consider external factors, the regulatory environment, input from our relevant stakeholders and key risks of the business:

External factors: Our business is affected by a range of external factors including global and local economic trends, the political landscape, foreign exchange rates and shifts in the competitive landscape. These issues are considered at operational and Board levels in determining our risks, opportunities, strategy and focus areas.

Regulatory environment: Existing and proposed legislation can materially impact our operations and we continually evaluate the regulatory environment to ensure our business proactively responds to new legislation and changes in existing legislation.

Stakeholder engagement: Ongoing robust engagement with a broad range of stakeholders directly affects the decisions taken by management and the ongoing evolution of our business strategy.

Business risks: Our risk management committee drives an ongoing risk assessment process to identify and rank our key risks (and, in most cases, possible opportunities) according to their probability and potential to materially impact our operations.

Material Issues

Issue	Response	Effect	Perspective
Supply of feedstock for our factories	Quotas for Citrus (113ha) and Ekuthuleni (500ha) expansion projects approved. Successful accelerated replant programme. Low cane yields due to a long harvest season in 2012/13	Overall lower volumes of cane received at mills	• Strategic – growth and continuity • Operational – cane supply
Unpredictable weather conditions	Impact of changing weather patterns and events (e.g. hail)	Impact on future productivity and planning	• Operational – impacts on planning
Environmental compliance	Ensuring strict compliance with regulations	Impacts on relationship with regulatory bodies and reputation	• Reputational – regulatory compliance
Low efficiencies and recovery rates	Improved efficiencies and recovery rates in the context of poor cane yields	Impacts on direct manufacturing costs and sucrose content	• Financial – direct cost • Operational – production efficiencies
Increasing electricity costs	Becoming a producer of energy	Impacts on direct costs and ultimately profitability	• Financial – profitability
Ethanol storage capacity	Increasing ethanol storage capacity	Improved marketing potential and profitability by maintaining sales throughout the year	• Financial – profitability
Engineering skills shortage	Filling critical engineering roles	Growing talent pipeline to improve productivity	• Strategic – ability to compete • Operational - production
Skills retention	Talent attraction and retention	Enabling growth through the acquisition of required skills	• Strategic – growth • Operational – production efficiencies
High HIV/AIDS prevalence rates in Swaziland	HIV/AIDS management programme	Socio-economic conditions of communities	• Reputational – social responsibility
Employee wellness	Integrated wellness programme	Healthier and happier workforce	• Operational - production
Fatality	Continually improving occupational health and safety	Improving employee safety	• Reputational – social licence to operate
EU Sugar Reform	Undertake a business optimisation study	Lower sugar prices from 2014 onwards	• Growth and sustainability • Improved operational efficiencies
Meeting strategic objective of 20% ROSE	Improved financial performance	Improved financial results	• Financial – increased return on owner's equity
Improving operational efficiencies	Implementation of SAP across the Divisions	Increased efficiencies and quality of information	• Operational efficiency

How to use this report

Our Integrated Report covers the material issues of the last financial year. Data is measured according to specific indicators throughout the report, particularly with reference to tables and graphs. Data is evaluated according to the Group's policies, procedures, codes and guidelines, which have been developed to meet international best practice. Where possible, data measurement is implicitly defined via units of measure.
Data recorded from prior years has been provided for the purposes of comparison.

All operations owned by RSSC within Swaziland, as detailed on page 3, have been included for reporting purposes. No external assurance of this report has been conducted, nor was any intended. Our objective is to report in accordance with the G4 indicators of the Global Reporting Initiative in future years. For 2014, therefore, we have not declared our level of reporting.

Highlights for the year 2014

- Revenue decreased by 11% from the previous years
- Accelerated replant programme successfully implemented
- Quota applications for the Citrus (133ha) and Ekuthuleni (500ha) expansion projects approved
- Lower cane yields of 102tc/ha achieved against a budget of 109tc/ha, primarily due to the long harvest season in 2013, and the subsequent harvesting of younger cane in 2014
- Swift management response to cane that was affected by hail storms, aphids, thrips and trash worm
- Crop harvesting completed on time in December
- Successful repair of the 30MW turbo alternator at Simunye mill
- Increase in ethanol storage capacity by 1.5Ml
- Initiated implementation of a SAP ERP system, to be completed in 2015
- FSSC certification of Mhlume Refinery
- Return on shareholders' equity of 23.6% was achieved
- Skills attraction and retention remains a challenge
- The DIFR rate remained below 1.0. However, we experienced a fatality in 2014

Total cane crushed for the 2013 season was
3.365Mt
of cane.

As a general rule of thumb, each year **10%** of the estate area needs to be replanted in order to maintain optimum average ratoon age.

Chairman's Statement

AT Dlamini

I am pleased to announce that the Royal Swaziland Sugar Corporation posted good results with income attributable to owners of the Group amounting to E372m compared to E414m last year. This is a commendable result and is the second highest in the history of RSSC.

The primary challenges faced during 2014 financial year include:

- Sugar market changes including competition from Brazilian imports and a more competitive EU market;
- A mechanical failure in the new 30MW turbo alternator;
- Reduced cane yields resulting from the harvest of young cane after the long season in 2013;
- Negative impacts on cane yields from hailstorms over a significant area of cane, and
- Continued difficulty in recruiting specialist skills.

We are particularly proud of a number of achievements during the year, including:

- The successful repair of the 30MW turbo alternator prior to year end;
- FSSC certification of Mhlume Refinery;
- Increase in ethanol storage capacity by 1.5Ml, thereby allowing sales of ethanol throughout the year, and
- Progress in the implementation of SAP systems across the Group.

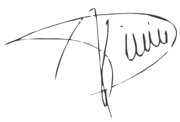
These and other significant achievements and challenges experienced throughout the year are detailed in the Managing Director's Report. I wish to congratulate him and everyone at RSSC for working together to achieve such an admirable performance over the past year.

Going forward, Swaziland needs to prepare itself for a more competitive EU market, characterised by trade liberalisation and reform measures. These will inevitably cause a drop in sugar prices and we need to continually explore ways to remain competitive and uphold our current position in the market. As a result of these shifts in the market, our expected profits are forecast to be lower than in the current year. In order to ensure that we remain competitive, we are undertaking a business optimisation review, which will provide guidance in respect of future operations.

On behalf of the Board, I would like to express my gratitude to the Executive Committee, the management team and staff for their hard work and commitment. My appreciation also extends to the Board Members whose continued support, insight and input into the company's strategy is greatly appreciated.

Without the effort and dedication of every RSSC employee, we would not have been able to achieve these results. It is therefore with deep gratitude and appreciation that I thank everyone, including our contractors, who demonstrated their belief in our strategy and commitment to our ethics and values throughout the year.

I look forward to building on our successes in the year to come.



Chairman
AT Dlamini

Nick Jackson

This year has been successful and challenging in equal parts for RSSC. While we were unable to achieve the same record levels of profit and production as last year, we focused significantly on enhancing talent and knowledge management within the Group.

Income attributable to owners of the Group was recorded at E372m, slightly down from the E414m recorded in the previous financial year. This making it the second highest profit in the history of RSSC. Sugar volume was lower than the previous year, but the sugar price was up from the last financial year to E5,368 per tonne this year. This was largely due to improved EU prices, more favourable exchange rates and hedging initiatives pursued by the Swaziland Sugar Association (SSA).

This year's yields were down on last year's all-time high yields. What do you attribute this to?

While we increased our estate and outgrower area under cane, we recorded a decrease in cane yields on our estates, with a yield of 102 tc/ha against the budgeted 109 tc/ha. This was down from our highly successful yield of 112 tc/ha in the previous year. This decrease can be attributed to a long season in the previous year, which led to the harvesting of younger cane. In addition, our cane was affected by adverse weather conditions including severe hail storms and resulted in large areas being cut back. We also experienced an aphid outbreak for the first time. We are proud of our agriculture managers who responded timeously to these setbacks, ensuring faster recovery and the least possible loss in yield.

Ethanol production from the distillery also decreased marginally this year. A total of 29.67m litres of absolute alcohol (LAA) were produced compared to a budget of 31.40m LAA. The total production was 4.6% less than the 31m LAA produced in 2013 as a result of the reduced availability of molasses.

The yield of ethanol from molasses increased for this season compared to the previous season, primarily due to the introduction of yield-enhancing enzymes in the ethanol production process. The overall to-date yield for the year improved to 225l/t molasses, up from 218l/t in 2012, but still below the budget of 230l/t. However, the distillery throughput performance that was achieved was outstanding, as we produced an average of 136kl per day, a milestone that was achieved for the first time since the distillery expansion in 2007.

Your new 30MW Turbo Alternator (TA) developed a serious fault in April 2013 shortly after commencing operation. How was this dealt with?

Two problems were identified with the 30MW TA. Initially, there were excessive vibrations at start up, which resulted in the TA being stopped and opened up for inspection. The inspection revealed some corrosion of the TA rotor, caused by faulty exhaust pipework design. We spent a couple of weeks reinstating the previous power generation equipment (existing turbines, which were scheduled to be mothballed), compelling us to utilise supplementary power from the national grid during this time.

During repairs of the 30MW TA set, we maintained a close partnership with the selected service provider, Triveni Turbines. Due to the urgency of the project, RSSC sent a senior Engineering Manager to be based at the Triveni Turbines Workshops for the most critical phase of the repair. This decision facilitated quick decision making, good communication and full disclosure and understanding of all material facts between RSSC and Triveni Turbines. The 30MW TA was successfully repaired, commissioned and operational by 31st March 2014.

With environmental issues increasingly under the spotlight, what are you doing to ensure compliance?

RSSC is setting the standard in environmental compliance in our industry. Waste water quality has been in the spotlight since the spill in 2012. Our mills and distillery successfully achieved clean waste water quality audits over the last two years, and we now report quarterly on waste water quality to the Swaziland Environmental Authority (SEA) to ensure we comply with national standards.

We are ever conscious of water usage, as one of our most valued resources. With a view to becoming more efficient at using water, we have begun investigating the use of soil moisture probes to improve water efficiency in irrigation.

In terms of managing our municipal waste, we decommissioned our waste dumping site at Thunzini last year and all waste is now being channelled to an approved waste disposal facility. In addition, we introduced a pilot project to bail recycling waste on site.

RSSC has always maintained that human capital is key to its sustainability, but this year you recorded a turnover rate of 13.9%. What measures have you put into place to mitigate this and attract talent to the Group?

Our people are of course critical to our ongoing success and one of our key objectives is to attract outstanding talent and retain the skills we have in place. Finding engineers with the relevant experience and expertise is an ongoing challenge.

Over the past year, we invested E24.8m in the development of our staff. Of this, an estimated E2m was invested in establishing a Centre of Excellence, specifically to assure the business of internal SAP specialist skills and train employees on the SAP system, our largest strategic initiative to be rolled out in 2014. Various other programmes are in place to grow our employees and encourage young talent. Our leadership in the workplace initiative is aimed at growing and developing leaders in a highly competitive environment. In addition, we collaborate with universities, colleges and schools to ensure we attract people with potential. At a recent career exhibition at Mangosuthu University of Technology, numerous graduates showed an interest in our graduate training programme.

We place enormous emphasis on the health and safety of our employees and were extremely saddened to lose an employee during the course of 2013. Mr Million Dlamini, who worked in our Finance Division, passed away after a head-on collision with another vehicle on a public road. He had been a valuable employee for 25 years, and will be sorely missed by his colleagues and the community.

The country suffers several socio-economic challenges. How does RSSC contribute towards addressing these?

We are aware of the important role we play in the socio-economic development of the country. As one of the largest employers in the country with 1,843 permanent employees and 2,142 seasonal workers, our successes and challenges impact the health and sustainability of the local community.

High levels of unemployment, poverty and a high HIV/AIDS infection rate means our people face several socio-economic challenges. We strive to make a contribution by providing essential services such as healthcare, infrastructure and housing as well as creating and maintaining a safe and stimulating living and working environment.

Socio-economic development increased across our estates in 2014. The number of informal traders has grown, and the addition of new shops in the economic areas means these essential services are provided to our communities bringing with it an increase in job opportunities for our employees' dependants.

Swaziland has one of the world's highest HIV/AIDS prevalence rates (26.5%). This illness, together with TB and other ailments, has resulted in a young population in the country, with a high dependency rate of 7. Given the high unemployment rate, companies and the Government are under pressure to assist in alleviating this impact. We continue to strengthen our collaboration with Government on HIV/AIDS, TB and malaria treatment through a Public Private Partnership.

Notably, we acquired a new digital X-ray machine this year. In addition to our GeneXpert machine, which has resulted in a state-of-the-art TB program across the estate. We provide free TB scanning to employees and their dependants and free treatment if the illness is confirmed. New TB cases have declined from 275 in 2013 to 167 in 2014.

What is the outlook for 2015?

European Union prices were depressed as a result of the ongoing EU sugar regime changes, coupled with a world surplus of sugar. These factors in the EU market, and the risk of losing SACU market share to Brazilian imports, have had a negative effect on the Group's trading environment.

From a production point of view, both the RSSC mills operate close to total available capacity, and well above their nominal capacities. We have evaluated the options of expanding our Mhlume Refinery for more than a year. This expansion has a cost implication of E1.5b, however it will increase the mill's capacity to crush cane from 350tc/hr to 550tc/hr. The increase will allow us to ensure that all cane is crushed during the season, and will include production capacity for both outgrower and RSSC cane growth expansions. A final decision on this will be made in the new financial year.

To enable us to supply ethanol to the market throughout the year, and not just during the cane crushing season, we increased our storage capacity at the distillery. This allows us to hold a larger volume of ethanol stock and we look forward to being able to sell at high prices in the off-season in future.

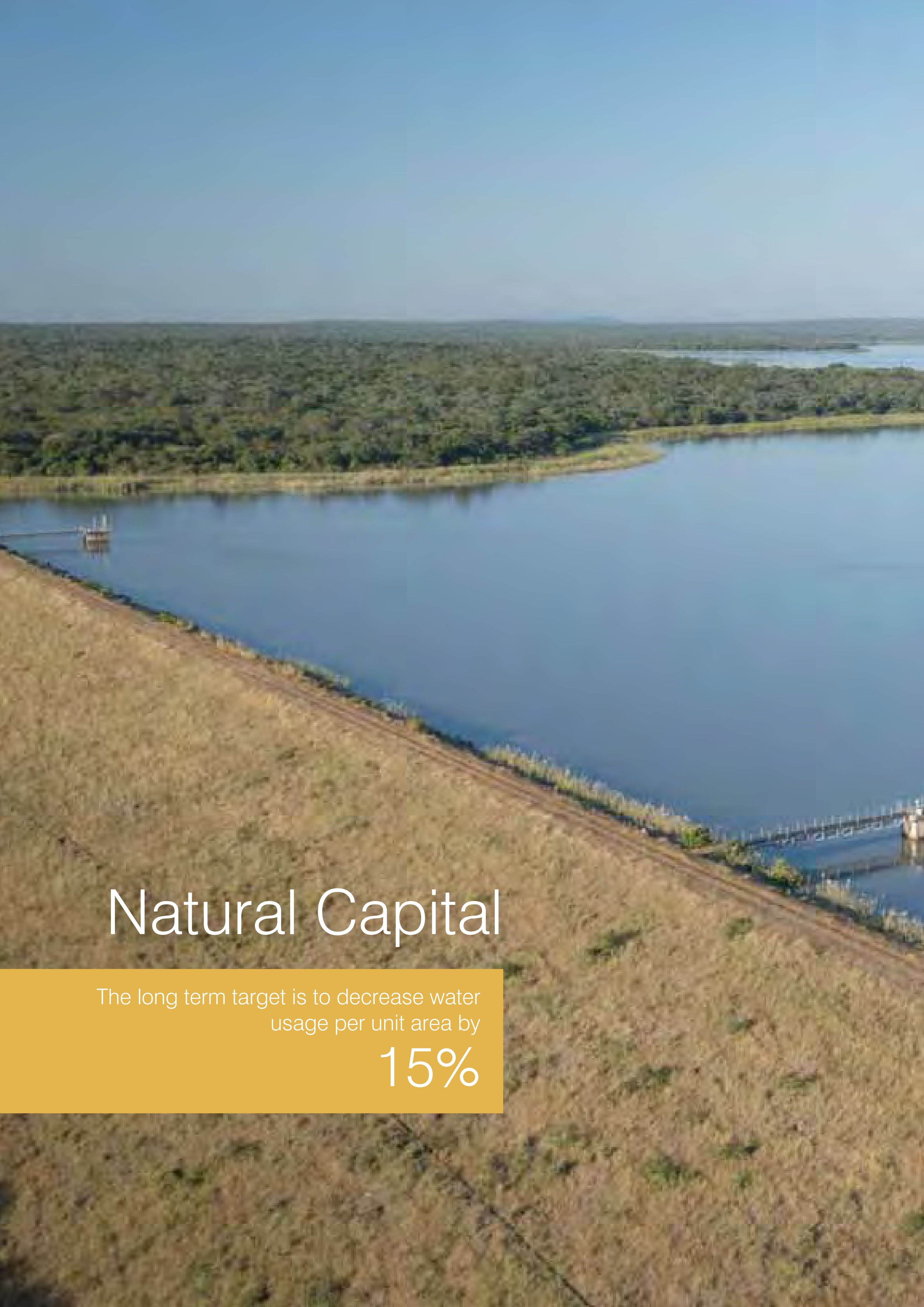
RSSC currently uses residual cane fibre (bagasse) to generate steam and power at the mills. The power is mainly used to operate the RSSC factories in the production of sugar. In recent years, we have invested in energy saving equipment in the mills and this drive towards energy efficiency could ultimately result in power being used externally or exported to the National Grid. This is also a topic of discussion with our outgrowers.

Also, we are currently grappling with the implementation of world-class SAP systems. The implementation of the "Core" module of the Enterprise Resource Planning (ERP) SAP system commenced in 2013. The challenges of merging 53 systems into one, and issues relating to project and change management, have caused the project to lag behind by four to five months. The second phase of the implementation commenced one week before our 2014 financial year end, and we are expecting the entire system to be up and running in October 2014.

In closing

Finally, my thanks go to the Executive Committee, management and all RSSC employees for their commitment and hard work, which has enabled us to deliver these results under some particularly trying circumstances. I would also like to thank the Board for their continued support and guidance over the past year.

N M Jackson
Managing Director



Natural Capital

The long term target is to decrease water usage per unit area by

15%

Natural Capital

Our business operates through the grace of the natural environment as is evident in our logo. Soil, water and sunlight are the raw materials needed for our cane to grow and weather events impact our cane from the top down e.g: sunshine, cloud cover, rain, hail, temperatures, and other factors.

Although we cannot control the weather, we can be ingenious in our use of the raw materials and respond swiftly to variable weather conditions. We like to think we are getting better at this. It is also our responsibility to protect and maintain the natural capital in our control to ensure there is no impact beyond our borders.

Water quality and security

Our water use

Along with sunlight and air, water is the single largest life-giving resource we utilise. Unlike sunlight and air, we can feasibly control water usage. We depend on the Komati and Mbuluzi Rivers for our water supply, and although the volume of water we are permitted to use doesn't change, we continue to improve our efficiency in using that water, thus making it go further. We have raised the height of the wall of the Mnjoli Dam on the Mbuluzi River to harvest and store more flood water and therefore give us a buffer for potential dry years in the future. As good stewards of the water resources, a reconciliation takes place to monitor our weekly water use against the budget. If necessary, we ration our water use to ensure our supply lasts to the end of the growing season.

Our methods of measuring water usage have improved over time and are now significantly more frequent and precise than before. Flow is monitored at each individual pump station across the estate, of which we have nearly 80. We monitor flow and pressure in combination with highlights and blockages, and our speedy response to these ensures minimal water wastage.

Currently, nearly all effluent water at the Simunye Factory is used for irrigation, thus reducing our water use footprint. Plans are on track to further reduce our footprint by recycling effluent water. Another opportunity to reduce water use is to harvest excess water in the mill, and we have installed tanks to store excess water for later use.

Expansions are an essential part of our strategy to increase production, however, these require water. As a result of saving through using drip irrigation, instead of the overhead and furrow systems, we have water to expand another 4,000ha. The long term target is to decrease water usage per unit area by 15%.

Effluent flowing into the treatment plant at Simunye mill.

Improving efficiency of drip irrigation by introducing soil moisture probes

We are currently performing field trials to further improve the efficiency of our drip irrigation through the use of soil moisture probes. Soil moisture probes are our "eyes and ears" underground and give us detailed information on how much water is in the soil, and therefore how much we need to apply. Each field is managed individually as soil characteristics vary. Soil moisture measurement enhances scheduling and leads to increased cane productivity and efficient water and electricity usage, which are valuable in the long term. We have also implemented a pilot project to introduce variable speed drive (VSD) pumps into our irrigation systems, as these utilise significantly less electricity than the traditional pumps.

Waste water quality

Industrial waste water is generated by our mills and distillery. To manage this, we have two Effluent Treatment Plants, one at Simunye and another at Mhlume. The Simunye Effluent Treatment Plant (ETP) services both the Simunye mill and the distillery, while the Mhlume ETP services only the Mhlume Refinery. Domestic waste water is generated by residential and office areas and is treated in 20 ponds across the Estate.

After the effluent spill in 2011, the Swaziland Environmental Authority (SEA) requested that we perform once-off water quality audits for the two mills and distillery. We are pleased to report that all sites have passed their audits, the last one being the distillery in March 2014. Furthermore, we present quarterly reports to SEA on waste water quality.

Our Effluent Treatment Plant at Simunye succeeded in reporting a zero-discharge this year. One incident of high Chemical Oxygen Demand (COD) in the final effluent dam occurred in December 2013 when sludge was mistakenly dumped adjacent to this dam. Except for this incident, the COD levels are mostly under control.

Waste water from the Simunye and Mhlume Effluent Treatment Plants, as well as the municipal waste water treatment ponds, have all experienced fluctuations in coliform levels in the last year (Figure 3: Simunye and Mhlume ETP) Investigations have been initiated to explore possible ways to reduce coliform levels. Ponds have been or are in the process of de-sludging to improve treatment efficiency. We are currently performing a pilot project to test if eco-tablets in the sewerage ponds are successful at breaking down the organics. (Figure 4)

We care about the potential impact of poor water quality on downstream users, both people and the environment, and an Environmental Management Plan has been put in place to manage this issue comprehensively.

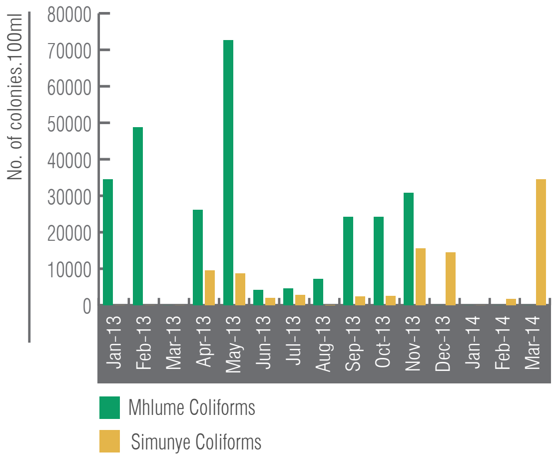


Figure 3. Coliform counts at Simunye and Mhlume Effluent Treatment Plants

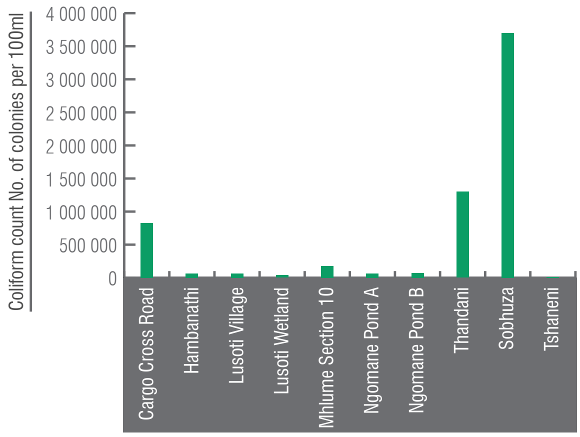


Figure 4. Coliform counts at domestic sewerage ponds

Production

High cane yields are essential to ensure our mills crush at capacity and our operation is sustainable. Continually increasing cane yields is therefore of primary importance to the efficient functioning of the business. Our goal is to achieve an average of 115tc/ha by 2015.

The 2013/14 yields were budgeted at 109tc/ha, yet only 102tc/ha were achieved (compared to 112tc/ha in 2012/13) (Figure 5). Also, total cane harvested was 2,162,767t and sucrose produced was 276,569t: 6.1% and 9.1% below budget, respectively (Figure 6). These low yields and production figures are a carry-over effect from the previous season when the mills underperformed early in the season, causing crushing to continue into January 2013, instead of finishing in early December as is usual. Above average rainfall in January 2013 further delayed harvesting (Figure 9). As harvesting and replanting occurred later than planned, crops harvested in 2013/14 were younger than usual. As a result the average age in 2013/14 was 11.2 months compared to 12.6 months in 2012/13 (Figure 7). Harvesting a younger crop directly reduces cane yields and quality.
The delay in completing the 2012 harvesting season (until January 2013) not only impacted production, but also damaged fields through soil compaction and machinery, as the harvesting took place under extremely wet conditions (see Pillars of Production: Soil Health). Fortunately, the 2013/14 harvesting operation was completed on 3 December 2013.

Of our 21,901ha under cane (including managed farms), the total replant area for the 2013/14 year was 2,270ha (10.4% of total area; 2,200ha in 2012/13). It is important to continue our replant programme to effectively address infield problems that retard crop growth to sustain high yields in future (see Pillars of Production: Number of ratoons).

Forecast for 2014/15: The 2013/14 growing season will affect the yields in 2014/15. Rainfall was below average from November to February, followed by a record high in March (Figure 9). Radiation was below average for the whole season, except in January and February (Figure 10).

Moving sprinklers in a field of young cane.

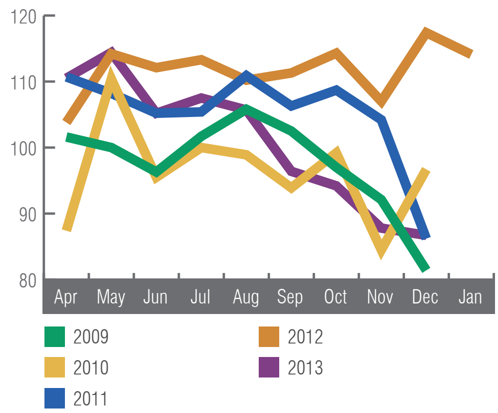


Figure 5. Cane yields over the season for the last five years

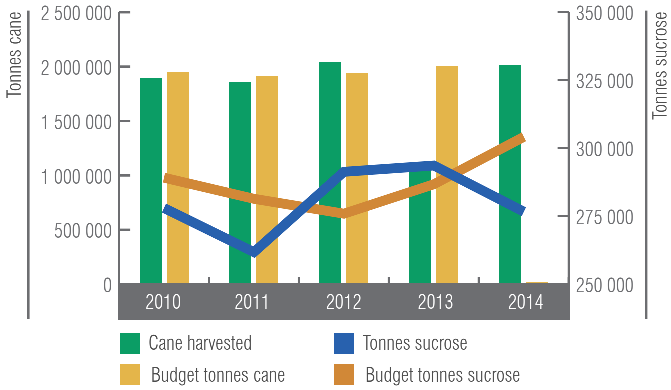


Figure 6. Cane and sucrose production

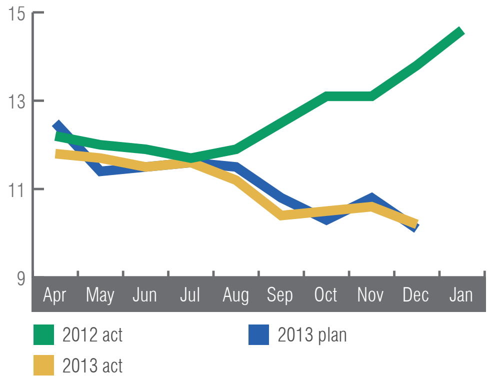


Figure 7. Harvest age. The long 2012/13 harvest season resulted in the harvest of unusually young cane in 2013/14.

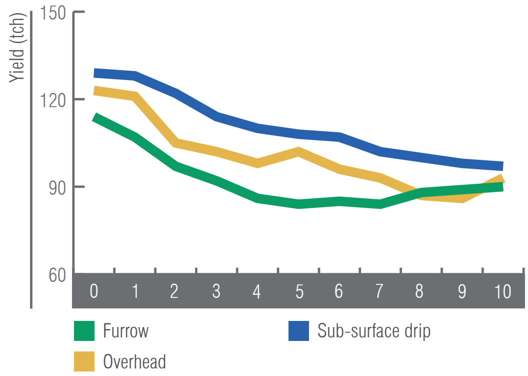


Figure 8. Change in cane yield with increasing number of ratoons. Sub-surface drip irrigation produces the greatest yields.

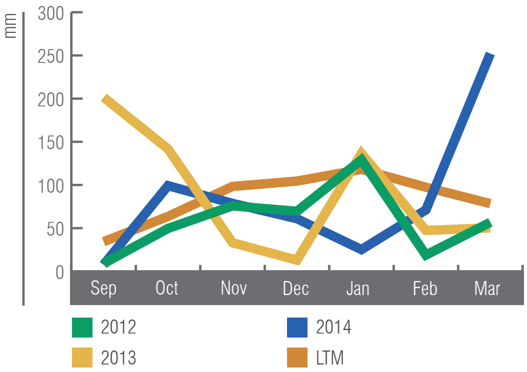


Figure 9. Summer rainfall. Of note is the high rainfall in January 2013, when that harvest season was being completed; and the record high rainfall in March 2014 which impacted land preparation during that time.

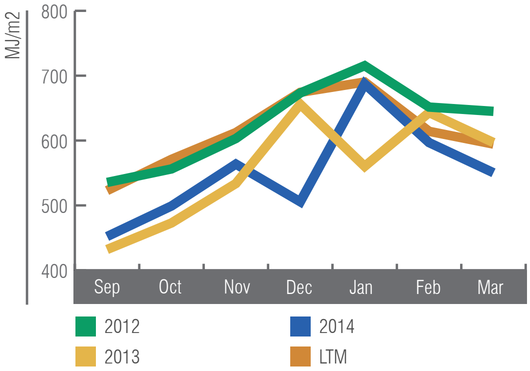


Figure 10. Summer radiation was below the long term mean for the whole season in 2013/14.

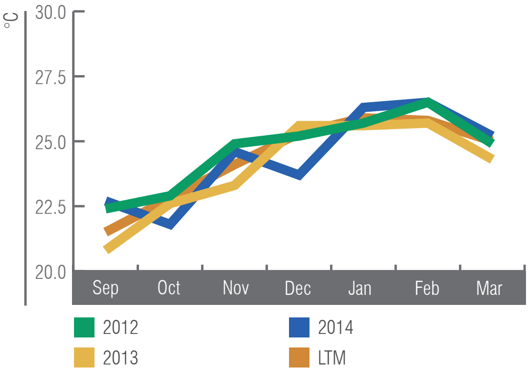


Figure 11. Average summer temperatures. Temperatures in January 2014 were above average, and in combination with low rainfall (Figure 9) resulted in extreme growing conditions and overheating transformers.

Cane - after burning and shortly before harvesting.

The pillars of production

1. Optimised Irrigation

The methods of irrigation utilised by RSSC are drip, furrow and overhead (either solid set or centre pivot). The following facts reveal the various effectiveness of the irrigation systems.

Water efficiency: Each method of irrigation varies in its efficiency to supply water to cane where it requires it, which is below ground in the root zone. Typical efficiencies of the different types of irrigation are as follows:

Drip	9Ml/ha/year (92% efficiency)
Overhead	11Ml/ha/year (85% efficiency)
Furrow	14Ml/ha/year (70 - 75% efficiency)

Drip irrigation utilises a third less water than furrow irrigation and is the most efficient method.

Electricity costs: Furrow irrigation utilises minimal electricity as the water is gravity-fed to the fields and requires no pumping. Both overhead and drip irrigation incur electricity costs for pumping water. We aim to reduce these costs to a certain degree through the installation of energy-efficient VSD pumps in future.

Capital and maintenance costs: Furrow requires very few costs for set up and maintenance. Overhead and drip require similar maintenance costs. For example, this year we spent E19.1m on replacing the drip tape in 1,300ha of replanted fields equating to E14,692/ha.

Fertilizer application: Using fertigation, fertilizer can be applied through drip irrigation in the rooting zone, reducing the amount of expensive fertilizer required, compared to the other irrigation methods.

Our aim: Although set-up and maintenance costs are high for drip irrigation and electricity is required to pump the water used, this method is of greater benefit due to the higher yields, efficient water and fertilizer use, as well as improved soil health. However, not all soils are suitable for drip irrigation. For example, heavy clay soils (Group 3) are mostly furrow irrigated and the balance can either be under drip or overhead. Approximately 27% of fields are classified as having Group 3 soils, and require furrow irrigation.

As such, RSSC aims to irrigate 65-70% of fields with drip irrigation. Due to the capital outlay and the fact that not all fields are replanted every year, it takes time to change irrigation methods. Typically 200-250ha are converted to drip annually and currently 12,000ha of 21,901ha are under drip irrigation. 200ha was converted to drip in 2013/14.

The benefits of optimisation being realised include:

- **Increased Yield:** Fields under drip irrigation produce higher average yields over the long term (110tc/ha) than those under overhead (102tc/ha) or furrow (95tc/ha) irrigation.
- **Increased Number of Ratoons:** Group 3 soils currently under furrow irrigation have a steep yield decline pattern and, to mitigate this, fields are replanted more frequently (5-6 ratoons), whereas the more efficient systems are replanted less frequently (8 to 10 ratoons). Therefore, converting from furrow fields on Group 1 and 2 soils to drip would increase the number of ratoons. In addition, cane under drip and overhead irrigation is planted at 1.9m tramline spacing, which mitigates the negative effects of soil compaction compared to 1.5m single row spacing under furrow. (Figure 8)

2. Cane varieties

The current strategy is to optimise variety placement to remain sustainable, by introducing new robust varieties that are high yielding. Currently, 18 varieties of cane are grown, with a dominance of N25 (52%) and N23 (20%). Depending on variety performance, our long term strategy is to reduce over-reliance on one variety. These are South African varieties, but we are also exploring the yields obtained from varieties developed in Mauritius.

The pillars of production (continued)

3. Soil health

Soil health is influenced by management, primarily through:

Controlled Trafficking: Care is taken to limit the amount of trafficking on fields. Unfortunately, 6,000ha were harvested during wet periods in 2012/13, severely damaging the soils and cane. A cane-grow model was used to determine the climatic yield potential on the ground. If a field was performing at less than 85% of climatic potential, then we intervened with inter-row cultivation (Figure 12). The estimated cost of restoring the fields is E1,79m.

Green Manuring: Nitrogen-fixing plants such as sunnhemp are used to improve soil structure and nutrient levels. Green manuring is primarily targeted at autumn replants and we have increased the area under fallow from 300ha a year to 500-600ha a year. Efforts are underway to also have a break crop for spring replants.

4. People management and leadership

Management practices aligning themselves with the values of RSSC are in place. As a business we are focused on the long term sustainability of our production and make decisions with that specific target in mind. We aim to maintain a culture of responsibility with all minds moving towards the same goal.

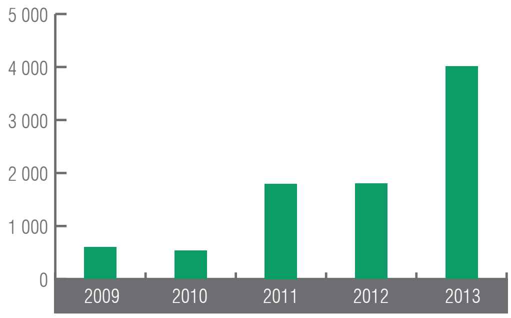


Figure 12. Area of inter-row cultivation

A field marker showing hectarage, variety and age.

Global changes in climate

As we rely so directly on the weather, we are extremely aware of any changes in climate that may affect us and we have employees with expertise in this field, who form part of the Swaziland Climate Change Steering Committee. The impact of global changes in weather patterns on our business may be direct or indirect. Direct implications are, for example, the general warming and drying of the area which is the long-term prediction. Higher temperatures and radiation will positively impact yields, provided we can compensate for the predicted reduction in rainfall through adequate supply of water. Rainfall events are expected to be shorter and more intense, which we experienced during hail storms in October and November 2013. Rainfall in March 2014 was three times the average for that month (Figure 9), which impacted the land preparation process during that time. This high rainfall also washed away fertilizer. Fortunately, the crops were mature at that time and it was agreed that the cost of reapplying the fertilizer would have outweighed the benefit. (The damage to fields caused by harvesting in the wet period in January 2013 is discussed under Pillars of production: Soil health.)

An indirect impact experienced this year were power stops. January 2014 was significantly hotter and drier than in previous years (Figures 10 and 11). Under these conditions, cane needed more water, which required additional pumping. Transformers heat up in hot weather and their transmission capacity is reduced, resulting in low voltage problems in the pumping stations. This low voltage can result in unplanned stops. This year, we experienced more frequent power-related stoppages compared to other years, and efforts are underway to mitigate such events through the installation of bigger transformers.

Hail Storm Damages

Through the course of the year we were hit by two hail storms (30 October 2013 and 30 November 2013) which were of a large magnitude not common to this area. A total of 7,287.8ha were affected, of which 852ha were severely damaged and had to be slashed down to allow the cane to regenerate. Our managers were quick to respond to this calamity, which ensured minimal losses of the crop. This cut-back has influenced the harvest plan for the 2014/15 season by reducing the harvest age and shifting early season cane to late season. This has a negative impact on productivity. The cost of the damage was approximately E12,4m.

Pest and Disease outbreaks

While we cannot control the arrival of pests in our fields, we can control our response to them:

- Smut levels continue to be low, due to our excellent smut programme.
- This year more than 5,941.3ha of our fields became infested with aphids. Our rapid response with chemical controls prevented a widespread and lasting impact on our cane. This is the first season that we have witnessed an aphid infestation of this magnitude on the estate. The cost to control this was E1.79m
- We had thrips on the estate for the third consecutive year and are currently performing tests to assess and further improve the effectiveness of the pesticides we utilise (Bandit 350SC and Allice 20SP).
- Rust is a form of fungus that grows on young cane. The cane would normally recover from the rust over time but with a consequent reduction in growth rates. We have established that taking action is more cost effective than letting the plants recover themselves, and this year spent E241,000 ridding 465.6ha of rust.
- A knock-on effect of the hail damage was invasion of trash worms on the cut-back cane. The larvae of trash worms feed on young cane leaves. Of the total cut-back area, only 142ha were affected. The cost of chemical control was E59,000.

Mechanical Innovations

A sum of E6.2m was spent on new equipment to support the increase in tonnage and reduce stoppages caused by the unsteady supply from outgrowers. As part of Vus'umnotfo 12/12, our workshops completed the manufacturing of a set of world-class roll bin cane haulage trailers. Typically these trailers would be purchased for E600,000, yet we manufactured them in-house for approximately E260,000. We plan to continue this project until all the cane trailers have been converted into the roll bin type.

Reduction in domestic waste

Waste management is a large task, given that we manage waste disposal for all our operations as well as the approximately 30,000 people living on our estates (Figure 14). Our waste management has been improving steadily and this year we decommissioned the informal waste dumping site at Thunzini. Waste is now channelled to an approved landfill facility at Simunye. To reduce the volume of waste that requires disposal at the landfill, we separate the waste at source. A recycling initiative was implemented in March 2013 and communities were informed about the value of waste separation and recycling. People's behaviours are gradually changing and an average of 2,600Kg per month of recycled waste was collected totalling 18,280Kg since measurements started in September 2013 (Figure 13). In a current pilot project, recycled waste is bailed and sold through a contractor, generating some revenue for RSSC.

Expansion programme

Notable developments regarding our expansion programme are as follows:

- Enough water is available to develop the new Citrus and Ekuthuleni farms. In fact, as a result of saving through efficient drip irrigation, we have water to expand a total of 4,000ha.
- The Swaziland Sugar Association approved quota applications for the RSSC Citrus (133ha) and Ekuthuleni (500ha) expansion projects. These projects were awarded quotas of 3,600t and 10,000t sucrose respectively to the Mhlume Refinery from the 2014/15 season.
- The newly developed area at RSSC Citrus resulted in very high yield in 2012/13 resulted in very high yields of 134tc/ha over the 540ha harvested at an average age of 10.9 months.

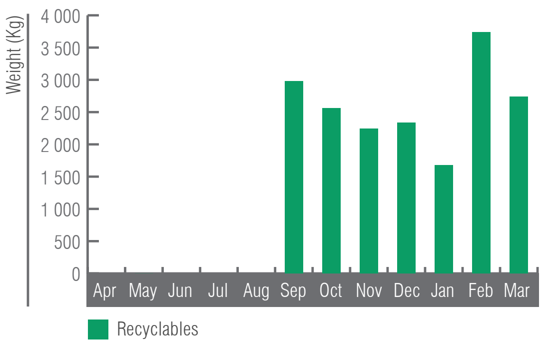


Figure 13. Recycled waste collected

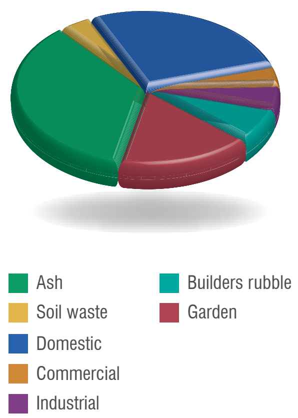


Figure 14. Municipal solid waste streams 2013/14

Crop sprayer spraying cane with ripener.

Managing our relationship with outgrowers

Although we are a large corporate and the only miller in the north of Swaziland, our outgrowers supply 41% of the cane we crush and are extremely important to us. We acknowledge our responsibility to care for the growers around us.

- Eight workshops were held this year to provide technical and mechanical support through the Outgrower Development department, which was attended by 336 farmers. A field day was organised during the year and was attended by 39 farmers.
- Extension officers, allocated to the different outgrower areas, visit each farmer at least twice a month and monitor operations weekly.
- Vuvulane farmers continued to receive assistance from the Revolving Fund for replanting and seasonal inputs.
- Growers in Malkerns and Sidvokodvo, about 120km from the mills, benefit from a transport subsidy of 90c/t/km, when transporting cane more than 60km. RSSC spent E4.4m on this transport subsidy in 2013/14 to reduce the high transport costs for farmers who operate more than 60km away from the mill and to ensure their businesses remain viable. These farms total 1,389ha.
- Fairtrade growers are mentored and coached while control committees monitor adherence to the Fairtrade standards.

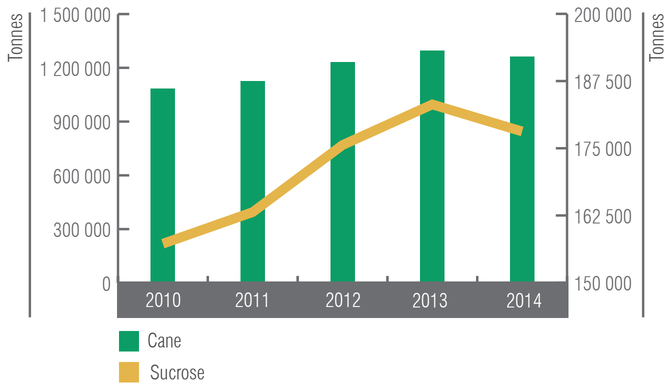


Figure 15. Outgrowers yield performance

Outgrowers produced 1,263,178t cane (2.5% lower than 2012/13; (Figure 15) and yields decreased marginally from 104.6tc/ha to 102.7tc/ha. These decreases may be attributed to the harvesting of young cane and decline of area harvested by 87ha, which had to be carried over because of late cutting and planting in the previous year. The total area harvested was 12,300ha (2012/13: 12,387ha).

The area replanted (428ha) was under budget (490ha) due to the late start of land preparation and subsequent disturbance by rainfall. The total outgrower area under cane increased by 175ha, planted at Calamuva, Komati Downstream Development Project (KDDP), a project co-financed by the European Union (EU) and SIDC.

RSSC setting the standard: Compliance with regulations and standards

RSSC aims to set the standard in terms of compliance with regulations and standards.

- We have a responsibility to set the standard as a large water user in the Mbuluzi and Komati River basins and are therefore meticulous in ensuring that our water accounting is correct.
- Prior to developments, we ensure EIAs are approved, the most recent one being for Ekhuthuleni. The EIA for Citrus (215ha of uncultivated land) is in progress.
- We are presently working on a Strategic Environmental Assessment for all projects, which aims to prevent incremental damages and conserve areas of high biodiversity. We aim to complete this project by July 2014.
- In compliance with the stipulations of the SEA, clean environmental audits were obtained for both mills and the distillery in the last year.
- RSSC once again achieved ISO Certification for ISO 9001, ISO 14001 and OHSAS 18001, for the Group as a whole, and ISO 22000 for Mhlume Refinery. We regard the recertification of our Mhlume Refinery with ISO 22000 as one of the highlights of the year as it helps us retain our important customers and possibly attract new and more lucrative marketing deals.

Trees at our recently purchased citrus estate.

The Mnjoli Dam on the Mbuluzi River - one of our key water sources.

Manufactured Capital

Total cane crushed for the 2013/14 season was 3.365Mt. This was below the 3.545Mt budget, and 6.1% below the record amount of cane crushed in the 2013 season.

Manufactured Capital

The success and sustainability of our organisation depends on our ability to effectively use our manufactured capital. The efficient use of manufactured capital comes through flexibility and innovation, and subsequently increases our production outputs. In addition, reduction in resources consumed can enhance our competitiveness and profitability.

Manufactured capital refers to physical goods and infrastructure owned, leased or controlled by us, which contribute to the production process, rather than the output itself. In the context of our operations at RSSC, Manufactured capital refers to:

- Sugar and ethanol production processes;
- Equipment and infrastructure in the manufacturing plant; and
- Technologies which allow for efficient conversion from natural to manufactured capital.

Our 2013 Strategic Plan highlights the following strategic objectives for manufactured capital:

- Fully utilise existing production capacity;
- Expand mill capacity in the most cost effective manner to meet projected cane volumes;
- Produce more sugar and ethanol;
- Improve efficiencies and competencies; and
- Reduce unit costs by generating own energy.

To realise these objectives, we are focusing on increasing our operational efficiencies, reducing our unit costs and rethinking our most cost-effective use of energy.

Optimising Factory Efficiencies

Total cane crushed for the 2013/14 season was 3.365Mt. This was below the 3.545Mt budget, and 6.1% below the record amount of cane crushed in the 2013 season (Figure 16). The reason for the lower volume during the season was the long crushing season in 2012/13 which resulted in the harvesting of younger cane, therefore negatively impacting the yield of cane from fields and the volumes crushed by the mill. In our budget we overestimated the cane yields of the younger crops and the recoveries in the factories.

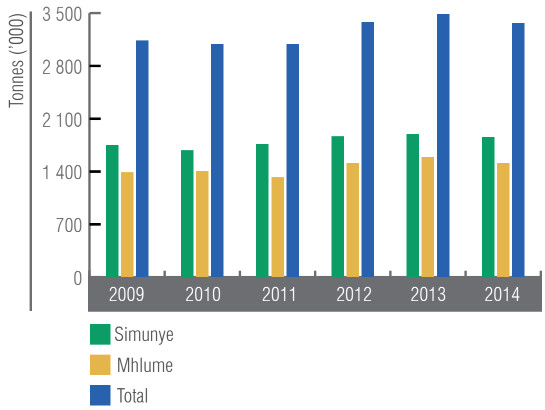


Figure 16. Total cane crushed per year

Collecting recently harvested cane.

The one month of above average rainfall in the 2013/14 crushing period (October 2013) did not have a negative impact on our ability to harvest and crush the available 2.008Mt from our estates, and 1.356Mt from outgrowers. The crushing season ended as scheduled, in the first week of December (3 December 2013). The end of the season marks the commencement of the off-crop, which runs until the end of March. Maintenance during this period ensures that our machinery is in good working order for the next season. Off-crop maintenance on our mills was on schedule, and completed in time for the start of the 2014/15 crushing season. Given the increasing yields from our fields and the volumes of cane crushed, our mills continue to operate above their nominal rated capacity.

The actual recovery of sucrose from cane that our mills achieved was 85.7%, slightly lower than the budgeted recovery of 87.7%. This can be ascribed to the younger, and therefore lower quality cane harvested during the 2013/14 season. However, we continue to aim for the maximum potential recovery rate of 89% and have adopted a systematic approach to achieve this. Recruitment of a skilled and experienced Front End Manager at Mhlume Factory and Production Manager at Simunye Factory, as well as the appointing of good sugar engineers in both factories remains our highest priority.

We were unable to achieve our extraction targets, and attribute this to the continuous engineering skills shortage experienced at RSSC. In this regard, RSSC finds itself in the same difficulty as many other companies that are dependent on the availability of high level engineering skills in the region. The reality is that experienced, knowledgeable sugar engineers remain a highly scarce resource. Total sugar production tel quel was 402,065t, a decrease from the 2013 season and below the budget of 442,756t (Figure 17). The total amount of 96° Pol sugar produced for the year was 433,254t, slightly below the budget of 476,299t (Figure 18).

The total recovery of sugar in our process is obtained from the juice extraction recovery plus the boiling house recovery. At Mhlume factory, we achieved a slightly higher boiling house recovery of 85.75% in 2013/14, compared to 85.18% in 2012/13. This was the result of a study of the undetermined losses within the process (see Improving efficiencies: "Undetermined Losses"), which resulted in improved efficiencies and higher recovery.

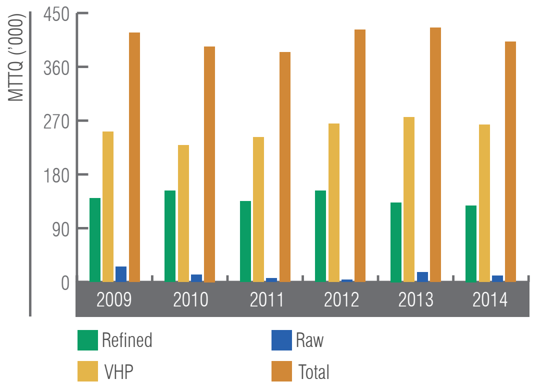


Figure 17. : Total production per product type

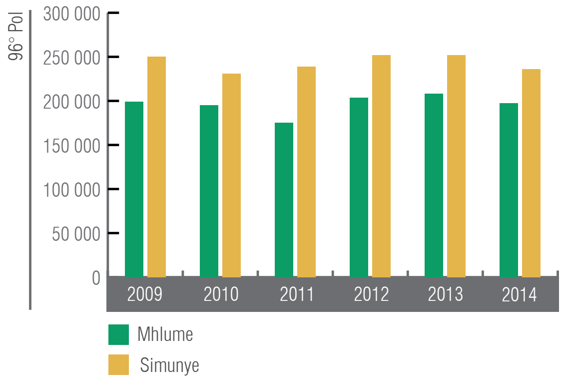


Figure 18. Total quantity of 96° Pol sugar produced per mill

Baggase - a by-product of sugar manufacturing used in generating steam and power.

Manufactured Capital

Optimising Factory Efficiencies (continued)

Both the RSSC mills are pushing the envelope with regards to operating at installed capacity and are operating at well above nominal capacity. To address this, we have been evaluating the options for expanding our Mhlume Refinery for over a year now. This expansion has a cost implication of E1.5bn, however it will increase our Mhlume Refinery cane crushing capacity from 350tc/hr to 550tc/hr. The increase will allow us to ensure that all cane is crushed during the season, and will include additional production capacity for both outgrower and RSSC cane growth expansions. A decision on the Mhlume expansion is in the process of being finalised (see Trade-off between throughput and extraction recovery).

Factory fires will always be a great concern for any factory. To ensure that we are well protected in case of any accidents, we commissioned fire-fighting equipment around our transformers in February 2014. We continue to provide training to our employees on safety, and we ensure that our fire-fighting equipment is up to date and in good working order. As a result of taking these measures, no major fires have been recorded in our factories since 2011.

Boiler stacks at Simunye mill.

Improving Efficiencies: "Undetermined Losses"

A study was conducted on the process in our Mhlume Refinery to assess the undetermined losses (UDL) associated with sucrose extraction. The identified losses included amongst other factors, product spillages in the plant. Specifically, entrainment from pans and evaporators into cooling water was causing a significant loss of E24,3m in the 2012/13 season.

As a result of this study, solutions were introduced, which included installation of an automatic hourly sampler in the cooling tower outlet. Leaking piping and pumps were repaired, and when spillages did occur, they were recovered efficiently. A total amount of E102,160 was spent on these solutions, and the total company savings amounted to E10m in the 2013/14 season after these costs were deducted. Maintenance and inspection plans have been incorporated to ensure continued efficiency of the mill.

The graduate student who conducted the study won second prize in the Engineer In training (EIT) section of the Bosch conference for her work.

	UDL 2012/13	UDL 2013/14
YTD	3.37	1.97
Highest	4.69	3.99
Target	2.65	2.83
Monetary loss	E24,330,488	E14,175,595

Figure 19. Costs and savings of undetermined loses (UDL) at Mhlume Refinery over the last two years

Mhlume Mill.

Trade-off between throughput and extraction recovery – the case for expanding Mhlume Factory

In the sugar production process, either mills or diffusers can be used to extract the juice from cane. Mills, also known as roller mills, squeeze the juice out of the cane whereas diffusers wash the juice from the cells of the cane. At RSSC's Mhlume Refinery, we are using both of these technologies.

	Mill	Diffuser
Maintenance costs	E20m	E12m
Optimal throughput	160tc/hr	150tc/hr
Actual throughput	160tc/hr	200tc/hr
Maximum potential sucrose recovery (extraction)	97%	97.5%

Figure 20. Comparative differences between a mill and diffuser

In recent years, we have been running the Mhlume diffuser well above its nominal rated capacity. We managed to achieve a crush rate of 360tc/hr at the Mhlume factory compared to 345tc/hr in 2012, and compared to a nominal crush rate of 300tc/hr for the mill (Figure 21). By crushing at a rate significantly above rated capacity at the diffuser, we are able to shorten our crushing season and have both a longer off-crop period for maintenance, and a longer cane growing period. Throughputs achieved from the diffuser in the 2014 season were routinely above 200tc/hr, compared to the nominal capacity of the diffuser of 150tc/hr.

We are aware that, by operating at such a high throughput, sucrose recovery rates decrease. As throughputs increase it becomes less likely to achieve high extraction rates and therefore less sugar is produced from the available cane. The diffuser's recovery rates are more sensitive to throughput than the mill's recovery rates. The positive trade off, however, is that by crushing faster, the factory is able to crush all the available cane within the same season, thereby avoiding the huge revenue losses resulting from carrying over uncrushed cane, and we also gain the benefits of a bigger crop the following year due to a longer cane growing period.

Essentially, both the Simunye and Mhlume mills have reached their current maximum capacity for production. The Mhlume Refinery is currently being operated at 360tc/hr, 20% above its nominal capacity of 300tc/hr. The Simunye mill is operated at 420tc/hr, 5% above its nominal capacity of 400tc/hr. As a consequence, in 2014 both factories achieved a below standard extraction of approximately 96.2%, whereas they could both be achieving extractions above 97%, but at a slower throughput.

Regarding milling capacity, RSSC therefore stands at a cross-road. Any further growth in cane supply will create the risk of having to carry cane over from one season to the next - a very costly practice, with negative economic consequences. Since the RSSC strategy going forward is based on growth, expansion of the Mhlume Refinery seems inevitable. The expansion would probably involve replacing the existing, older roller mills, with a much larger diffuser.

Benefits of expanding in this way include the fact that the maintenance costs will decrease due to the lower maintenance cost requirements of a diffuser compared to a milling train, as well as lower labour costs, since the operation of a diffuser is less labour intensive than for a roller mill train. The net overall effect of an expansion of the Mhlume Refinery would be a reduction in the unit costs of sugar production for RSSC. The Mhlume Expansion Project will continue to be evaluated and a final decision on the matter is expected by December 2014.

Optimising Factory Efficiencies (continued)

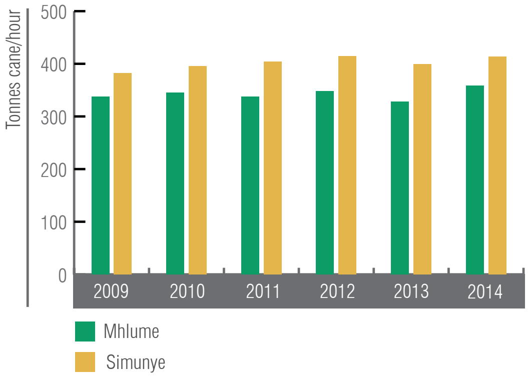


Figure 21. Cane throughput per mill

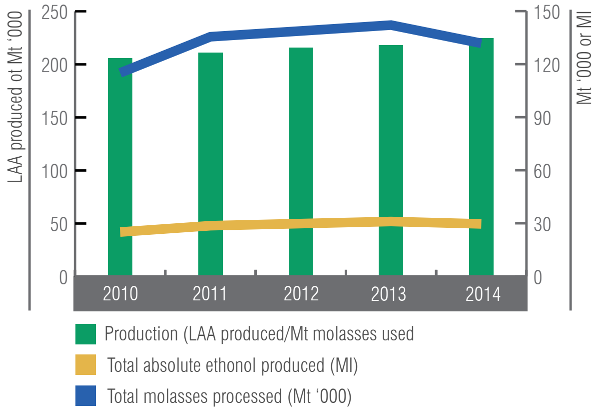


Figure 22. Distillery performance

Optimising Distillery Efficiencies

Ethanol production from the distillery decreased marginally this year. A total of 29.67m litres of absolute alcohol (LAA) were produced compared to a budget of 31.40m LAA. The total production was 4.6% less than the 31m LAA produced in 2013 as a result of the reduced availability of molasses.

Ethanol production ended in December 2013 after the completion of the RSSC mills' crushing seasons. The yield of ethanol from molasses increased for this season compared to the previous season, primarily due to the introduction of yield enhancing enzymes in the ethanol production process. The overall yield for the year improved to 225LAA/Mt of molasses, up from 218LAA/Mt in 2012/13, but still below the budget of 230LAA/Mt (Figure 22). However, distillery throughput performance achieved was outstanding, as we produced an average of 136kl per day, which is the post-expansion rated capacity of the plant. It is the first time we have achieved this milestone since the Distillery expansion in 2007.

To enable us to supply the market throughout the year, and not just during production, we increased our storage capacity at the distillery. This allows us to hold a larger volume of ethanol stock and continue to sell at high prices in the off-season. A further 1.5Ml of storage was added to the existing 5Ml, contributing an additional 30% to total storage. We ensure that the quality of our product is maintained by holding batches in separate storage tanks.

Simunye mill with the sugar warehouse and distillery behind.

Bagasse Pricing and Ownership

RSSC generates steam and power using the residual fibre from the cane. The sugar in the cane is extracted from the cane during its production process and the fibre remaining is called bagasse. RSSC currently uses the bagasse to generate power at the mills, and this power is used mainly to operate the RSSC factories. This is typical practice for the sugar industry worldwide. Among other benefits, this practice ensures that the surplus bagasse does not become an environmental hazard.

The outgrowers supply 55% of the cane crushed at Mhlume Refinery, and 27% of the cane crushed at the Simunye mill. While we have a good relationship with the RSSC outgrowers, issues surrounding ownership of the bagasse residue have been raised on a number of occasions over the years by the outgrowers.

What has changed in recent years, is that with the increasing cost of power, RSSC has gained the incentive to invest in energy saving equipment in its mills, thereby making the mills much more energy efficient. By so doing, RSSC begins to free up some of the energy in the bagasse, so that it could be used to generate power for use externally to the factories, and in the longer term, possibly even export the power into the National Grid. This possibility has aroused the interest of outgrowers, who have then expressed the view that they are entitled to be paid for the bagasse used to generate this power. RSSC's position in the matter is that, whatever surplus generated power becomes available, it is as a result of RSSC's significant investments in energy saving equipment in the factories. Therefore, having made this significant investment, RSSC should be entitled to benefit from it. This is a long standing fundamental divergence of views on the beneficial use of bagasse between RSSC and its outgrowers, and will ultimately have to be resolved through further deliberations.

Managing Machinery

The new 30MW turbo alternator (TA), installed in 2011, developed a serious fault in April 2013 after operating for just one season. Two problems were identified with the 30MW TA. Initially, there were excessive vibrations at start up, which resulted in the TA being stopped and opened up for inspection. The inspection revealed some corrosion of the TA rotor, caused by faulty exhaust pipework design. We spent two weeks reinstating the previous power sources (existing turbines which were scheduled to be mothballed) and were forced to utilise supplementary power from the National Grid during this time. During repairs of the 30MW TA set, we maintained a close partnership with the selected service provider, Triveni Turbines.

Due to the urgency of the project, RSSC sent a senior Engineering Manager to be based at the Triveni Turbines Workshops for the most critical phase of the repair. This decision facilitated quick decision making, good communication and full disclosure and understanding of all material facts between RSSC and Triveni Turbines. Findings from the 30MW commissioning team indicated that some of the original TA control settings were also incorrectly set during the original installation of the TA in 2011. This shed light on some of the reasons for the turbine failure in the first place.

The refurbished 10MW turbo alternator at Simunye.

Managing Machinery (continued)

The Triveni Turbines commissioning engineer assisted RSSC in effecting the optimum turbine control settings, based on his extensive experience. The repaired TA subsequently ran up to speed smoothly, and has operated well in the months since the commissioning in March 2014. RSSC, together with Triveni Turbines, are now very confident that all the root causes of the original turbine failure have been identified and corrected. As a result of the repair teams' efficient work, the overall repair of the 30MW turbine only took three months in total. From being air-freighted to Bangalore, India in December 2013, the 30MW TA was successfully repaired, commissioned and operational by 31 March 2014.

As a further precaution, RSSC is proactively having a brand new 30MW TA rotor manufactured to be available as a spare in future. This new turbine rotor is also being built by Triveni Turbines, and is scheduled to be completed by November 2014. We have introduced pre-emptive maintenance measures, such as improved inspections and schedules, to monitor our machines more closely. Also, with the assistance of the turbine OEM and Triveni Turbines, we have instituted a very comprehensive training programme for the RSSC turbine operators.

Since 2012, RSSC has invested E72m in Energy Efficiency projects in the mills. Energy Efficiency enhancements capital expenditure implemented includes the following:-

- Two additional new cane knife installations to improve the cane preparation at the Mhlume Refinery. As a result, cane throughput in the 2014 season improved from 345tc/hr to 360tc/hr compared to the previous year.
- Refurbishment and re-tubing of Boiler 3 at Simunye mill to improve boiler reliability and efficiency.
- A kicker at the Mhlume Refinery cane-yard feeder table to eliminate chokes and bottlenecks.

Optimising Electricity Usage

RSSC requires a large amount of electricity to operate (Figures 23 and 24). On the agricultural side, electricity is needed primarily for irrigation; and the whole factory production process is energy intensive. As one of the largest manufacturers in Swaziland, we utilise a significant portion of the power supplied by the Swaziland Electricity Company (SEC). In 2014, we used over 60GW of electricity from the SEC, costing E123.4m. To become more cost-efficient, there is no doubt that ultimately we need to produce our own power, if such power can be produced at a lower cost than the purchase price of SEC power. As such, the RSSC Energy Strategy, adopted in 2009, was designed to:

- Increase RSSC's capacity for internally generated power within each mill through the purchase of new electricity generators;
- Identify techniques of increasing the use of cane trash as a supplementary fuel source;
- Reduce purchase costs of electricity and eliminate production downtime at the distillery due to power failures from SEC; and

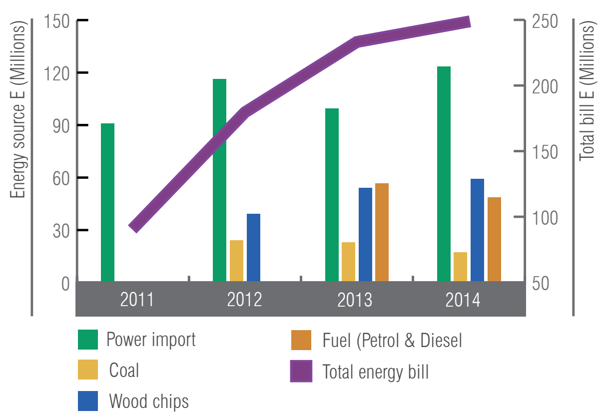


Figure 23. Total Energy Expenditure
The increase in total spend on energy is slowing, despite increased production over time. With the repaired 30MW TA being fully operational, we are likely to see this trend starting to decrease from 1 April 2014.

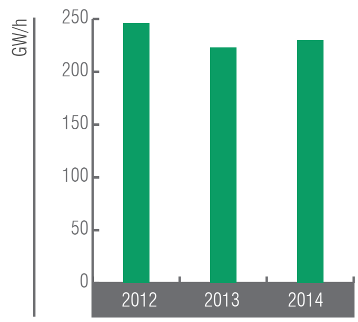


Figure 24. Power Consumption by RSSC

- Improve the internal energy efficiency of each factory. By using less power internally to produce sugar, there is more power available for use externally, for irrigation purposes and ultimately, sale to the National Utility.

Whether due to SEC-related power failures, or otherwise, we have continued to reduce the downtime, measured as loss time available (LTA) (Figure 28). LTA decreased at the Simunye mill (9.77% in 2013 to 8.11% in 2014), and decreased marginally at the Mhlume Refinery (10.81% in 2013 to 10.59% in 2014). Budgeted LTAs for this year were 8.22% (Mhlume Refinery) and 7% (Simunye mill). Both mills experienced a longer actual downtime than was budgeted (Mhlume Refinery: 498hrs against a budgeted 409hrs; Simunye mill: 391hrs against the budgeted 347hrs).

We continue to aggressively pursue energy self-sufficiency in our operations. To date, RSSC has installed the 30MW TA set at the Simunye mill. As part of the planned Mhlume Refinery expansion, additional generating capacity of another 20MW TA set is envisaged. Such an installation would enable RSSC to attain complete energy self-sufficiency.

Energy by Source:

Our energy sources have changed since 2012. Power purchased from the SEC increased due to the malfunction of the 30KW TA. The decreased volumes of coal and fuel used were made up for with an increase in woodchips, which are more cost-effective and financially sustainable to RSSC over the long term.

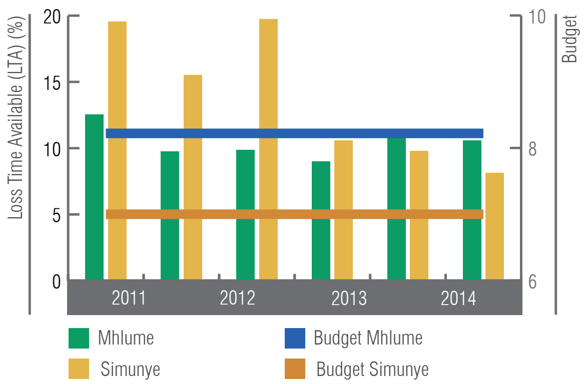


Figure 28. Downtime:
Loss Time Available (LTA) refers to hours of downtime to total hours of production available. It is our objective to keep our LTA as low as possible, within the range of 7 - 10%. Budgeted LTAs for this year were 8.22% (Mhlume Refinery) and 7% (Simunye mill).

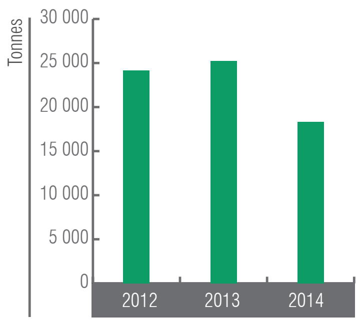


Figure 25. Coal by RSSC consumption

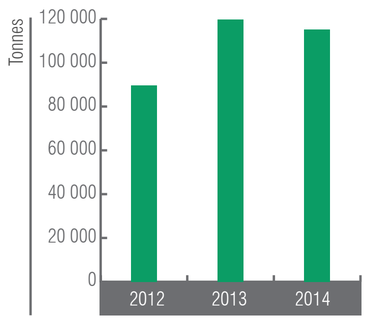


Figure 26. Wood chip by RSSC consumption

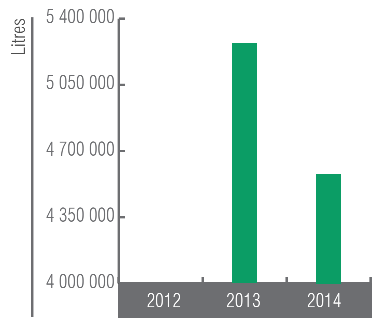


Figure 27. Fuel by RSSC consumption

Manufactured Capital

TRADE-OFF: Ethanol Blending

Ethanol, a by-product of sugar manufacturing, may be used as biofuel. Also, as ethanol is a by-product of the sugar production process, it does not compete with food security as is the case with legumes and maize.

The Ethanol Blending pilot project was initiated in 2007 as a joint venture between the Swaziland Government and RSSC, as we are the largest sugar manufacturer and ethanol distiller in Swaziland. The project focused on testing the viability of developing a blended fuel, named E10, consisting of 10% ethanol with 90% unleaded petrol to substitute for regular fuel in motor vehicles. For this biofuel blend to be suitable for use in vehicles, all water is removed from the ethanol in an anhydrous plant before it is blended with unleaded petrol. Initially, this project will only aim to provide the E10 blend to Government and RSSC vehicles, but future plans include expansion to the whole of Swaziland.

The current price of ethanol is approximately E6.30 per litre, depending on the market and exchange rates. The majority (44%) of our ethanol is sold to the EU market, which constitutes 10% of our overall business sales. While RSSC is able to allocate and sell all its ethanol volumes to the local market for fuel blending, the profit margin is significantly lower at 16.5% than that achieved from international markets (21%), including the bi-product revenue. Selling ethanol at a lower margin will have a significant impact on our profitability. The pilot study for this project has been completed, and RSSC is currently in negotiations with government regarding the mandatory blending of fuel.

Ethanol loading in process.

The distillery adjacent to the Simunye mill.

Food Safety Compliance

RSSC supplies some of the world's largest food and beverage manufacturers with sugar. Companies such as CocaCola and Cadbury (now Mondelez) require all of their suppliers to be FSSC certified. To retain these manufacturers as clients, we need to comply with international food safety standards. We proudly obtained FSSC compliance for the Mhlume Refinery this year. Given that the Mhlume Refinery was already ISO 22000 certified, the FSSC compliance was the logical next step in ensuring our company is world-class. This certification is valid for the next five years, and the total cost of ensuring our operation meets the FSSC certification will amount to E2m. We are planning for the Simunye mill and distillery to also obtain this FSSC certification in the coming years.

We are considering applying for a combined re-certification for the three corporate-wide ISO systems. This will have less of an impact on our operations, as the audit will be conducted simultaneously for the three systems and each department will only be disrupted once. The costs of a combined audit is also less than individual certifications.

Engineering Skills Shortage

The attraction and retention of key skills has remained one of our biggest challenges. As indicated in the LTA's and extraction rates of our mills, we are in need of specialist skills in our factories to increase these efficiencies to achieve targets. One of highest ranking risk on our risk register continues to be people and skills, specifically the improvement of engineering skills, knowledge and experience.

Two expatriates were recruited from Bosch on loan for a set period to address this problem, specifically in the milling and processing departments. A further six engineers were appointed at various levels from senior managers to section engineers. Plant capability improved as a result. However, recovery performance dropped to the lowest in the last 10 years and we continue trying to fill key positions to rectify this.

We continue to search initially for local people to fill the vacancies, and if we do not succeed then we look internationally. Three positions have remained vacant for the past three years. We remain in short supply of mechanical engineers with specialist skills who are often not available locally. We have realised we need to improve our understanding of the roles and nuances of the positions before appointing new recruits, as an inability to understand these positions led to an inability to retain staff in the past.

The refurbished 30MW turbo alternator at Simunye.

Manufactured Capital

SAP Implementation

At RSSC, we are grappling with the implementation of world-class SAP systems. The implementation of many modules of the Enterprise Resource Planning (ERP) SAP system started in 2013 and the following objectives were envisaged:

- Eliminate divisional systems with minimal integration and therefore improve visibility between divisions and departments;
- Be able to respond to changing business parameters quickly by improving real-time reporting functionality, scenario planning and Business Intelligence platforms;
- Improve the governance of master data, physical data and transactional data, thereby making data accurate, available and secure and enabling efficient decision making;
- Manage costs where they occur by implementing true activity based costing by accumulating actual costs;
- Standardise business processes, between and across divisions; and
- Ensure compliance with appropriate governance and accounting standards.

The challenges of merging 53 systems into one, the estimate of the effort required to adapt the SAP RDS solutions to RSSC and to change RSSC processes to standard SAP have caused the project to be behind schedule. However the second phase of the implementation commenced one week before the end of the 2014 financial year end, and we are expecting the system to be up and running in October 2014. We have spent over E1.4m on training people on the new system, in total E135m will be spent on the implementation.

More on IT

Part of our IT strategy for the next financial year is to undertake a Microsoft Upgrade project to simplify and standardise our systems further. We are hoping to implement this in June 2014. Other IT initiatives and projects launched in the past year were aimed at moving our IT from beyond service to strategy. By adapting Cobit and iTool and changing our procedures, we are making good progress on enhancing our internal efficiencies and IT governance. A strong focus on our internal procedures continues. Wireless internet was introduced, and we are monitoring the bandwidth. We replaced 86 printers, of which there were 43 different models from three manufacturers, with 3 models from a single manufacturer.

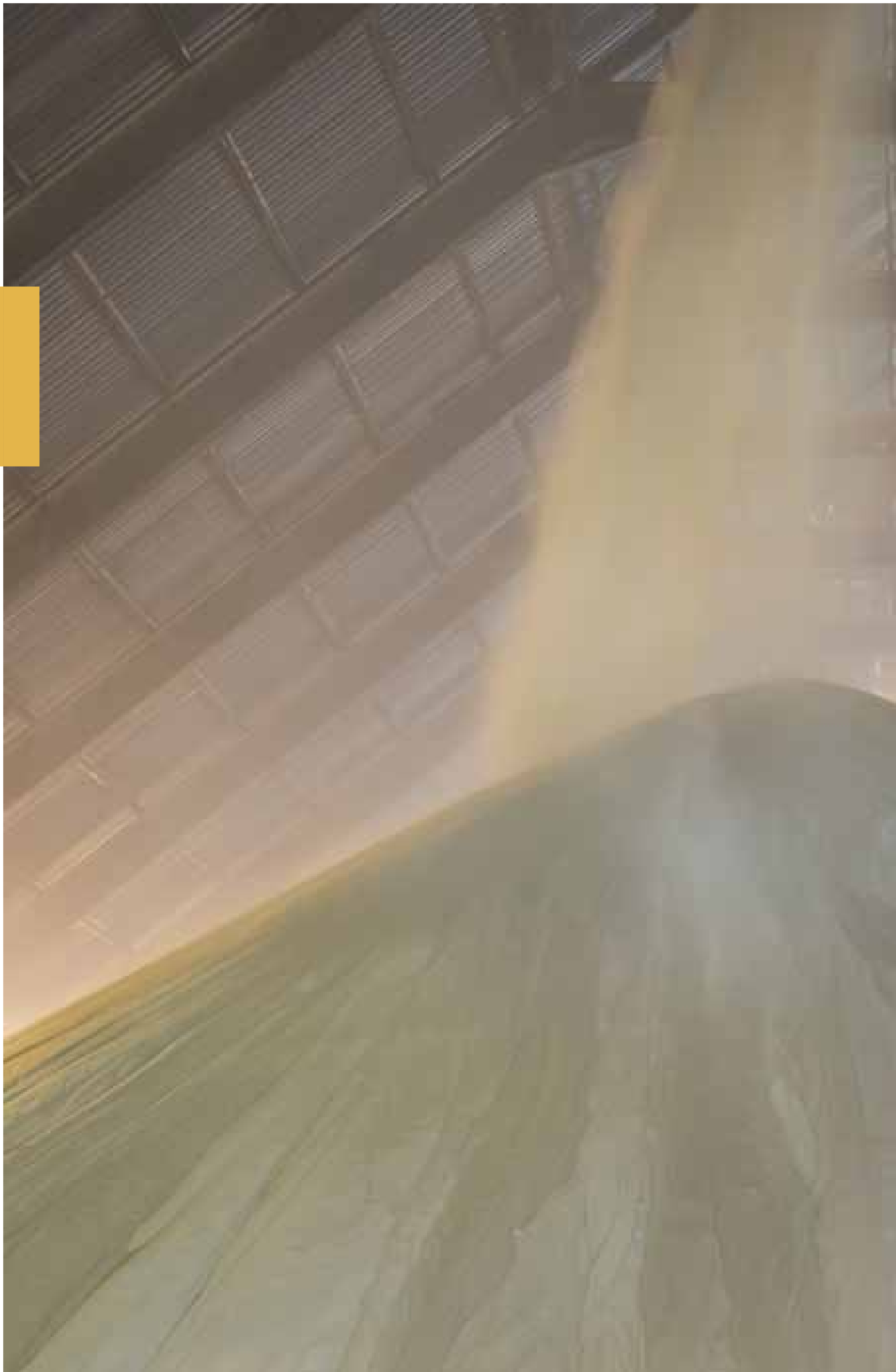
We have also introduced an extremely useful time-saving tool called "follow-me printer", whereby anyone from any department can print to their closest printer without needing to install additional drives.

Fuel system

We operate seven fuel stations on our property. These were previously run using an IT system from one of our suppliers. However it was difficult to reconcile the amount of fuel used by our operations, and as a result we were losing fuel. With the new AFS system, we have implemented new dispensing and management systems. We are now able to better track and monitor the amount of fuel used by our operations, and reconcile these with the volume of fuel on our suppliers' books.

Other benefits include the uptime of the fuel stations, which has greatly improved with the new pumps and system, the ability to stop dispensing fuel once an allocation has been consumed (This saved the staff in excess of E80 000 in the last financial year). The cost of the new systems was E4.3m and this will be recovered by the savings in fuel reconciliation and the increased productivity of the fleet.

A team working on the implementation of SAP system.



Storage of sugar in the warehouse at Simunye.

Financial Capital

RSSC has posted good results, with total comprehensive income attributable to owners of the Company amounting to

E372m

Financial Capital

Financial capital is funding generated through operations, investments, debt, equity or grants. At RSSC, financial capital is primarily generated through selling sugar and ethanol to SACU, EU, regional and US markets (Figure: 29). By managing our financial capital effectively, we are able to ensure that RSSC continues to be a successful business. Financial capital ultimately depends on the other four capitals: natural, manufactured, human and social.

Financial capital is grown through the effective management of RSSC's assets and opportunities. We aim to maintain a balance between good corporate governance and financial success, and this is reflected in our financial performance over the past number of years. Our financial capital is influenced by the global economic environment, sugar and ethanol prices, exchange rates, inflation and input costs of production.

In line with our strategic plan, RSSC will manage and grow financial performance through the following objectives:

- Improve cane supply by increasing cane yields;
- Improve operational efficiencies;
- Grow the business;
- Improve returns by optimizing human capital; and
- Becoming self sufficient in energy.

Harvested cane being hauled by trucks to one of the mills.

Global Economic Environment
- Global financial crisis
- Policies of American Federal Reserve and European Central Bank
- Geo political outcomes
- GDP forecasts for world economies

EU, SACU and World Sugar Prices
- EU Sugar reform
- SACU market (Brazil imports)
- Increase in sugar prices
- Increase in sugar sales volumes
- Currency movements

Financial Capital
- Comprehensive income attributable to owners of the Company is E372 million
- Revenue earned through hedging exports
- Favourable exchange rates

Ethanol Prices
- Decrease in the price of Ethanol
- Increase in ethanol sales
- Increase in number of competitors for ethanol

Production of cane, sugar and ethanol
- Young cane was harvested
- Cane harvested = 3.37 mt (3% dec)
- Cane yields = 102.5 tc/ha (9% dec)
- 96°Pol sugar = 433,255t (5% dec)
- Ethanol production = 29.7 Ml (4% dec)
- Ethanol sales = 32.6 Ml (16% inc)

Inflation / Costs of Production
- Salaries and wages
- Energy – coal, woodchips and electricity
- Maintenance costs for mills, agriculture and ethanol
- Molasses
- Chemicals and agro-chemicals
- Harvesting and haulage
- 30 MW TA
- SAP system cost of E137m

Financial performance review

Five Year Review	March 2010	March 2011	March 2012	March 2013	March 2014
Production					
Sugar (96° Pol) (tonnes)	425 802	414 010	455 470	458 134	433 255
Ethanol ('000 litres)	25 072	28 924	29 857	31 031	29 667
Financial results (E' millions)					
Revenue	1 625	1 553	1 989	2 542	2 716
Operating profit before interest and taxation	239	122	396	535	483
Profit before taxation	236	114	397	549	496
Total comprehensive income attributable to owners of the Company	165	79	278	414	372
Total assets	1 942	1 951	2 232	2 450	2 440
Shareholders' funds	1 122	1 177	1 256	1 422	1 574
Net borrowings	166	220	119	31	68
Cash generated from operations	331	256	414	632	606
Capital expenditure	75	152	176	248	221
Annual depreciation charge	125	122	124	129	128
Financial ratios					
Return on shareholders' equity (%)	14.7	6.7	22.1	29.1	23.6
Return on sales (%)	14.7	7.9	19.2	21.0	17.8
Interest cover (times)	24.2	9.0	37.0	44.5	60.9
Assets to revenue (%)	0.9	0.8	0.9	1.1	1.1
Return on assets managed (%)	12.7	6.6	18.7	22.9	20.6
Gearing (%)	12.9	15.7	8.6	2.1	4.1
Basic earnings per share (cents)	171.1	81.8	288.7	429.5	385.9
Dividends per share (cents)	119.0	25.0	206.7	257.3	228.4

Commentary on results

RSSC has posted good results, with total comprehensive income attributable to owners of the Company amounting to E372m compared to E414m in the prior year. The decline in profitability was influenced by a decrease in sugar production, a lower change in the fair value of biological assets, offset by improved prices in the EU and additional revenue earned through hedging of exports. In addition to this, the once-off tax rate change, which reduced corporate tax to 27.5%, increased profits in the prior year by E18m.

The consolidated statement of financial position continues to be strong with total assets valued at E2.4bn as at 31 March 2014. Although the ratios are slightly down on the previous year, they still demonstrate a good performance over the 2013/14 year.

Financial Capital

Operations and marketing

Cane delivered to the mills was 3.37Mt, 3% lower than in the prior year. The cane yields achieved were 102.5tc/ha compared to 112.1tc/ha in the prior year. This was a result of younger cane being harvested following significant rains which disrupted the 2012/13 harvesting operations and led to the extension of that crushing season (see Natural Capital).

Production of 96° Pol sugar decreased 5% from 458,134t last year to 433,255t in this financial year.

Sugar prices were 9% higher in 2014 than in 2013 due to improved prices and favourable exchange rates. While we experienced this increase in sugar prices, our total revenue from sugar is 2% less due to the lower cane yields and lower sugar production as a result of harvesting younger cane.

Swaziland Sugar Industry

Swaziland's strategic market focus is to target the EU and SACU as primary market outlets for bulk raw sugar and direct consumption of bagged Very High Polarisation (VHP) and white sugars. Thereafter the US market and regional markets, which are broadly aligned to world market price movements, are supplied.

In June 2013, the EU announced that its sugar production quota regime will end in September 2017. The major impact for a supplier such as Swaziland will be a decline in EU sugar prices, and the EU requiring lower, more variable volumes of imports.

Future EU import volumes and prices will be a function of the complex interaction of several variables, including: the prices of alternative crops to beet, world sugar prices, the impact of the isoglucose sector reform, beet sugar company strategies in terms of capacity utilisation, extending the beet campaign, and the future of the stand-alone refining sector.

The SACU market continues to be challenging with competition from low-priced Brazilian Imports. This has in turn led to greater competition in the marketplace and price pressure from both major industrial users and the retail sector, which in some instances now have links with international players.

We are efficient in producing and marketing sugar, but the industry structure makes it difficult for RSSC to improve its competitiveness in the market. We recognize that there is a lot of potential for improvement to be gained by moving towards a more decentralized system, and we will continue to explore options in this regard.

Ethanol loading at the distillery.

Ethanol

Ethanol production amounted to 29.7Ml, 4% lower than 2012/13 (31.0Ml). However, sales volumes were 16% higher this year (32.6Ml) than in 2012/13 (28.2Ml). Although the pricing for ethanol was unfavourable, the good sales performance, increased rum sales, diversion of some product into certain markets and the weakening of the Lilangeni resulted in overall sales being significantly higher in 2013/14 than in 2012/13. Ethanol contributes approximately 9% to RSSC's total revenue. In 2014, this revenue amounted to E251m, an increase of 21% from E207m in 2013.

Ethanol Markets

Currently, RSSC exports ethanol to the EU, Regional and the SACU market. From 2012/13 to this FY, the proportion of total sales that were made to the EU increased relative to the other markets.

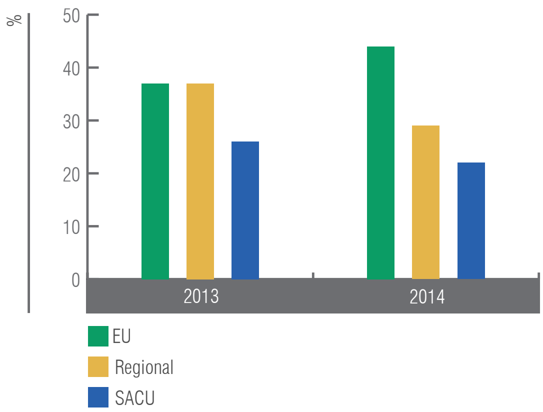


Figure 29. Actual sales by market (litres)

30MW Turbo Alternator

In 2012 we invested in a 30MW turbo alternator, amounting to a total capital expenditure of E120m. There was a failure that was caused by excessive vibrations during the start-up of the machine, which caused the machine to malfunction in April 2013. We then sent this alternator for inspection and repair, and it was re-commissioned in March 2014. We spent approximately E10.4m on repairing the alternator and a further E11.8m on time lost as a result of this machine failure. In addition, we are in the process of dealing with insurance claims amounting to E22.2m. The total cost and implications of this alternator is discussed in more detail in Manufactured Capital.

RSSC's sugar, packed by Mananga Sugar Packers, is sold in the local grocery stores.

Financial Capital

Risk Management

RSSC's enterprise-wide risk management process identifies, assesses, manages and monitors the significant risks faced by the Group. This process identifies critical business, operational, financial and compliance risks and the adequacy and effectiveness of controls at all levels. The Risk Committee monitors and reports on these risks to the Board. Mitigating action plans are implemented in response to the identified risks. The following are the top risks and action plans identified for the 2014 financial year:

Figure 30. RSSC Risks and Action Plans

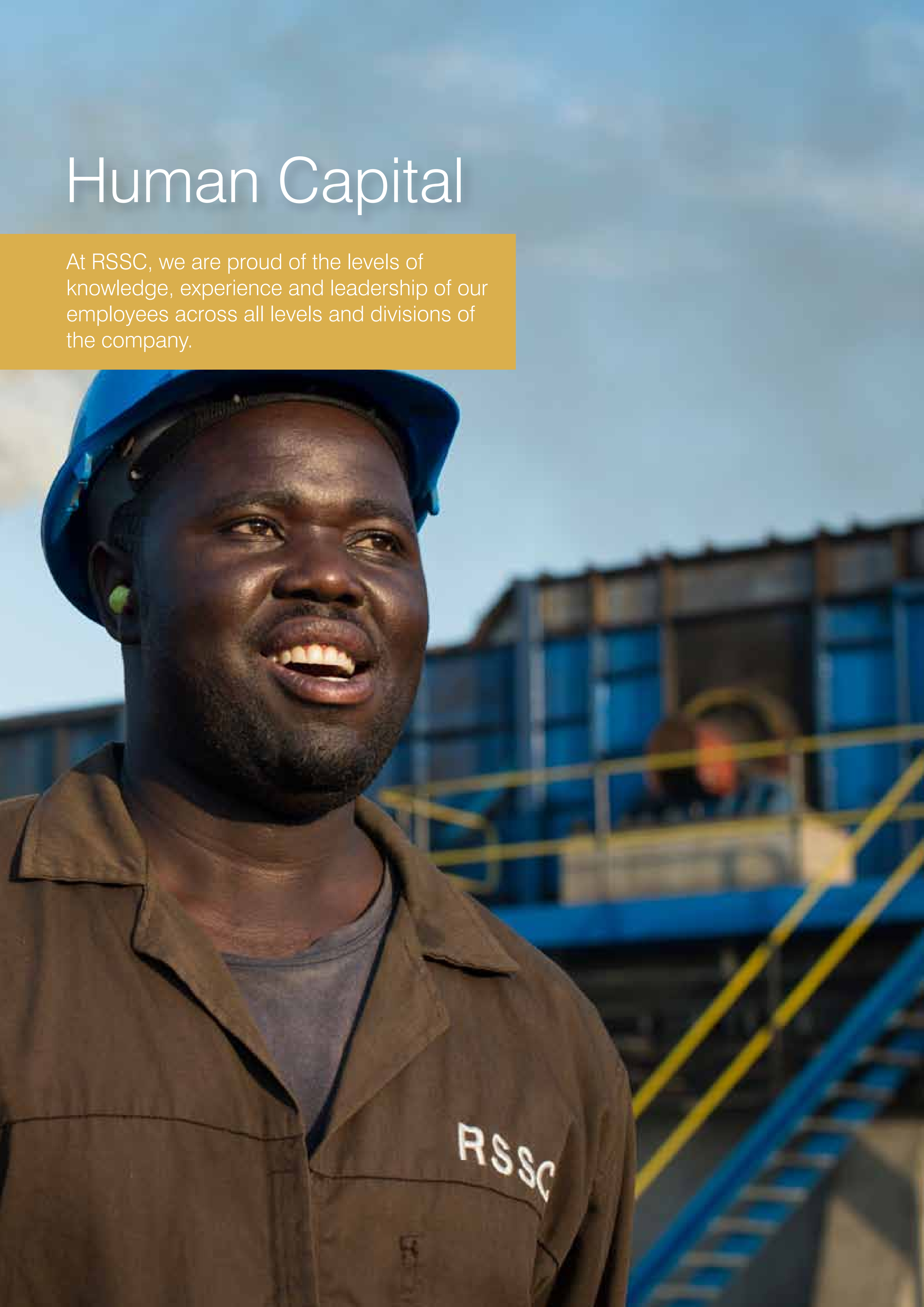
Risk Issue	Actions for 2013/14	Status
Implementation of systems	• A new SAP ERP system is in the process of being implemented. From the approved budget of E137m, current expenditure for 2014 amounted to E51.4m.	• Estimated date of completion is March 2015.
Lack of engineering skills, knowledge and experience	• Source local, regional and international markets for requisite sugar manufacturing skills. • Grow the engineering talent pipeline by reviewing and implementing the engineering graduate development programme to assure the business of a continuous supply of talent.	• Engaged Bosch Ulwazi on a three-year contract to provide mentoring and mentor development, discipline-specific technical training, securing Engineering Certificate of Competence and project management exposure and experience.
Employee attraction and retention: staff turnover is 5.0%.	• Review of the benefit remuneration structure and availability of housing to ensure RSSC competitiveness in the market to attract and retain skills. • Develop a recruitment plan to ensure availability of skills, track and manage progress to ensure timely delivery of required skills, particularly for young graduates. • Develop an integrated talent management framework to effectively align attraction, development and retention processes to RSSC skills requirements with sustainable performance of RSSC.	• Talent management metrics have been completed and in the process of being utilised. • Employee turnover decreased as a result of an intensive programme to attract and retain skills.
Waste water quality standards and environmental compliance	• Conduct an audit report on the mills, distillery and EIA for the Ekuthuleni Farm and other developments.	• Some have been approved and others in progress.
LTA (efficiencies)	• Studies were performed to determine where efficiencies can be improved.	• A study was undertaken and highlighted areas of improvement, which was corrected in 2014. • Recruitment of some specialist skills in this department is still required.
Currency fluctuations	• Ensure that sugar exports are hedged to lock in value. • Ethanol exports hedged once contract signed.	• 99% of Euro exports have been hedged by SSA. • Ethanol exports hedged on a shipment by shipment basis. This process is ongoing.
EU Trade Agreements	• Engagement with SSA and Swaziland Government on negotiations for the EU Trade Agreement to be renewed.	• Talks and negotiations will be finalised in October 2014.

Risk Issue	Actions for 2013/14	Status
Sugar pricing	• Sugar price is a key driver of profitability. • Decision to be made on increasing the SACU tariff in respect of imports	• SACU price to be increased in July 2014. • Decrease in EU prices. • Tariff approved.
Power management and related costs	• Increase the use of alternative energy sources to become more self-sufficient in line with our Energy Strategy.	• 30MW Turbo Alternator was re-commissioned after the machine malfunctioned in April 2013. 30MW Turbo Alternator repaired and we are in the process of manufacturing a second, backup 30MW Turbo Alternator, to reduce our dependency on the National Grid.
HIV/AIDS	• Restructuring of RSSC Medical Services to increase the efficiency of the department. • Prevalence survey conducted in October 2013.	• RSSC Medical Services retained its 5-ribbon status at the annual Health and Safety Conference held at NOSHCOM (Durban) with an overall score of 93.53% for its HIV/AIDS programme. • The prevalence survey took place and indicated that the HIV/AIDS prevalence among employees decreased to 29.4%.

Simunye mill.

Human Capital

At RSSC, we are proud of the levels of knowledge, experience and leadership of our employees across all levels and divisions of the company.



Human Capital

The ability of a business to attract, retain, continuously improve and enhance the required skills forms one of the key factors for success and sustainability in the medium to long term. At RSSC, we have elected to position ourselves as an Employer of Choice and provider of a Centre of Excellence and Expertise, and as such, strive to provide an attractive employee-value proposition, application of best practice and value-add learning.

We also endeavour to provide a safe, balanced and attractive workplace that represents an enabling environment for learning, innovation and sharing of knowledge. We believe that high staff morale, motivation and a conducive working, social and community environment are key to attaining this strategic objective.

Applied Knowledge and Leadership

At RSSC, we are proud of the levels of knowledge, experience and leadership of our employees across all levels and divisions of the company. To strengthen the leadership capability of our employees, we continue to provide leadership development, aimed at growing and developing leaders in a very competitive environment. Our Agricultural Section Managers took the initiative and responded rapidly to hail damage and aphids attack in a way that was beneficial to the financial performance of RSSC. The collaboration of the manufacturing management team in the projects department ensured the timeous delivery and commissioning of the 30MW turbo alternator turbine which contributes greatly to operational efficiencies and reduction of our power generation costs. These are just a few pockets of displayed leadership in our business.

Value-added HR Services

We pride ourselves at RSSC to not only strive to meet compliance requirements, but to conduct our business in a manner that has a positive growth impact on our divisions and employees. As such, we continue to improve the HR practitioner's capability to provide both functional and value-adding processes, systems and services that ensure business performance enhancement.

This involves providing consistent, quality HR service delivery through being business focused and agile to business requirements. With the forthcoming introduction of Insika (SAP ERP), we look forward to transforming our systems into an electronic service to free up time for more value-adding HR services.

We recognise that, to maintain the rank of employer of choice, we require a shift in our focus towards the enhancement of business performance by providing leadership, talent and a strong employee value proposition.

A team working together to strengthen internal leadership at RSSC.

Climate Survey

Our annual Climate Survey indicated very positive results in all components. Since our first survey, we introduced and continue to conduct a number of interventions such as leadership programmes – emotional intelligence, crucial conversations, mentoring and coaching, amongst others. This year's results indicate that these interventions are starting to have an impact. For instance, an increase was noted in leadership authenticity. These results are important to us, as they focus our investments in the right places, as well as motivate and encourage employees to engage their efforts. Our interventions consequently improve the work climate.

Skills acquisition and retention

Obtaining and retaining key skills at RSSC remains crucial for sustaining our success in the sugar industry. Over the past year, we have invested a total of E24.8m in the development of our staff. Of this, an estimated E2m was invested in SAP training towards the establishment of an internal Centre of Excellence to support business processes after commissioning.

Critical skills are essential for the optimal functioning of our operations. The skills shortage we are experiencing persists in the fields of engineering and artisans. Although some of these vacancies have not been filled in three years, the rate of recruitment has increased significantly as we are starting to fill these positions. In the engineering discipline, the rate of recruitment has increased from 25% in 2010 to 76% in March 2014. We are hoping to increase this rate even further to 95% towards the end of the 2014.

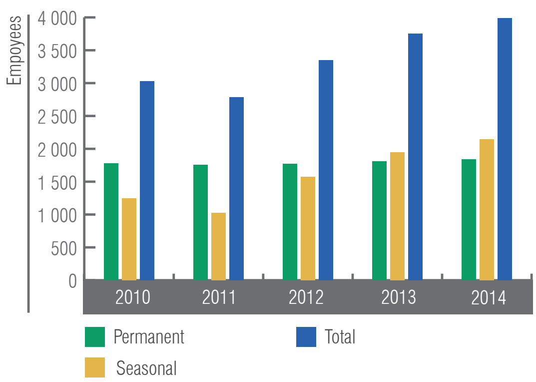


Figure 31. Number of employees
Employee numbers have increased by 24% since 2010, in line with the expansions and developments across the company.

Employee numbers have steadily increased at RSSC since 2010. A decrease in seasonal workers was experienced in previous years, yet the number of seasonal workers exceeded the number of permanent RSSC workers in 2014. During the course of 2013/14, the number of seasonal workers increased by 9% from 1,948 (2012/13) to 2,142 (2013/14). This increase is a result of the business expansion program, as these employees have been deployed in the newly developed land under cane.

One of our main employment benefits at RSSC is the provision of housing and safe villages for staff members. We offer different housing options and arrangements depending on the level of employment of our staff. The general shortage of housing is contributing to our skills shortage, as we are experiencing a shortage in specific levels, therefore unable to provide the appropriate level of housing to those new employees we wish to hire. We are working on reducing the turnaround time between hiring new employees and providing them with housing. At the moment, the turnaround time for housing allocation is three (3) to four (4) months, and we aim to reduce this in the next year. We are currently looking at a number of alternative options to address this shortage of housing, but final decisions are yet to be made.

Cane cutters harvesting in the fields.

Ensuring that we have the right skills at many levels while promoting local skills development

At RSSC, we are proud to provide employment opportunities to almost 4,000 employees (Figure: 31). Employees are hired on the best job and culture fit. The job-fit is dependent on the skills, knowledge and experience of the potential candidate. Where attempts to secure skills locally have failed, we source employees from other countries to fill our skills gap. Foreign nationals only constitute 1% of our staff. However, there is continued focus on building a sustainable skills pipeline by developing local talent through our trainee programmes, internal development, attraction and retention strategies.

In relation to training and development, we have invested E24m in respect of graduate trainee programmes, apprenticeship training programmes and other training initiatives. Management training undertaking during the year amounted to E5 m and details of this are outlined in Figure 32.

In addition to this, RSSC invests in education. One such example is the Thembelisha Preparatory School. RSSC seeks to provide our employees' children with multi-national and multi-cultural experiences. To this end a healthy balance between expatriate and local teachers is maintained. We are proud that 81% (21 out of 26) of our teachers are now local, a significant increase from when the school was opened with primarily international teachers.

Employee Category	Employees Trained	Total Man Days	Average Man Days	Total Spend (Cost)
Skilled & Operational Staff	1959	1811	0.92	1 876 427
Middle Management	522	1791	3.43	2 880 346
Senior Management	85	136	1.60	238 280
TOTAL SPEND	**2566**	**3738**	**1.46**	**4 995 053**

Figure 32: Average hours of training per employee, per tier and the costs (2013)

As part of a multi-pronged retention strategy, one of our challenges this year was to find ways in which to revise our remuneration structure to respond to the changing workforce demographics. This is in response to finding effective ways to manage employee engagement and retention. The previous year's high employee turnover rate (13.9%) in the T16+ category was cause for concern, particularly considering that over 90% of these exits were resignations of scarce skills (engineers) and senior managers. In 2013/14, the rate of exits in this category dropped to a more manageable territory at 6.1%. Turnover in the critical and scarce skills and leadership levels not exceeding 5% would be considered acceptable for the local sugar industry.

We realise the importance of retaining our experience and knowledge when staff retire or resign, and have therefore invested necessary time and effort to improving our succession and workforce planning. Although we have increased the number of apprentices, these artisans take time to gain experience and we are likely to continue to have a shortage of skilled artisans for the next two to three years.

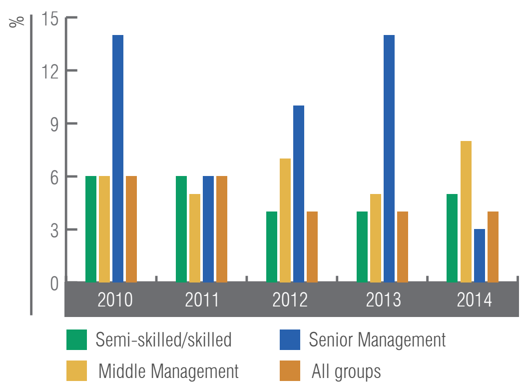


Figure 33. Annual Staff Turnover
Staff turnover at RSSC has decreased from an average of 6.0% in 2009/10 to 5.0% in 2013/14 for all groups. Of note is the decline in turnover in the T16+ group. The change in the position of engineer from grade T16 to T15 in 2011 is one of the main reasons the turnover for T16+ appears to have declined, with the converse effect on the T12-15 range. Close monitoring and management of the causal factors and implementation of mitigation initiatives is a key component of the strategy to keep the harmful effects of unplanned exits under control.

Graduate Placement Programme

We continue to build and strengthen our platforms from where we attract and source potential employees. Our collaboration with universities, colleges and schools ensures that we attract people with potential that we can further develop at RSSC. In a recent career exhibition at Mangosuthu University of Technology, 400 graduates visited the RSSC stall, and of these, 28 indicated a keen interest in our graduate training program, the majority of whom were Swazi students.

Relationship building has been identified as one of the key factors to ensure that graduates remain with RSSC. The retention of our apprentices and graduate trainees, particularly in the engineering discipline, raises challenges in assuring the business of a sustainable talent pipeline. Some Engineers-In-Training leave RSSC during the three-year training period. This is mainly due to the trade-off between high cash in hand, coupled with holding a substantive position as an engineer, and developing over time to being a seasoned engineer and earning a high-benefit structured salary. Young graduates normally choose the former. Through our HR department, we are looking at potential retention strategies to improve the retention of young graduates and trainees.

SAP

The implementation of a new SAP ERP system Insika, was our largest strategic initiative started in 2014. It was decided to implement this system due to the need to have an all-inclusive, integrated system to increase efficiency in the workplace and a common line of sight on the performance of the organisation. Significant improvements in our financial performance allowed for its development. Since inception, we have spent an estimated E51.4m on this project, and a further E2.5m will be spent on staff training pre- and post-implementation. Fourteen employees are being trained at the SAP academy across a range of SAP modules.

The implementation of Insika will improve our HR practitioners' abilities to provide value-add business solutions and ensure accurate administration and data management. It will further empower each of our employees to have real-time information, in desk-driven processes that allow them to take control of their personal data processes such as leave management. Currently the HR practitioners have to deal with a system that is inflexible and out-dated. The integrated system will bring all these systems into one and HR administration will therefore be streamlined. One of the features of the SAP system is its recruitment strategy, where HR will work through e-recruitment to recruit potential candidates.

SAP project team members reveiwing progress.

Human Capital

Health and safety

At RSSC, we strive towards maintaining a safe and healthy working environment. This means going beyond the minimum standards laid down by the regulatory authority, to deliberately invest in best practice, the continuous upskilling of employees on health, safety and wellness, both within and outside the workplace.

We are extremely saddened to have lost an employee during the course of 2014. Mr Million Dlamini, who worked in our Finance Division, passed away after a head-on collision with another vehicle on a public road. He had been a valuable employee for 25 years, and will be sorely missed by colleagues and the community.

We experienced a number of minor accidents at the mills. We realise that the nature of our work requires constant training on health and safety, and we have therefore up-scaled our training in this respect. We held 10 training sessions where groups of 20 staff members were trained per session. During our training sessions, we created awareness among our staff about the importance of being responsible for their own safety and discussed the targets for the next year.

The total number of accidents has decreased since 2010, and injuries on duty are now more commonly related to human error and are not the result of a lack of safety procedures or Personal Protective Equipment (PPE). As most of these injuries are avoidable, we will continue to provide training on employee health and safety in the workplace throughout the year.

Figure 34: DIFR

Year	Total number of accidents	Fatalities	DIFR1[1]	Corporate DIFR Target
2013/14	196	1	0.77	0.5
2012/13	288	1	0.72	1
2011/12	263	0	0.78	1
2010/11	269	0	0.64	1

[1]Disabling Injury Frequency Rate: A disabling injury is one which renders an employee unable to work for at least one full shift following the shift in which the injury occurred. This rate is calculated as the Number of disabling incidents x 200 000 / Total man-hours worked per month.

Employees wearing protective gear maintaining the machinery.

Employee Wellness

Much progress has been made since restructuring the RSSC Medical Services two years ago. In particular, we achieved the following:

- A wellness survey was conducted among employees in October 2013, which highlighted health and behavioural risk areas;
- The new Integrated Wellness Program was launched on 3 December 2013; and
- The development of an Intergrated Health and Wellness strategy across all 10 H&W Domains.

The Integrated Wellness Programme was launched in conjunction with World Aids Day on 3 December, and is called Sibuko Sami ("My Mirror"). The objective is to encourage each employee to take individual responsibility for their health, with the end result being a healthy workforce able to meet the organization's productivity targets. This programme achieved the following in 2014:

- A decision was made to adopt the new standard, SANS 16001/2013, which will move the organisation forward to an all inclusive program including Wellness and Disease Management (including HIV and TB);
- Establishment of an Integrated Health and Wellness Program which includes Medical Services, Occupational Health, Wellness and HIV/AIDS programs;
- Objectives and targets were set for all aspects and included in the standard to ensure compliance with this standard;
- We continue to monitor and evaluate the Return on Investment (ROI) of the program; and
- We are preparing the department for the first internal audit and management review to identify areas of improvement.

Although we have always ensured world-class medical services are available to our employees, through the recently strengthened focus on the preventative aspect of individual health, we want to encourage employees to live better lifestyles and make their health a top priority.

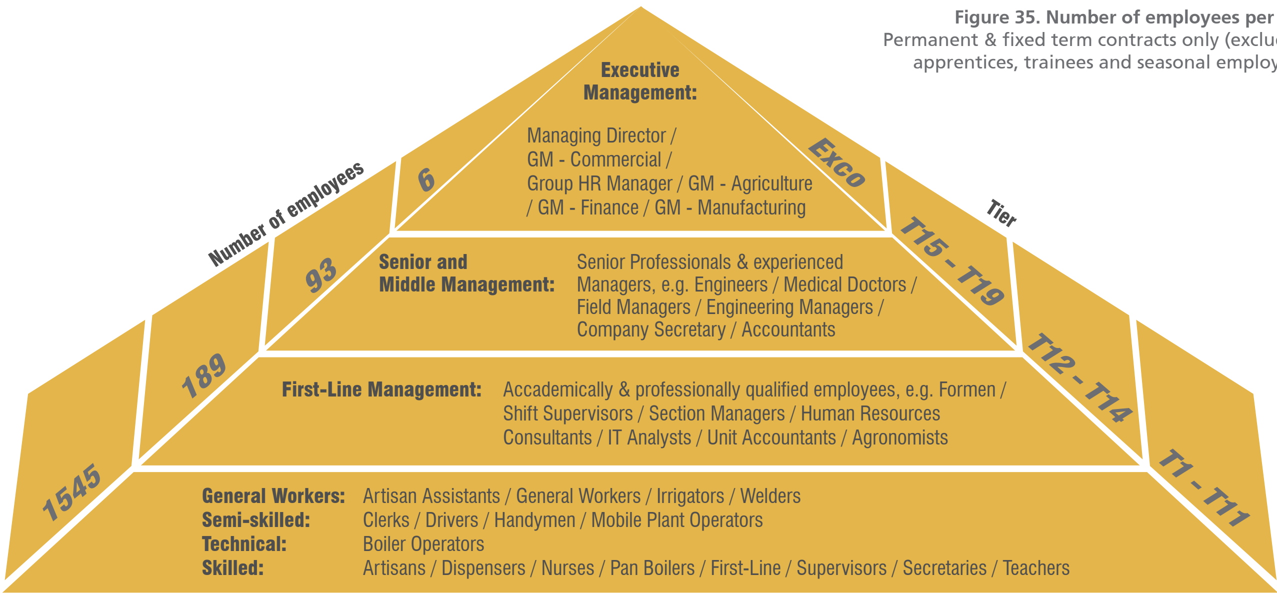
Industrial relations

RSSC recognises the relevance of engaging social partners in ensuring the sound running of the organisation. We have worked very closely with our employee representitive organisations, SAMASA and SAPWU over the past few years which has resulted in a good working environment. We held a workshop in February 2014, in preparation for negotiations, which was focused on "effective communication in negotiation". This has empowered both our team and our unions with communication techniques that we hope will facilitate all interactions.

We do believe that the industrial harmony we have enjoyed spanning over 10 years can be attributed to this continuous involvement of all social partners. However, we need to renew our focus and effectively run and engage in meaningful consultations to deal with any issues arising, as this will provide for early understanding and resolution of matters leading to a conducive working environment.

The relationship with social partners could be improved by staying true to the operational plan of running consultations, balancing management involvement in industrial relations (IR) processes with corporate project involvement, timeous implementation of agreements, and improving communication amongst all parties. Monitoring and evaluation of these issues will provide for a harmonious IR environment.

Figure 35. Number of employees per tier:
Permanent & fixed term contracts only (excluding apprentices, trainees and seasonal employees)



Social Capital

In 2014, E155,885 was spent on training teachers at our schools to ensure that our children receive the best education possible.

Social Capital

Social capital is the value added by human relationships to RSSC and our outputs. It is often referred to as the value of connections within and between social networks. At RSSC, we operate in a closely knit community and are aware of the fact that our successes and challenges impact on the health and sustainability of the local community.

Swaziland's economic growth has lagged behind its sub-Saharan African neighbours, crippled by a high HIV/AIDS infection rate, repeated droughts and a high unemployment rate.

RSSC is one of the largest employers in the country with close to 1,900 permanent employees and 2,200 seasonal workers. By providing employment, we believe that we are making a valuable contribution to the socio-economic development of the country. We are aware of the many socio-economic challenges faced by people in the surrounding communities, and strive to enhance social capital by:

- Providing essential services such as healthcare, infrastructure and housing to stimulate socio-economic development;
- Creating and maintaining a safe and stimulating living and working environment; and
- Encouraging social harmony through communication and feedback from the community and dependants.

Stimulating socio-economic development

Socio-economic development increased across our estates in 2014. The number of informal traders has grown, and the addition of new shops in the economic areas means these essential services are provided to our communities and also increases job opportunities for the dependants of our employees.

At RSSC, we believe our responsibility is for the wellbeing of our employees and the communities in which we operate. To this end, a project that will guarantee greater food security for families in need will be initiated. Instead of planting sun hemp as a fallow crop, we plan to plant edible legumes such as beans.

The underprivileged in the neighbouring communities will assist in this project, and benefit by acquiring farming skills, experience and the fresh produce. In this way, we are able to reduce poverty and develop local skills at the same time.

Informal trading at the Simunye Estate.

Corporate Social Responsibility

As a responsible corporate citizen, RSSC has entrenched a culture of giving, both from a corporate level and its employees. We donate to charity organizations and community projects within the area on an annual basis.

The general purpose of the donations is to assist communities in specific areas of need, and support organisations and causes that meet RSSC's humanitarian objectives within the target areas.

RSSC is aware of the good deeds that are done by most of the charity organizations in the country, with very little resources. One organization that has been a recipient for the last 12 years is St Joseph's Mission (Mzimpofu). This organisation has, for the past 50 years, been the only school in the country that offers specialized education, care and priority in admission to the disabled.

In the health and wellness sector, organisations such as Hope House, Cheshire Homes Swaziland and Hospice At Home have been our annual beneficiaries for the past 12 years. These organizations alleviate the physical, psychosocial and spiritual suffering of terminally ill patients, through the provision of a quiet environment, palliative care, dietary advice, counseling and companionship.

Provision of Essential and Recreational Services

In 2013, the HR and Public Affairs divisions underwent significant restructuring. This was driven by the need to provide focus on the branding and re-positioning of RSSC with external stakeholders as well as align the provision of services with best practice. This led to effective management of reputational risk, external stakeholder management, alignment of our corporate branding, and allocation of resources where they are most needed. The restructuring impacted the effectiveness and operations of the Community Services department, as three of our seven key employees (57%) were transferred to Medical Services, leaving the Community Services department understaffed. Employees received counselling and mentoring to be better equipped for this change.

Annual perception surveys reveal that we have maintained an excellent image in the eyes of the community. We measure the value of providing essential and recreational services to the community through the utilisation of these services. To date, we have not been able to capture this value effectively and accurately, and aim to do so in 2014/15.

Our Public Image

Public opinion of RSSC improved in 2014 through positive media coverage. Numerous articles relating to RSSC's positive performance and contributions to the socio-economic development of the region were published in the public domain.

RSSC received negative media coverage regarding the passing of one employee in 2012, and dismissals of seven employees who did not follow appropriate safety procedures. We are deeply saddened by the death of this employee. Although articles relating to the dismissal of the seven employees could be perceived negatively, the importance of maintaining high standards of health and safety, and a safe operating environment for our employees to work cannot be overemphasised.

Safety of our Communities

We have maintained the low levels of crime in our communities through investing E13.4m in our security services and maintaining a strong working relationship with the local police, VIP Security and the South African Police in the areas close to the Mananga Border. RSSC security encountered a total of 108 crime cases in 2014 (98 cases in 2013). These security breaches mainly consisted of break-ins and theft, and the responsible parties were apprehended and dealt with in terms of the law.

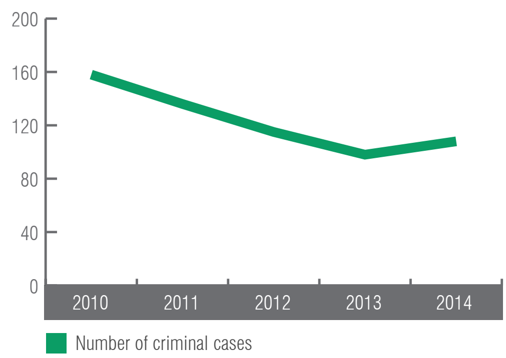


Figure 36. Criminal cases

Social Capital

Provision of Essential and Recreational Services

Essential Services

RSSC plays a significant role in the development of local communities, and we are proud to be the main provider of the following services to the community:

- Electricity;
- Transportation;
- Water Supply;
- Waste Water Disposal;
- Garbage Disposal;
- Social & Cultural Harmony;
- Trade (Formal and Informal);
- Recreational facilities; and
- Accommodation.

We strive to deliver these services to the best of our ability to our communities and employee dependants. As such, committees have been established to oversee the delivery and maintenance of community services. It is noted that electricity outages were not communicated to affected persons thoroughly and timeously. The committees are exploring new methods of delivering this communication so that our employees and dependants are notified in time. Furthermore, complaints were raised by community members regarding the pricing of some of these services, which we are addressing.

Excellence in Education

Marking one of our key successes this year, Thembelisha Preparatory School maintained its position as the top primary school in the country whereby five of its 16 pupils (31%) were in the national top 10 best students category in the Swaziland Primary Certificate (SPC) examination. The school, fully funded by RSSC and IASA registered, is attended predominantly by the children of RSSC employees.

In line with the RSSC strategic objective of development of our human capital we spent E155,885 in 2013/14 on training teachers at our schools to ensure that our children receive the best education possible. Through this training, the teachers have been able to cater to specific needs of the children. As a result, the teachers at Thembelisha Preparatory have identified that the number of children with learning difficulties have increased by 3% since 2013, and we have structured a programme to deal with this effectively. An occupational therapist was contracted to assist the teachers, parents and children in overcoming this hurdle.

Training in Information Technology (IT) in schools was allocated a large portion of the budget. E28,500 was spent on training our teachers in the use of the latest technologies. We invested E150,000 in acquiring 15 new laptops and 13 new desktop computers in 2013/14 for our IT centre at Thembelisha Preparatory Senior campus. We are working on sourcing new educational software for children at the junior and pre-Preparatory campuses.

Thembelisha Preparatory pupils boarding an RSSC bus from Simunye village.

At RSSC we take the safety of our children very seriously, as they are the future of RSSC and Swaziland. As the schools operate from three campuses, transport plays a vital role in the school's operations. We operate a punctual service with excellent bus drivers. Four buses ferry pupils daily to school and back, and other transport is required by children twice a week for sports and extracurricular activities. As such, we are constantly aware and cautious of accidents that might occur when transporting the children, especially in light of the tragic road accident involving one our employees that took place this year (see Human Capital). We are proud to report that no accidents involving our school children in any activity occurred in 2014, and we strive to maintain this in the coming year.

Social Responsibility

RSSC took part in a number of social initiatives in 2013/14 in the local communities. Some of these initiatives include the distribution of 100 blankets to the elderly, a donation to the Junior Achievement Programme, lending support to the seven Government-aided schools (including transportation for pupils), participation in the Earth Hour, hosting an MD's Dinner in support of World Aids Day and offering financial support to many school sports teams. Furthermore, the Group is showing unwavering support in promoting Health and Wellness through physical exercise and has a fully-fledged gym. However, the gym utilization rate has reduced to 55 members, compared to 145 members when the gym opened three years ago. The decline in membership is due to a doubling in the fees from E100 in 2010 to E200 this year.

Medical Services

Swaziland has one of the world's highest HIV/AIDS prevalence rates (26.5%). This contributes to the estimated life expectancy of 49 years, which has a devastating impact on families and households, as an increasing number of children are orphaned. This illness, together with TB and other illnesses, created a youthful population in Swaziland with the high dependency rate of 7. Given the high unemployment rate, companies and the Government are under pressure to assist in alleviating this impact. We continue to collaborate with government on HIV/AIDS, TB and malaria treatment through a Public Private Partnership.

At RSSC, we have made it a priority to ensure that not only our employees, but also their dependants have access to the best healthcare services available. Our Health & Wellness department has achieved the following successes throughout the year:

- A prevalence survey revealed that the prevalence rate for HIV is decreasing amongst permanent employees (2012: 29.4%, 2007: 33.7%). However, this number is still very high among female seasonal employees, female contract employees and female community members. We are in the process of implementing integrated strategies to lower the HIV prevalence rate further, with emphasis on the collaboration of the Community Services and the Health and Wellness departments.
- Programmes, in collaboration with the government, have been implemented to ensure that both Highly Active Anti-Retroviral Treatment (HAART) and TB treatment are freely available to employees and members of the neighbouring communities. As such, the number of employees and dependants accessing HAART through the RSSC clinics increased by 11% from 2013, and the number of employees who use HAART also increased by 13% from 2013. By actively managing HIV/AIDS and TB, we improve the health and life span of employees and dependants.
- The 5-ribbon status was retained at the annual Health and Safety Conference held at NOSHCOM (Durban) with an overall score of 93.53%. This award recognises RSSC as the best company in managing HIV and AIDS in the workplace.
- We have invested in the Alere Pima™ machine to support our HIV/AIDS program on site at RSSC. This machine allows for CD4 counts to be conducted, which is particularly useful due to the challenges faced by public facilities around the availability of reagents to run their machines.
- The disposal of waste material from the X-ray developing process was previously outsourced to a company from South Africa, and we were unaware of the manner and location of disposal. Given that this waste is hazardous, concerns about environmental and human safety were raised. The acquisition of the digital X-ray developer equipment eliminates this risk.
- We have been able to record five local malaria incidents this year. This low rate on our estates is due to annual spraying and other activities carried out by the National Malaria Control program. However, there have been cases imported from Mozambique, proven by recent travel history, which have been identified on the estate. These index cases are identified and surveillance of all homesteads within a 500m radius of the residential address are investigated.

Medical Services

HIV/AIDS

The effects of HIV/AIDS are not only devastating to the community, but also affect our operations. We have a number of programmes to highlight our commitment to combatting this illness in line with our AMS 16001 AIDS management certification. These include creating awareness through our Peer Education Programme, providing and distributing free condoms, ensuring the availability of HTC/VCT Centres, and providing a free Anti-Retroviral Treatment (ART) Programme to our employees and communities. In the different divisions, our peer educators held 60 Toolbox Talks throughout the year and reached an average of 5,130 employees and contractors in 2013/14. Each one-hour talk focuses on a topic, such as HIV/AIDS, breast cancer, TB, etc. These programmes are vital to ensuring the health and wellness of our people.

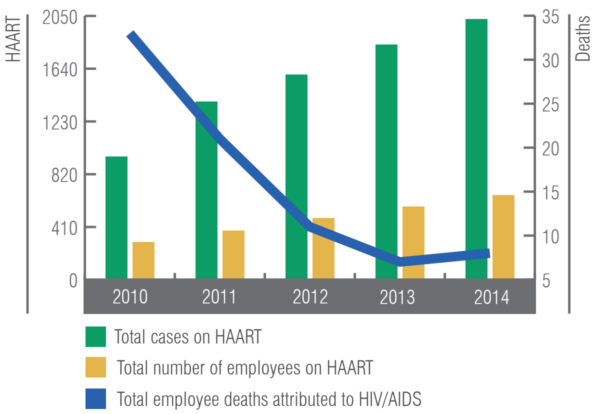


Figure 37. HAART Cases
Despite the number of programmes and initiatives implemented, we were still unable to attain the World Health Organisation (WHO) target of zero HIV/AIDS related deaths in 2014. However, the number of employee deaths attributed to HIV/AIDS declined considerably from 33 in 2010 to 8 in 2014.

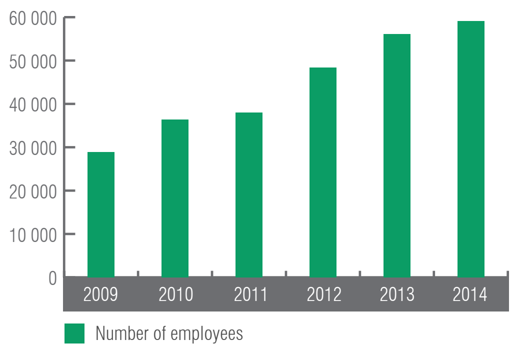


Figure 38. Number of employees and non-employees reached by peer educators

Tuberculosis (TB)

In 2013/14, we acquired a new digital X-ray machine which is more environmentally friendly and poses less of a hazard to healthcare workers who are tasked with the responsibility of taking and developing X-rays. This machine, in addition to the GeneXpert machine, has resulted in a state-of-the-art TB program across the estate, allowing for the early detection of TB and drug resistant forms of TB. This GeneXpert machine, managed by our Radiography and Laboratory Services, reduces the turnaround time for the diagnosis of TB from several weeks to two hours, and the diagnosis of drug resistant TB from over six weeks to a few hours. We provide free TB screening for employees and their dependants. If the illness is confirmed, we also provide treatment at no cost. The rapid detection of TB is crucial for the effective treatment of this highly contagious disease.

RSSC clinics are a regional TB referral centre for North Eastern Swaziland, meaning that once diagnosed at the regional public facility, cases are referred to the RSSC clinics for management until the patient is declared cured. We have made good progress combatting new TB cases (amongst employees and the community), which declined from 275 in 2013 to 167 in 2014. Shared accommodation for employees and contract workers at the lower levels continues to pose a risk to the effective management of TB. A number of initiatives have been launched to resolve this, including:

- Intergrating TB in the pre-employment examination and routine monitoring of employees, to aid in the early diagnosis and management of the illness.
- Minimising overcrowding of occupants in hostels.
- Creating awareness of the cause of TB and applying preventive measures through regular communication with all employees, dependants and the local community.
- Improving diagnostic techniques (using the recently acquired GeneXpert machine) to increase the diagnosis rate for sputum tests. By being able to diagnose TB at an early stage, treatment can be introduced to ultimately reduce the pool of infectious people.

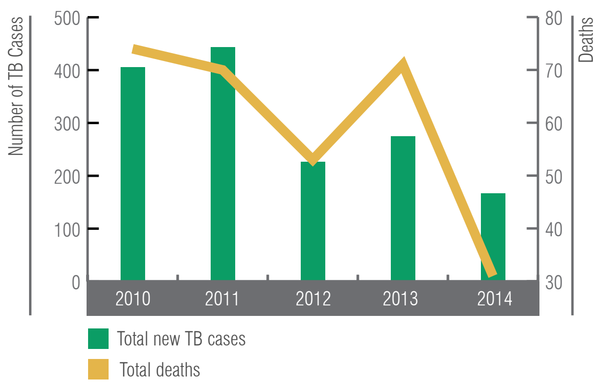


Figure 39. TB Cases

Although it is clear that HIV/AIDS and TB still contribute most to the morbidity and mortality rate, RSSC has to be ready to face new challenges. These challenges are related to lifestyle diseases such as obesity, depression and other mental illnesses including stress.

In a bid to evaluate the extent of the problem posed by these diseases at RSSC, and to ensure that the organisation was in a position to combat these emerging issues as described by the World Health Organisation, the organisation commissioned a series of Health Surveys. These surveys included Individual Behavioural Risk surveys and Physical Health Risk Assessments. Over 2,500 permanent and seasonal employees took part in the survey. The results of these surveys showed a number of risks that RSSC is exposed to. A number of initiatives are in the process of being introduced to combat these risks, including:

- The Biggest Loser Campaign. This was introduced because overweight (33.1%) and obesity (19.8%) were of concern.
- A campaign to reduce the impact of respiratory tract infections on productivity through encouraging cough etiquette and hand hygiene.
- Encouraging male employees to take responsibility for their health by taking advantage of improved access to clinics, increasing utilisation of condoms and improving their relationships at home and at work. This program was aptly held in June 2014, which is internationally recognised as Men's Health Month. The improved access was progressed by taking the clinic services to the patients for the duration of the month of June.
- A Social Behaviour Change Communication survey was initiated, resulting in the development of a Strategy document which will guide how RSSC helps its employees to seek health related advice and assistance.

Cancer

As a major cause of premature death, cancer and its effects have received increased focus in recent years. Lack of public treatment facilities, knowledge and understanding of cancer and its late diagnosis, have increased the country's mortality rate attributed to cancer. For this reason, efforts are being made to address the knowledge and treatment gaps. Through the Swaziland Breast and Cervical Cancer Network (SBCCN) we are creating awareness and promoting screening and early diagnosis amongst our employees, their dependants and members of the neighbouring communities to help combat this disease.

Figure 40. Cancer Awareness Programme
Number of Brave the Breast Walk participants

Children playing in one of the parks in the community.

Social Capital

The SBCCN Is a non-profit organisation which requires donor funding to operate. RSSC raised funds to the value of E 225,000 for SBCCN, thereby allowing them to continue providing vital cancer education and services. This benefits both RSSC and the whole of Swaziland. RSSC showed its commitment to cancer education by sponsoring participation in the SBCCN's annual awareness and fundraiser walk, Brave the Breast, in October 2013. A total of 1,300 employees, non-employees and community members, participated in the walk, and a total of E193,450 was raised during this event. Free cancer screening was made available by the SBCCN to all members of the community. 100 out of the 550 employees who participated in this event utilised this service.

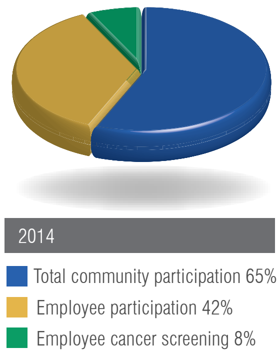


Figure 41. Cancer awareness
Complimentary employee cancer screening

Child welfare at the RSSC Clinic.

Simunye Fun Fair

The Simunye Fun Fair was initiated in 2001 for the purpose of showcasing local talent and stimulating socio-economic development.

The Fun Fair is the biggest in its category in Swaziland and attracts a lot of attention from the neighbouring countries. For this year's Fun Fair, all available accommodation in the region was fully booked, including accommodation available at the three game reserves.

RSSC strives every year to include as many local companies and service providers as possible in order to maximise our impact on the local economy.

In 2014, 8,600 people attended the Fun Fair, an increase of 2766% from 2001 where 300 people attended the Fun Fair. The Fun Fair is the only event in Swaziland that caters for the whole family, and approximately 50% of the attendees are children under the age of 13.

The local sellers and exhibitors (250) that were invited to the Fun Fair this year set up 89 stalls.

The Fun Fair is wholly funded by RSSC, but the continuous funding of this event remains a challenge. In future years we will invite sponsors to share the funding burden and increase the profile of the event.

A Simunye Club employee preparing meat at the weekly Friday Braai.

Children playing on a trampoline at Simunye Club.

CORPORATE GOVERNANCE

Key to the Group operations is the Company's fundamental policy to conduct business with honesty, integrity and in accordance with the highest legal and ethical standards.

RSSC is committed and subscribes to best Corporate Governance practices, and is in this regard guided by, inter alia, the code of corporate practice and conduct contained in all King Reports and other international guidelines on Corporate Governance. The Group's governance structures and practices are reviewed and enhanced on an ongoing basis with a view to implementing recommendations on good governance that are deemed applicable and suitable for the Group's circumstances as well as those that are pivotal to delivering sustainable growth in the interest of all stakeholders.

The responsibility for good corporate governance lies with the Board of Directors, assisted by senior management who aim to instill a culture of good governance throughout the RSSC Group. The Board endorses the principles of fairness, responsibility, transparency and accountability espoused in the King III Report. The Board applies a stakeholder-inclusive approach in its decision making processes, having due regard to the interests of shareholders and other stakeholders, whilst reflecting a demonstrable concern for sustainability as a business opportunity that guides strategy formulation.

The Board of Directors has continued to make good progress in embedding the King III principles and practices identified during the review of RSSC's governance practices against King III. In line with the principle that governance, strategy and sustainability are inseparable, the Board will continue implementing additional enhancements in keeping with the objective to constantly improve its corporate and sustainability management practices.

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

The Board of Directors

Board Composition

The RSSC Board has a unitary structure. The majority of the directors are non-executive directors, including one director who is elected exclusively by small shareholders. The directors are not regarded as independent within the definition of King III, as they are all shareholder appointees.

Notwithstanding this position, the Board is of the view that all non-executive directors exercise independent judgment at all times with respect to material decisions of the Board.

Furthermore, the Board continues to put in place policies on directors' conduct which aims to ensure that directors diligently perform their fiduciary duties and are able to make independent and objective input into the decision making process in the best interests of the Group and its takeholders.

The directors bring a wide range of skills to the Board including international business exposure, industry-related operational experience, understanding of the economics of the sector within which RSSC operates, as well as experience and knowledge on financial, accounting, legal, risk management and banking matters.

The Board considers that the current mix of knowledge, skills, attributes and experience of the directors meets the requirements to lead the company effectively. In spite of the directors' extensive knowledge base and skills-set, the Board is able to utilise expert advisors to assist it in carrying out its duties, where necessary.

The Board does not believe that any of the directors have served on the Board for a period which could materially interfere with their ability to act in the best interests of the Group.

Board Responsibilities

The Board functions in terms of a Board Charter, which records the Board's continued objective to provide ethical business leadership. It regulates and addresses inter alia, the role of the Board as the custodian of corporate governance, the fiduciary duties and responsibilities of the Board and individual directors towards the Group.

In terms of the Charter, the directors are responsible to the shareholders for setting the direction of the company, approval of strategic objectives and policies, determination of overall policies and processes to ensure the integrity of the Group's management of risk and internal control, ensuring that the Group complies with all relevant legislation and promotes the highest standards of corporate governance.

During the year under review, the Board considered and approved the Group's annual strategic plan, operational and capital budgets; monitored performance against plans and budgets; monitored risk and its mitigation; reviewed and revised the Board Charter, Board subcommittees' terms of reference, Code of Ethics, Directors' Code of Conduct, Board subcommittees' membership; approved the Corporate Citizenship Policy; considered a report on talent management as well as ensured that ethical standards were being upheld throughout the Group.

Given the changing global, EU and SACU sugar markets and the need to secure the Group's long-term sustainability, as well as to remain competitive domestically, regionally and globally the Board spent significant time on discussions around the expansion and rehabilitation study.

Towards this end, an ad hoc committee of the Board was set up to consider proposals and reports on the production of a bankable feasibility document.

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 and in terms of its approved annual work plan.

The Board meets quarterly and special meetings are convened from time to time where considered necessary. Each meeting is conducted in accordance with a formal agenda which is prepared in a manner that ensures that the Board's responsibilities as set out in the Board Charter are dealt with in a structured manner throughout the year. To facilitate a meaningful decision-making process, Board papers are circulated timely to the directors to allow them sufficient time to properly scrutinise the content and raise appropriate issues.

Members of the Executive Committee attend Board meetings to ensure comprehensive reporting to directors. Through monthly reports and regular briefings by management on material issues, the Board is able to monitor inter alia operational and financial performance of the business, key risk matters and major company initiatives.

During the period under review, the Board met four times and the attendance at these meetings was as follows:

Figure 42. Board Meeting Attendance

Director's Name	Date of Meeting			
	June 2013	September 2013	December 2013	March 2014
AT Dlamini (Chairman)	√	√	√	√
Chief Z Ndlangamandla	√	√	√	√
JM du Plessis	√	√	√	√
IG van der Walt	√	√	√	×
HRH Princess Phumelele	√	√	√	√
J O Otunla	√	-	-	√
Z R Magagula	√	√	√	√
V Nxumalo	√	√	√	√
MSM Shongwe	√	√	√	√
JN Gule	√	√	√	√
ID van Niekerk	√	√	√	√
M Khumalo	√	√	√	×
NM Jackson (Managing Director)	√	√	√	√
A Giza*	-	√	√	-

Legend: ×: Apology/Non attendance
√ : Attendance
*****: A Giza alternate to JN Otunla attended on behalf of the substantive Director
-: Alternate attended

Corporate Governance

The directors are subject to retirement by rotation on a yearly basis in accordance with the Company's Articles of Association. During the Annual General Meeting held on 05 September 2013, Messrs JM du Plessis, ID van Niekerk, V Nxumalo and JO Otunla were due for and retired by rotation, and having offered themselves, were re-appointed by the shareholders. Messrs AT Dlamini, ZR Magagula, MSM Shongwe and Chief Z Ndlangamandla are due to retire by rotation at the next Annual General Meeting to be held on 3 September 2014.

Chairman and Managing Director

The respective positions of Managing Director and Chairman are separate to ensure a balance of power such that no one individual has unfettered powers of decision making. Their clearly delineated roles and functions are fomalised and set out in the Board Charter. Each has a specific and defined set of duties to prevent overlap of obligations and responsibilities and to eliminate any conflict of function.

The Chairman, Mr AT Dlamini is a non-executive director and is responsible inter alia for providing overall leadership of the Board; representing the Board to shareholders; ensuring that good relations are maintained with the Group's strategic stakeholders; promoting constructive and respectful relations among Board members and between the Board and Management; maintaining regular communication with the Managing Director in respect of all material things affecting the Group and consulting with other Board members promptly when considered appropriate.

Although the Chairman is not an independent non-executive director, the Board is of the view that his appointment does not negatively affect the Board's independence, given that the Board's governance framework recognizes the principle of collective responsibility for Board decisions and provides for independent and objective input into the decision making process.

On the other hand the Managing Director, Mr NM Jackson is accountable to the Board and is responsible for developing and recommending to the Board a long-term strategy and vision for the Group that will generate stakeholder value, together with annual business plans, capital and operational budgets that support the Group's long-term strategy and approach to sustainability; ensuring effective execution of policies and strategies adopted by the Board, deployment of effective internal controls, compliance and governance measures, and monitoring the performance of the Group against agreed performance and sustainability targets and reporting appropriately to the Board about such performance.

Board Sub Committees

While the Board remains accountable and responsible for the performance and affairs of the Group, specific Board Committees exist, to which some of the Board's responsibilities have been delegated, in order to assist the Board in the performance of its various functions and discharging its collective responsibility for corporate governance.

The Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Each Committee has a clear mandate and acts according to written terms of reference (TOR) approved by the Board. All Committee terms of reference were reviewed and updated during the year. Ad hoc committees are established from time to time to assist with specific matters.

The Committees are constituted by appropriately skilled members and have access to specialist advice when necessary. Board Committee meetings are conducted in accordance with formal and structured agendas, ensuring that pertinent matters as 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 Group. Full reports of the committees to the Board include the submission of minutes of their meetings for discussion and noting by the Board.

Audit Committee

There is an Audit Committee whose main role is to assist the Board in discharging its responsibilities regarding: risk managemen t, 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, regulations, codes of conduct and standards.

In line with good corporate governance practices, the Audit Committee is exclusively composed of four non-executive directors. The members of this committee during the year under review were Mr JM du Plessis (Chairman), Mr JN Gule, Mr V Nxumalo and Mr M Khumalo. Committee members have the requisite financial knowledge, commercial skills and experience to effectively contribute to Committee deliberations.

The committee meets four times a year. The Managing Director and senior managers who are responsible for the financial reporting process and risk control management attend the meetings by invitation.

Attendance of the meetings is also open to the internal and external auditors. The Committee meets in separate sessions with management, external auditor and internal auditor to ensure that all pertinent matters have been identified and discussed without undue influence. In accordance with its terms of reference, the Committee discharged its responsibilities as follows:

- Considered and adopted its annual work plan at the beginning of the financial year, and monitored implementation of the same throughout the year;

- In respect of the interim and year-end financial statements-
    - Reviewed and recommended for approval by the Board the interim financial statements for the 6-month period ended 31 September 2013 and the annual financial statements for the year ended 31 March 2014, as well as all publications and announcements of a financial nature required in terms of the Swaziland Stock Exchange Listing Requirements;
    - Ensured that the annual financial statements are fairly presented;
    - Confirmed the appropriateness of the going concern basis for the preparation of the interim and annual financial statements;
    - Reviewed the external auditor's report;
    - Reviewed significant legal and tax matters and considered any concerns identified that could have a material impact on the financial statements; and
    - Considered the effectiveness of the Group's disclosure controls and procedures.

- In respect of the external audit function-
    - Reviewed the external audit function and evaluated the quality of the external audit process and found it to be satisfactory;
    - Considered whether any reportable irregularities were identified and reported by the external auditors, and determined that there were none;
    - Reviewed the external auditor's report and obtained assurances from the external auditor that adequate accounting records were being maintained;
    - Recommended to the Board the annual appointment of the external auditor, approval of terms of engagement and audit approach, as well as fees relating to audit services;
    - Evaluated and satisfied itself as to the independence and effectiveness of the external auditors; and
    - Considered and approved the policy on provision of non-audit services by the external auditor.

- In respect of internal controls and internal audit-
    - Considered the reports of the internal and external auditors on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
    - Reviewed adequacy of corrective action taken in response to significant internal control issues raised;
    - Approved the internal audit charter and the annual internal audit work plan and monitored its implementation by internal audit and concluded that the work performed by internal audit was in accordance with the revised internal audit plan for the year ended 31 March 2014;
    - Assessed the adequacy of the available internal audit resources to enable it to discharge its responsibilities and made recommendations in connection therewith; and
    - Ensured that the Group's internal audit function had the necessary resources to enable it to discharge its duties;

- In respect of the coordination of assurance activities-
    - Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address significant financial risks facing the business;
    - Exercised an oversight role regarding fraud risk and information technology risks in so far as they relate to financial reporting;
    - Considered and approved policies on the management of contracting risks and on provision of non-audit services by the external auditor; and
    - Undertook an exercise to benchmark the external audit services and fees and further assessed the external auditor's effectiveness, independence and expertise. The effectiveness assessment involved a review, with the senior personnel in the Finance Division and relevant corporate functions of the audit process including the planning, execution and reporting activities along with an assessment of the quality, quantity and leadership of the external audit team involved in the audit. The Committee was satisfied as to the competitiveness, expertise, performance and independence of the external audit.

Corporate governance best practice requires that the internal audit function reports directly to the Audit Committee and such direct reporting has been ensured by the Audit Committee's execution of its mandate to: evaluate the effectiveness of internal controls review and approve the internal audit charter and internal audit plans; review significant internal audit findings and the adequacy of corrective action taken; and monitor the performance of the internal audit function and adequacy of available internal audit resources. The Audit Committee has, however, played no role in the formal performance assessment of the head of Internal Audit, as this is considered a task best carried out by the Group Internal Auditor's direct line management.

Based on the above, the Audit Committee is satisfied that it has appropriately performed the duties and responsibilities assigned to it by the Board in accordance with the terms of reference, and more specifically has addressed all its oversight responsibilities in respect of internal financial controls, financial accounting controls, financial and fraud risks, as well as IT risks as they relate to financial reporting.

During the year the Committee met four times and all but one meeting were fully attended. In between meetings, the Chairman had regular contact with the head of Internal Audit. Below is a record of Audit Committee meetings attendances during the year.

Figure 43. Audit Committee Attendance

Director's Name	Date of Meeting			
	May 2013	August 2013	October 2013	March 2014
JM du Plessis	√	√	√	√
JN Gule	√	√	√	√
V Nxumalo	√	√	√	√
M Khumalo	√	√	√	×

Legend: ×: Apology/Non-attendance
√ : Attendance

Risk Committee

The Risk Committee was established to assist the Board in carrying out its responsibilities relating to risk and to ensure that processes are in place to enable complete, timely, relevant and accurate risk identification and management of such risk. The Committee's terms of reference cover among other things, reviewing the Group's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the Group's risk management function, and ensuring an ongoing process for risk identification, mitigation and management and to oversee the implementation of the Group's risk management programme.

The Committee comprises three non-executive directors and one executive director. These are Mr. M Khumalo (Chairman, non-executive), Chief Z Ndlangamandla (non-executive), Mr ID van Niekerk (non-executive) and Mr. NM Jackson (executive). 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 Group's enterprise-wide risk management process seeks to ensure that significant business risks that the Group is exposed to are systematically identified, assessed and managed to acceptable levels and to ensure that risk management is embedded in all decision making processes including planning, projects, business operations and investments. This process identifies strategic, critical business, operational, financial and compliance risks and the adequacy and effectiveness of controls at all levels.

The assessment methodology takes into account the severity and probability of occurrence and applies a rating based on the quality of mitigating controls, thereby ranking issues and setting priorities. The risks are addressed through action plans put in place with responsibilities assigned. Formal risk assessments are conducted on an annual basis and implementation of recommendations coming out of these assessments is monitored by the Risk Committee at its quarterly meetings.

Detailed reports and the risk register with updates are reviewed and presented quarterly to the Risk Committee and the top 10 risks are reported to the Board by the Risk Committee. 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 market, economic, environmental and legislative changes as well as changes in the business environment that could affect the business.

As recommended by King III, the Committee also satisfies itself that an effective IT internal control framework exists, that the IT strategy is integrated and aligned with the Group'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.

Of major focus during this year's meetings, was monitoring the implementation of the SAP enterprise resource planning (ERP) system to address technology risk and more specifically to enable RSSC to become a flexible and agile business, able to quickly respond to changing business parameters by improving real-time reporting functionality, scenario planning and business intelligence platforms.

In light of the risk management processes, measures and frameworks put in place, the Committee is of the view that risk is managed and controlled prudently and effectively throughout the Group and that nothing material has come to its attention that would indicate that the framework of internal controls is inadequate.

In line with its terms of reference, this committee meets four times per year. During the year, the Committee met four times and all meetings had full attendance by the committee members as shown in the table below:

Figure 44. Risk Committee Attendance

Director's Name	Date of Meeting			
	May 2013	August 2013	October 2013	March 2014
M Khumalo	√	√	√	√
Chief Z Ndlangamandla	√	√	√	√
ID van Niekerk	√	√	√	√
NM Jackson	√	√	√	√

Legend: √ : Attendance

Committee on Non-Executive Director's Remuneration

A committee comprising the Chairman, Mr AT Dlamini (non-executive), the Managing Director Mr NM Jackson and the Company Secretary Ms LS Masango established in terms of the Articles of Association of the Company is in place and is responsible primarily for considering and determining the remuneration of non-executive directors and making recommendations thereon to the Board.

The committee's recommendations, once adopted by the Board are submitted for approval by shareholders at the AGM.

Although shareholders' approval is at the end of the year, the practice does not pose a governance problem, as shareholders are able, on an annual basis, to monitor developments relating to directors' remuneration and make input on the direction that remuneration should take going forward.

Non-executive directors' fees are reviewed on an annual basis taking into account corporate governance guidelines, market norms and practices.

In line with King III principles, the directors receive a retainer and fees for attending Board and committee meetings.

The Chairman receives a fixed annual fee in respect of tasks performed on behalf of the company in between meetings plus an attendance fee for Board or subcommittee attendances. A special rate is in place for Committee chairpersons in recognition of the additional duties they perform in their capacities as such.

The Committee held one meeting during the year under review, which was fully attended by all members.

Remuneration Committee (REMCO)

There is a Remuneration Committee, which is exclusively made up of three non-executive directors in order to ensure sufficient impartiality. These are Mr AT Dlamini (Chairman), Mr JM du Plessis and Mr ZR Magagula. The Managing Director together with the head of the Finance division and head of the Human Resources division attend meetings by invitation.

To avoid conflicts of interest, they always recuse themselves from discussions where there is sufficient justification to exclude them, such as debates relating to their remuneration.

The Committee's terms of reference, include 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 Group.

RSSC believes that executives and staff should be paid a fair, competitive and appropriately structured remuneration. To give effect to this philosophy, the following broad principles are applied:

Remuneration consists of fixed and variable components, with variable pay aimed at encouraging performance and shareholder value add; remuneration structures support the development of a performance culture and the Group's business strategy;

Remuneration components are set at a competitive level to motivate key talent and to attract the services of high calibre employees;

The short term incentive scheme aligns the interests of management and staff with those of shareholders in the short term as performance bonuses are subject to Group key financial performance and individual key performance indicators (KPIs);

The long-term incentive scheme and awards to participants are subject to the satisfaction of financial performance conditions supporting long-term shareholder value creation.
REMCO ensures that the mix of remuneration, including short-term and long-term incentives, meets the Group's strategic objectives.

Independent external studies and comparisons are used to ensure that remuneration is market-related.

The Committee met two times during the year. Key issues considered during the meetings included the approval of performance/financial targets for the 2014 financial year, approval of STI and LTI payments in respect of the 2013 financial year and continued monitoring/oversight of the development of the remuneration policy. Attendance at these meetings is shown in the table below:

Figure 45. Committee on Non-Executive Director's Remuneration Meeting Attendance

Director's name	June 2013	March 2014
AT Dlamini (Chairman)	√	√
JM du Plessis	√	√
ZR Magagula	√	√

Legend: √ : Attendance

The Company Secretary

The Company Secretary plays a pivotal role in the Group's governance processes and is responsible for among other things the duties outlined in King III. The Company Secretary is not a director of the Group 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 of 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.

Compliance with laws, regulations, codes and standards

Compliance remains a core focus of the Board, which is ultimately responsible for ensuring that the Group identifies and complies with applicable laws. The Group continued with measures to keep up to date with all proposed and promulgated legislation and to comply with all relevant laws, regulations and codes of business practice.

For RSSC, the key imperative of regulatory compliance is to ensure material compliance across the Group with every law, regulation, code, policy and standard where non-compliance could be materially injurious to the Group's performance and/or continued existence, whether from a financial, legal or reputational perspective.

Control Environment:

Internal Controls

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

The internal audit function monitors the system of internal control and reports its findings and recommendations to management and the Audit Committee. The purpose, authority and responsibility of the internal audit function are formally defined in the internal audit charter, which has been approved by the Board. 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.

A number of reviews to determine the effectiveness of various elements of internal controls, procedures and systems were undertaken across the Group. Reviews undertaken during this reporting period encompass controls relating to the: information management environment; reliability and integrity of financial and operating information; the safeguarding of assets, including fraud prevention; and effective use of the Group's resources.

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

Main Internal Financial Control Procedures and Financial Reporting

The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide it with reasonable, assurance regarding the reliability of the financial information used within the business and for publication, and to ensure that assets are safeguarded. Prudent financial controls and procedures are in place, including controls in relation to the segregation of incompatible duties and controls relating to the security of assets.

The operations and effectiveness of internal financial controls are reviewed on a regular basis. Procedures for seeking and obtaining approval for financial transactions are contained in the Group's Authority Limits for All Divisions document and the Matters Reserved for the Board Policy which was reviewed and updated during the year.

The Group operates a comprehensive annual planning and budgeting process. The financial reporting system compares results with plans and budgets with the previous year's results and is able to identify deviations on a monthly basis.

The directors are also responsible for ensuring that the Group maintains adequate records and reports accurately and reliably on the financial position, activities and results of the Group.

In this regard, financial reporting procedures are applied in the Group at all levels to meet this responsibility. Financial and other information is reviewed and remedial action taken, where necessary.

The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards and appropriate accounting policies are consistently applied. Reasonable and prudent judgements and estimates are made in order to properly disclose the Group's financial status and these are reviewed by the external auditors (KPMG) and the RSSC Group Audit committee.

Management

Below the level of the Board, key management decisions are made by the Managing Director, 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 Managing Director has in turn delegated authority to senior management committees (which include Executive Committee (EXCO), Tender Committee, Risk Management Executive Committee and IT Steering Committee) and individual members of the management team that assist the Managing Director with guiding and controlling the overall direction of the business and monitoring business performance. The Managing Director however remains accountable to the Board for all authority delegated to him.

Management (continued)

The senior management committees and/or senior managers serve to translate and implement the Group's strategic direction into an operational plan; monitor successful implementation of this plan and the achievement of performance in accordance with the agreed-upon budgets and timelines; prioritise the allocation of capital throughout the Group's operations; implement and maintain key Group policies and plans; serve as a governance mechanism; ensuring that proper compliance and corporate governance frameworks exist to facilitate full compliance with applicable laws, regulations and best-practice codes relevant to the industry; monitor operational risk mitigation and specifically manage reputational risk; uphold the principles of the Group's Code of Ethics; oversee human development and succession planning in order to develop future leaders for the Group; allocate human resources throughout the Group; ensure that appropriate IT systems exist to support the business operations and to provide useful management information to facilitate effective decision-making; and attend to all other important aspects that are crucial for business success or which may impact on the operations of the RSSC Group.

Regular management meetings, in particular monthly EXCO meetings are used to monitor the aspects described above and this not only addresses day-to-day operations-related challenges, but also strategic business issues, including sustainability issues and strategic project developments.

Induction and Development

The Group is committed to the continuing development of directors in order that they may build on their expertise and develop a more detailed understanding of their responsibilities. Directors receive briefings on new legal developments and changes in the risk and the general business environment on an on-going basis. Certain directors attended training on Directors' Duties and those attending found that the session was informative and valuable.

To facilitate an understanding of the Group's operations, a site visit of the Reverse Osmosis Plant at the Distillery was arranged to take place after the Board meeting held in September 2013. Directors had the opportunity to gain firsthand knowledge on the operation of the plant and received explanations from managers on site.

Stakeholder Relations and Employee Participation

The Group subscribes to the spirit of the principles on stakeholder management expressed on King III. The Group is committed to creating a working environment in which employees are encouraged to become involved in its affairs and to obtain a sound understanding of its activities.

This is achieved through employee forums operating throughout the Group, the regular publication of internal communiqués as well as routine briefings by the Managing Director.

Ethics

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

The Code describes the underlying principles and values to enable directors to better understand and meet the expectations and requirements of the Group.

Through its approved Code of Ethics the Group records its pledge to promote and enforce ethical business practices and standards throughout the entire Group, and it serves as a guide in day to day decision making processes.

In terms of the Code, the Group commits to applying the highest ethical standards in all its dealings with all stakeholders; carrying on business through fair, commercial and competitive practices; and trading with customers and suppliers who subscribe to ethical business practices.

All employees are expected to comply with the principles and the ethical standards of the aforementioned Code and various other policies and procedures put in place in support of the aforementioned codes. These include among others policies on declarations of conflicts of interest, whistle-blowing and fraud-prevention.

The Group does not engage in or accept or condone any illegal acts in the conduct of its business. The Group operates a "whistle blowing" facility operated by an independent firm of auditors.

This confidential whistle blowing line provides an impartial facility for all stakeholders to anonymously report fraud, statutory malpractice and other crimes, unsafe behaviors, deviations from procurement policies or any other deviations from ethical conduct.

All matters received through the line are investigated, appropriately resolved and reported upon to the Risk Committee.

Abbreviated Consolidated Financial Statements

The Group's principal activities are the growing and milling of sugar cane, the manufacture of sugar, and the manufacture of ethanol from molasses.

Directors' Report
for the year ended 31 March 2014

The Directors have pleasure in presenting their report together with the financial statements for the year ended 31 March 2014.

General Review of Operations

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

Dividends

The following dividends have been declared (refer note 13.3):

- A first interim dividend for the year ended 31 March 2014 of 130.0 cents per share which was paid in November 2013; and
- A final dividend for the year ended 31 March 2014 of 98.4 cents per share which is payable in June 2014.

Board Structure

The Board comprises of one executive and 12 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	
HRH Princess Phumelele	
J N Gule	
M Khumalo	
Z R Magagula	
Chief Z N Ndlangamandla	
V Nxumalo	
J O Otunla	
M S M Shongwe	
I G van der Walt	
I D van Niekerk	

Alternates

M K Dikwa	(to J O Otunla) (resigned 02 Sept 2013)
A Giza	(to J O Otunla) (appointed 02 Sept 2013)
M Ndlela	(to J N Gule)
A Ngcobo	(to A T Dlamini)

Secretary and Registered Office

Secretary:	L Masango
Registered Office:	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 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
M Zikalala	Logistics and Marketing Manager
H Dlamini	Purchasing and Materials Manager

Management Structure (continued)

Agriculture

P Myeni*	General Manager - Agriculture
Vacant	Agricultural Manager - Production
Dr L S Ndlovu	Agricultural Manager – Water Resources
M Tshawuka	Agricultural Manager - Services
V Malubane	Agriculture Development Projects Manager

Manufacturing

J M Sithebe*	General Manager - Manufacturing
T A Dlamini	Factory Manager - Mhlume
M Mango	Factory Manager – Simunye
S Saxena	Head of Distillery
A Jain	Engineering Management Support Manager

Finance

S Potts*	General Manager - Finance
R Coombe	Group IT Manager
D Dhliwayo	Financial Manager - Management Accounting
A Hlatshwayo	Financial Manager - Financial Accounting
J Khumalo	Property Services Manager
P Mweli	Finance Projects Manager
Vacant	Group Risk Control Manager

Human Resources

L N Magagula*	Group Human Resources Manager
D J Dlamini	Human Resources Manager – Shared Services
H Dludlu	Human Resources Manager - Manufacturing
B A Maziya	Human Resources Manager – Services
Vacant	Learning and Talent Manager
B Z Radebe	Health and Wellness Manager

Public Affairs

S Nyembe	Group Public Affairs Manager
F B Motsa	Community Services and Development Manager
T Nxumalo	Corporate 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.

A T Dlamini	**N M Jackson**
(Chairman)	(Director)

Independent Auditor's Report

The Group auditors, KPMG, have issued an unmodified audit report on the consolidated financial statements for the year ended 31 March 2014 from which this information has been extracted.

A copy of their audit report is available for inspection at the registered office of the company, and is incorporated into the full annual financial statements.

Auditors
Mbabane
Swaziland

27 June 2014

Extract from the Consolidated Statement of Financial Position

as at 31 March 2014	Group 2014 E'000	Group 2013 Restated E'000
Assets		
Property, plant and equipment	1 225 337	1 133 664
Goodwill	286 481	286 481
Intangible assets	3 542	3 686
Equity accounted investees	75 564	73 665
Deferred tax assets	253	235
Biological asset – cane roots and citrus	209 736	194 788
Total non-current assets	1 800 913	1 692 519
Inventories	92 320	99 369
Biological asset – growing crop	433 017	441 904
Biological asset - livestock	6 281	7 656
Trade and other receivables	88 027	123 454
Cash and cash equivalents	18 945	85 194
Total current assets	638 590	757 577
Total assets	2 439 503	2 450 096
Equity		
Share capital	128 639	128 639
Share premium	632 379	632 379
Preference share redemption reserve	78 104	78 104
Retained earnings	734 577	582 865
Total equity	1 573 699	1 421 987
Liabilities		
Deferred tax liabilities	326 853	307 960
Loans and borrowings	53 705	77 373
Employee benefits	64 777	78 211
Total non-current liabilities	445 335	463 544
Trade and other payables	193 414	216 918
Short term employee benefits	54 151	76 071
Bank overdraft	9 516	2 599
Current portion of loans and borrowings	23 680	36 053
Current tax liabilities	44 285	95 622
Dividends payable	95 423	137 302
Total current liabilities	420 469	564 565
Total equity and liabilities	2 439 503	2 450 096

Extract from the Consolidated Statement of Comprehensive Income

for the year ended 31 March 2014	Group 2014 E'000	Group 2013 Restated E'000
Revenue	2 716 035	2 542 631
Cost of sales	(1 975 981)	(1 840 475)
Change in fair value of biological assets	4 686	71 935
Gross profit	744 740	774 091
Other income	31 002	30 577
Distribution expenses	(20 736)	(22 708)
Administration expenses	(271 994)	(247 338)
Operating profit	483 012	534 622
Finance income	12 522	11 095
Finance costs	(8 136)	(12 049)
Net finance income/ (costs)	4 386	(954)
Share of profit of equity accounted associate companies (net of income tax)	8 424	15 151
Profit before taxation	495 822	548 819
Income tax expense	(135 450)	(129 807)
Profit attributable to owners of the Company	360 372	419 012
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit liabilities	15 717	(7 465)
Related tax	(4 322)	2 240
Other comprehensive income, net of tax	11 395	(5 225)
Total comprehensive income for the year attributable to owners of the Company	371 767	413 787
Basic and diluted earnings per share (cents)	374.0	434.9

Extract from the Consolidated Statement of Changes in Equity

for the year ended 31 March 2014	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Retained Earnings E'000	Total E'000
2014 Group					
Balance at 1 April 2013	128 639	632 379	78 104	582 865	1 421 987
Profit	-	-	-	360 372	360 372
Other comprehensive income	-	-	-	11 395	11 395
Total comprehensive income for the year	-	-	-	371 767	371 767
Transactions with owners recorded directly in equity					
- Dividends	-	-	-	(220 055)	(220 055)
Balance at 31 March 2014	128 639	632 379	78 104	734 577	1 573 699
2013 Group - Restated					
Balance at 1 April 2012	128 639	632 379	78 104	416 977	1 256 099
Profit	-	-	-	419 012	419 012
Other comprehensive income	-	-	-	(5 225)	(5 225)
Total comprehensive income for the year	-	-	-	413 787	413 787
Transactions with owners recorded directly in equity					
- Dividends	-	-	-	(247 899)	(247 899)
Balance at 31 March 2013	128 639	632 379	78 104	582 865	1 421 987

Extract from the Consolidated Statements of Cash Flows

for the year ended 31 March 2014	Group 2014 E'000	Company 2013 Restated E'000
Cash flows from operating activities		
Cash generated from operations	606 392	632 319
Interest paid	(8 136)	(12 049)
Taxation paid	(172 234)	(102 920)
Net cash generated by operating activities	426 022	517 350
Cash flows from investing activities		
Finance income	11 108	8 229
Dividends received	6 525	6 263
Proceeds from sale of property, plant and equipment	872	87
Acquisition of property, plant and equipment	(221 233)	(221 894)
Acquisition of Swazican Citrus operations	-	(26 000)
Loans receivable advanced	(3 926)	(5 449)
Loans receivable repaid	3 926	7 117
Net cash utilised in investing activities	(202 728)	(231 647)
Cash flows from financing activities		
Proceeds from new borrowings	141	4 559
Repayment of borrowings	(36 182)	(55 283)
Dividends paid	(261 934)	(198 234)
Net cash utilised in financing activities	(297 975)	(248 958)
Net (decrease)/ increase in cash and cash equivalents	(74 681)	36 745
Cash and cash equivalents at beginning of year	82 595	45 378
Effect of exchange rate fluctuations on cash held	1 515	472
Cash and cash equivalents at end of year	9 429	82 595

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