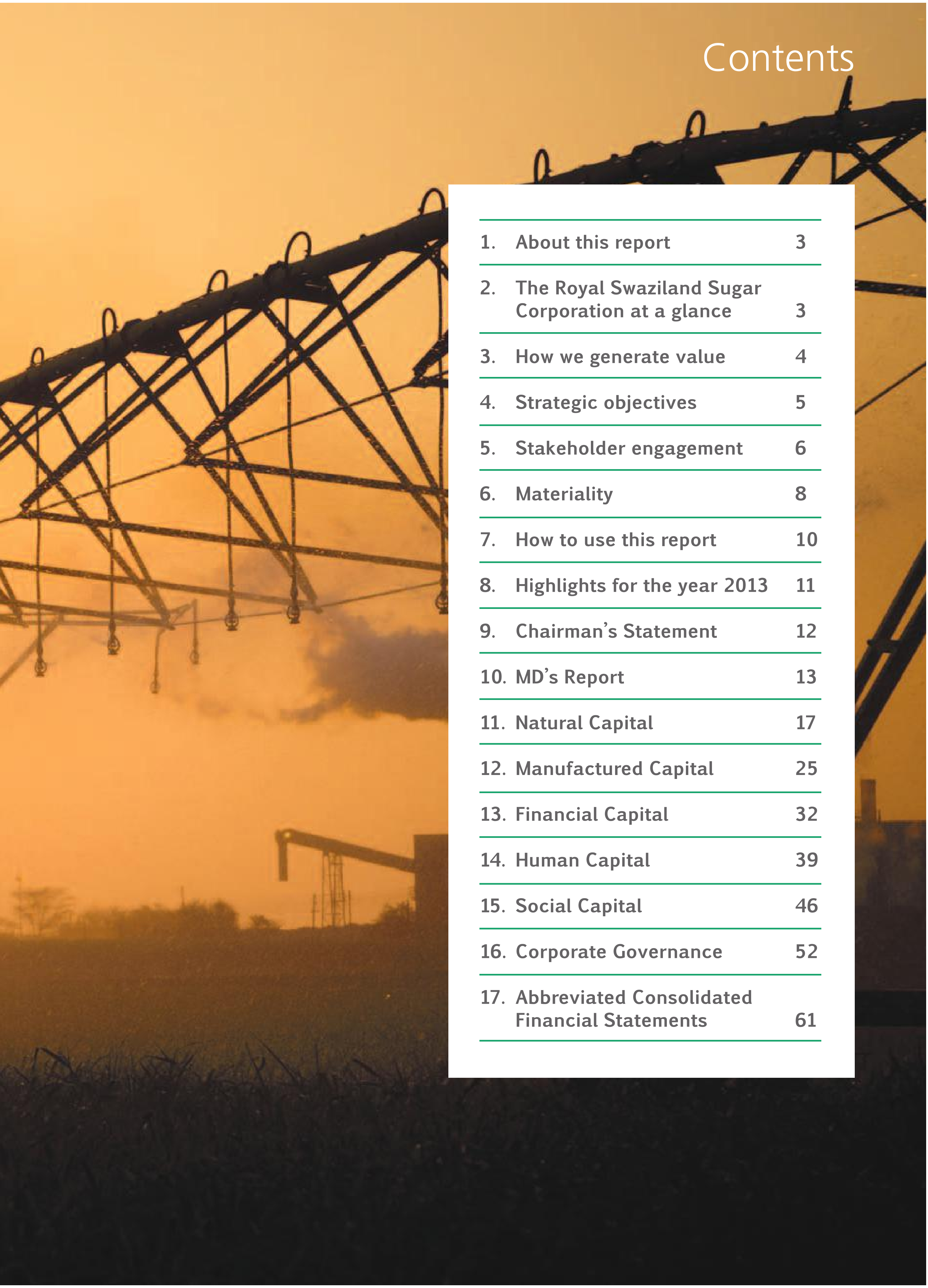
RSSC

THE ROYAL SWAZILAND SUGAR CORPORATION LIMITED

INTEGRATED REPORT 2013



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Introduction

About this report

Welcome to RSSC's second Integrated Report. In this report we continue the journey on which we embarked last year. We seek to communicate to our stakeholders the collective thinking applied to material issues impacting on our ability to create long-term value. In this report, we address the challenges faced by the Group, opportunities and external drivers influencing the Group's strategy.

The Integrated Report is the primary report to our stakeholders and includes summarised financial information. The scope of this report includes entities over which we exerted significant control or influence for the year 1 April 2012 to 31 March 2013.

The Structure of our report follows that of 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.

These models can be grouped as Natural (land, water, and cane), Manufactured (plant and equipment, technology, and final products), Financial (investments, financing, profits, etc.), Human (skills and experience, employee retention, and Industrial Relations) and Social (social licence to operate, communities and shared values).

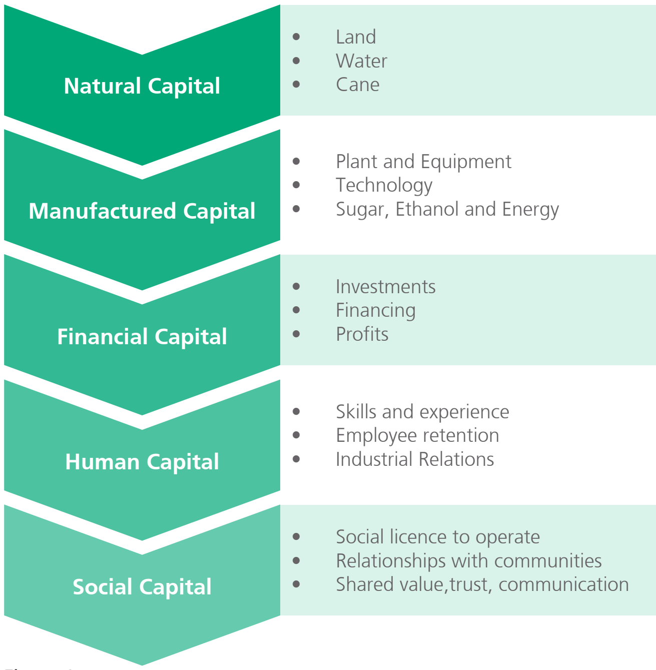


Figure 1.
The order of the capitals in the production process. The efficiency of transformation from one capital to another creates a competitive advantage for the Company.

The Royal Swaziland Sugar Corporation at a glance

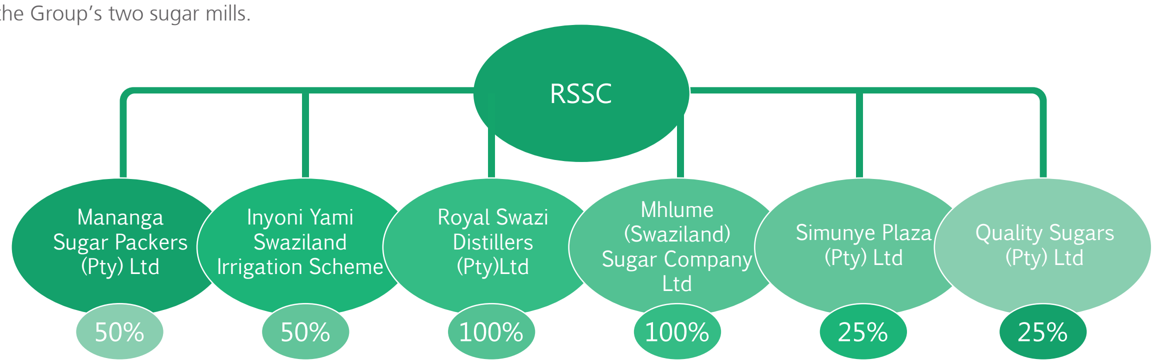
The Royal Swaziland Sugar Corporation Limited (RSSC), located in the north-eastern Lowveld is one of the largest companies in Swaziland. We employ over 3 500 people and produce two-thirds of the country's sugar and a significant quantity of ethanol.

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 15 607ha of irrigated sugar cane on two estates leased from the Swazi Nation and manage a further 5 018ha on behalf of third parties, which collectively deliver approximately 2.3Mt of cane per season to the Group's two sugar mills.

These two mills currently crush cane at a combined throughput of 765t/ch, producing in excess of 450 000t of sugar (96°Pol) per season. RSSC also operates a sugar refinery situated at the Mhlume mill, whose capacity is 170 000t of refined sugar, and a 32Ml capacity ethanol plant which is situated 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 11 356ha, they produce 1.3Mt of sugar cane and supply 52.0% of the Mhlume mill's total cane and 25.0% of the Simunye mill's total cane.



Introduction

How we generate value

The Sugar Production Process

The sugar production process begins with accepting sugar cane from growers and weighing it at weighbridges to determine each grower's quantity of cane for payment purposes. The cane is delivered in trucks and tractors to the mills. After off-loading, the cane is then prepared for crushing by cutting it into pieces in rotating primary and secondary knives. The cut cane is then shredded in rotating hammers into a fine pulp-like substance to expose the juice containing cells. The juice is then extracted either through four roller mills that squeeze out the juice or through a diffuser which washes the juice from the fibre cells. The extracted juice is then purified by adding lime to it in a large tank called a clarifier in which clear juice is extracted at the top and settled mud is removed from the bottom. The mud is filtered to remove any remaining juice and the filter cake is used as fertiliser in cane growing. The clear juice is evaporated to remove the water, resulting in syrup. The syrup is further boiled in pans and fine sugar crystals added to form a nucleus. Full size crystals are then obtained, surrounded by mother liquor. The mother liquor, called molasses, is separated from the crystals in rotating screens through centrifugal forces and the sugar crystals are then dried in a drier using heat from steam. The final sugar is then bagged and ready for sale.

In the refining process, the sugar crystals before the drying stage are melted and passed through carbonation and sulphitation processes to remove the colour. After these processes, the boiling in pans and separation of the mother liquor as above is then repeated and the final white sugar is dried and bagged for onward sales.

The Ethanol Production Process

The ethanol production process begins with the receipt of molasses from the sugar manufacturing factories which is weighed and stored in storage tanks. The molasses is then pumped into fermentation tanks, into which yeast, water and other nutrients are added.

This mixture goes through a fermentation process that produces carbon-dioxide (CO^2) and ethanol in a mixture called beer. Some of the CO^2 is recovered to produce liquid CO^2. The beer is fed to a distillation process which produces the low and high grade ethanol called feints and potable ethanol, respectively. Some of the ethanol is passed through a dehydration process to remove as much water as possible to produce anhydrous grade ethanol at 99.9% absolute alcohol by volume.

The distillation process also produces a by-product called vinasse which is passed through an evaporation process to remove as much of the water as possible to produce Concentrated Molasses Stillage (CMS). The stillage is then blended with other chemicals to produce fertiliser that is used in the cane growing process.

Simunye Mill with the sugar warehouses and irrigation dam in the foreground. The distillery is to the left and management offices to the right.

Strategic objectives

Sugar is one of the fastest growing soft commodities with demand increasing by 2% a year. To meet the growing demand for sugar, production needs to be enhanced and more land needs to be turned over to cane production.

Over the past 10 years, we've seen a significant shift in agricultural commodity markets:

1. Food has had an increased connection to fuel through biofuel mandates. With rising populations, incomes and consumption across the world, there is a greater demand for sugar and other agricultural commodities.
2. There has been an increase in governments intervening in markets in reaction to a supply or price situation, which have in some instances disrupted world trade flow.

Over and above this, demand for renewable energy is growing fast, driven by environmental concerns over greenhouse gas emissions, energy security and other factors.

The volatility of oil has also increased interest in biofuels such as ethanol for transport. Sugar cane is increasingly viewed as an energy crop. The sugar industry is therefore effectively becoming a cane biomass industry with sugar as one of its products but with ethanol, cogeneration and other products becoming equally important.

The above therefore supports 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. Improved sugar and ethanol marketing.
5. Becoming a producer of energy.
6. Optimising human capital.

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

Item	Targets/Objective	Report Reference
Cane Supply	Increase cane supply to over 4 million tonnes	Natural Capital page 18
Cane Yields	Achieve and sustain yield of 115 tc/ha by 2015	Natural Capital page 18
	Increase Outgrower yields to 106 tc/ha	Natural Capital page 23
Sugar Production	Achieve 530 000 tonnes sugar production	Manufactured Capital page 28
Ethanol Production	34 million LAA	Manufactured Capital page 29
Investment return	A sustainable 20% ROSE	Financial Capital page 34
Human Resources	Have critical skills in place	Human Capital page 40
Corporate Brand	Become a recognised corporate citizen	Social Capital page 47

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	• Board meetings & Board Sub-Committee meetings • Quarterly briefings • Press statements • Integrated Report • Website
	• Country risk, macro-economic and social Issues	• Integrated Report • Public Affairs • Website
Employees	• Skills: career opportunities within RSSC and facilities to progress within the company (publishing training courses, standards at each level, performance feedback, funding levels, leave availability)	• Annual plan & quarterly skills plan • Intranet • Notice boards • Management briefs • Newsletter (with people on the move and new entrants)
	• Job security • Accessibility to company performance information • Employee motivation	• Monthly communication letter, quarterly briefing sessions, Press statements, Integrated Report • Intranet for collective agreement and recognition agreement • HR Procedure Manual (booklet)
	• Social services: schooling, housing, recreation, security, health and welfare facilities	• Daily incidents reports & briefings to group of 70 • Employee-management consultative forums • Human Resources officers • Monthly briefings to all employees • Quarterly meetings between MD and SAMASA and Unions
	• Wage competitiveness and benefits • Transparency on performance management processes	• Employee-Management Consultative Forums • Individual Employment Contracts • Monthly Briefings to all employees
	• Health and Safety	• Company policies and procedures • SHEQ meetings (feedback from internal audits) • Tripartite Forum
Graduates	• Career opportunities at RSSC • Internships • Apprenticeships • New areas of learning/skills available	• 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.)	• Quality certificates for each customer (moisture, turbidity, POL, etc.)
	• Management systems and standards of production (including Health and Safety) • Product traceability • Volume accounting, including security, risk, fraud and theft	• External audit reports (TUV, NQA) • Daily and monthly stock take reports • Monthly production reports
	• Logistics (dispatching sugar to customers) • Bagging, labelling, accuracy of information	• Warehouse management system: daily, weekly, monthly and season-to-date reports

Stakeholder engagement (continued)

Stakeholder	Material Issues to each Stakeholder	Communication Forums
Consumers (end-users of sugar, ethanol, stillage)	• Quality • Food safety (no foreign matter, health risks, etc.) • Product traceability	• Batching system audit reports (external auditors hired by consumers)
	• Religious compliance (Kosher, Halaal) • Retail and beverage producers (Pick 'n Pay, Coca Cola)	• External audit reports
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 review autonomy	• 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	• Contractual terms and tender documentation
	• Financial sustainability of RSSC • Strategic direction of RSSC	• Integrated Report
	• Tender Process: scoring mechanisms, transparency of the tender evaluation process	• Tender policy • Site meeting • Scoring criteria • Tender opening process • Tender evaluation and adjudication
	• VAT legislation in Swaziland	• Supplier forums, site visits, tender documentation
	• Harvesting schedules: delays due to interruptions to mill production, rainfall, etc. • Changes in cane varieties	• Morning meetings • Contract management meetings
Neighbours – Hlane Game Reserve, Lubombo Conservancy and Villages	• Impacts on biodiversity: fence maintenance, drainage, poaching, general environmental issues	• Quarterly meeting with Hlane Game Reserve and Lubombo Conservancy
	• Impacts on water releases from RSSC and water abstraction (quantity and quality)	• Monthly meetings with Mhlume Water, including allocations and projections for water abstractions
Employee Organisations (SAMASA and SAPWU)	• Production, operational efficiencies and financial performance of the company including ROSE	• Monthly and quarterly briefing with management • Financial performance information pack • Wage and salary bill • Swaziland economic data
	• Wage competitiveness, benefits, working conditions (Health and Safety, shifts, hours of work)	• 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 talks
	• Collective bargaining process outcomes	• Mass meetings with members (Unions)

Introduction

Materiality

The material issues and challenges covered in this report are those that, in the view of both our stakeholders and management, 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, the input of our relevant stakeholders and the 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.

Makhosini Mahlalela an Irrigator at RSSC.

Materiality (continued)

Issue	Response	Effect	Perspective
Increasing feedstock for our factories	Swazican acquisition and planting completed Successful accelerated replant programme	Attainment of strategic objective to increase cane supply through vertical expansion.	• Strategic – growth and continuity • Operational – increased cane supply
Increasing and sustaining grower yields	Grower relationships	Effect on reputation and stakeholder relationships.	• Reputational - strength of relationships • Operational – increased cane supply
Unpredictable weather conditions	Impact of changing weather patterns	Impact on future productivity and planning.	• Operational – impacts on planning
Low efficiencies and recovery rates	Improving efficiencies and recovery rates	Impacts on direct manufacturing costs and sucrose content	• Financial – direct cost • Operational – production efficiencies
Increasing electricity costs	Optimising electricity usage	Impacts on direct costs and ultimately profitability	• Financial – profitability
Improving Distillery efficiency	Optimising distillery performance	Improved profitability	• Financial – profitability
Impact of South African transport strike	Development of a drumming plant	Increased storage capacity	• Financial – increased earning capacity
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	Resourcing the Group with skills required for growth	• Strategic – increasing capacity to grow
Maintaining healthy employee relations	Robust Industrial Relations	Employee satisfaction	• Operational production
High HIV/AIDS prevalence rates in Swaziland	HIV/AIDS management programme	Socio-economic conditions of communities	• Reputational – social responsibility
Organisational Culture	Values roll-out	Shared values to enable people to work cohesively	• Reputational – improved employee relations
Employee wellness	Integrated wellness programme	Healthier and happier workforce	• Operational - production
Fatalities	Health and Safety	Improving employee safety	• Reputational – social licence to operate
Meeting strategic objective of 20% ROSE	Improved financial performance	Improved financial results	• Financial – increased return on owner's equity
Improving operational efficiencies	IT Infrastructure	Increased efficiencies and quality of information	• Operational efficiency

How to use this report

Our Integrated Report covers the material issues occurring over 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 Company'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 G3.1 indicators of the Global Reporting Initiative in future years. For 2013, therefore, we have not declared our level of reporting.

Abbreviations and Acronyms

A number of acronyms are used for the names of our shareholders, the Company and our subsidiaries. To assist readers they are defined below:

RSSC	The Royal Swaziland Sugar Corporation Limited
SASRI	The South African Sugarcane Research Institute
EXCO	Executive Committee
MSP	Mananga Sugar Packers
SACU	Southern African Customs Union
SADC	Southern African Development Community
EU	European Union
SSA	Swaziland Sugar Association
LTA%	Loss Time Available percentage
COD	Chemical Oxygen Demand
CMS	Concentrated Molasses Stillage
AMS	AIDS Management System
ISO	International Organisation for Standardisation
DIFR	Disabling Injury Frequency Rate
OHSAS	Occupational Health and Safety Assessment Series
IRR	Internal Rate of Return
ROSE	Return On Shareholders' Equity
REACH	Registration, Evaluation and Authorisation of Chemicals
NERCHA	National Emergency Response Council on HIV/AIDS
2013	2013 and any other year mentioned shall refer to a financial year and not a calendar year
F2014	Refers to forecast 2014

We have also used abbreviations for units as follows:

m	millions
E	Emalangeni
t	tonnes
Mt	Million tonnes
tc/ha	tonnes cane per hectare
tc/hr	tonnes cane per hour
MTTQ	Metric Tonne Tel Quel
Pol	polarity
LAA	Litres of Absolute Alcohol
kl	kilolitres
Ml	Mega litres
ha	hectares
mg/l	milligrams per litre
mm	millimetres
M3	Cubic metres
MW	Megawatt
kwh	kilowatt hour

Highlights for the year 2013

- Revenue increased by 25%
- Accelerated replant programme successfully implemented
- Record cane yields of 112tc/ha achieved against a budget of 106tc/ha
- Due to heavy rains experienced, crop harvesting and crushing was completed in January
- Record sugar production achieved
- Return on shareholders' equity of 29% was achieved
- Skills attraction and retention remains a challenge
- Additional 540ha cane area developed
- Commenced Enterprise Resource Planning upgrade
- The DIFR rate remained below 1.0, however, we experienced a fatality in 2013.

Chairman's Statement

It is with pleasure that I can report that for the 2013 year, the Royal Swaziland Sugar Corporation posted record results with income attributable to the owners of the Company amounting to E413.8m compared to E278.2m in the prior year. This significant improvement is mainly attributed to the improved cane yields, higher sugar production and improved sugar prices in the SACU and EU markets.

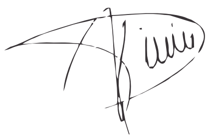
RSSC also continued to invest in the cane replanting programme and spent a total of E57m and this will ensure our continued sustainability in respect of cane production going forward.

Our Managing Director, in his statement, has detailed the other numerous achievements and developments in the Corporation, and I wish to join him in congratulating RSSC on a truly outstanding performance over the last year.

On behalf of the Board, I wish to thank the Executive Committee, management and staff for their exceptional commitment and hard work to achieve such an excellent result.

My appreciation also extends to my colleagues on the Board for their support, input and insight into building such a successful business, which has become such a source of pride for us all.

I would also like to thank our other stakeholders and community at large for their continued support. I look forward to the coming year and hope that it will be another good one for RSSC.



A T Dlamini
Chairman

Dear Stakeholder,

This year has been pivotal for RSSC, as not only did we break all previous records for cane yields, sugar production and profits, but we also learnt some important lessons about doing business better. We have acquired new lands, planted additional cane, welcomed some new faces and crafted a new vision of where we can take this company. Our achievements have proven that we can reach our targets.

I would like to welcome you, therefore, to our second Integrated Report, and my first report wherein I answer questions posed by our stakeholders.

In 2010, RSSC achieved cane yields of 98 tc/ha, but this season produced a record 112 tc/ha. To what do you ascribe this success?

When I arrived at RSSC in 2009, I came from the Caribbean where 50 tc/ha was the norm. In my first few months here, I took a drive with the General Manager – Agriculture, Patrick Myeni, and we deliberated on what we could do with our yield if we had good weather, soil and water. A strategic objective aimed at increasing yields from 98 to 115 tc/ha by 2015 by improving operations, soils and irrigation operations was formulated, and we shook hands on achieving 115 tc/ha.

In 2011, the set target of 104tc/ha was exceeded as 106tc/ha was achieved, thus forcing the team to review the initial target of 106 tc/ha to 108tc/ha for 2012. This year we achieved 112tc/ha.

This shows the good work ethic of the employees at RSSC. What the Agriculture Division did was to inspire their teams so that all 2 000 employees which include: supervisors, weeders, irrigators, drivers, cutters and others worked as teams.

This is a significant achievement and proves that our record profit is due to a lot more than just a high sugar price and favourable exchange rate. So, yes, I am very proud of the Agriculture team.

For the last four years, our main priority has been our replanting programme. This philosophy was supported by the Board, and we ensured that the preferred varieties were planted on the correct soils with the appropriate type of irrigation. But, as you know, we can't stop there. Now we have set a target of 120tc/ha, and I have confidence that this target will be met.

We agreed on a stretch target and we will meet it – this is what top companies do. They focus on the Return on Shareholders' Equity (ROSE) and make sure that they strive to achieve the targets set. They also focus on making sure that the costs that they do incur are carefully thought through.

What are some of the other successes from the last year?

Another significant achievement for Agriculture was preparing 540ha of citrus plantations at RSSC Citrus Estate in time for planting by December 2012. Clearing so much land in record time was commendable and involved many teams working together.

Cane production was 3.1Mt in 2010 and we had spare milling capacity of 400 000t. Cane production has now increased to 3.5Mt and the mills are operating closer to capacity. We are now investigating mill expansion options; this is a good position to be in as we are looking to grow RSSC over the next five years.

The 2013 season was also the wettest on record, and the mills had to extend the crushing season through Christmas and into January. The mills were stopped on 19 January 2013. This required additional and exceptional efforts from all employees at RSSC and is one of the main reasons for the improvement in production and profitability.

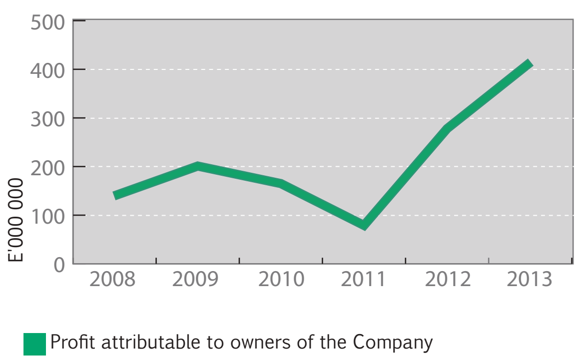


Figure 2. Cane Yields
The increase in total area replanted, cane yields and improved sugar prices have all contributed to the record profits achieved in the current year.

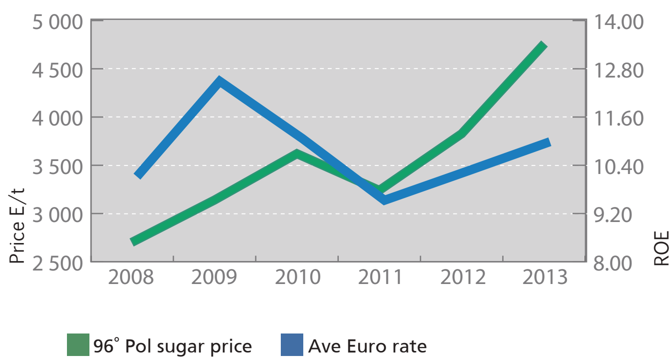


Figure 3. Sugar prices vs. Eur-Zar rate
Sugar prices improved by 29% from the previous financial year. This, together with favourable exchange rates, has contributed to improved results. However, prices in the EU are forecast to come down. In order to sustain our profits, we will continue to strive to optimise performance.

MD's Report (continued)

This year was a record year for RSSC. Sugar production increased, sugar prices improved in the SACU and EU markets, and considerable hedging was undertaken. Do you think these margins are sustainable?

Yes – but probably not at the same levels. Prices in the EU are forecast to come down and there is also a considerable quantum of Brazilian sugar entering the SACU market, but we will continue to strive to optimise performance.

We make sure that we are aware of what is driving sugar prices globally. As sugar is a traded commodity on the London and New York Commodity Exchanges, the research is publicly available, and I attend the International Sugar Organisation conference in London every November. From this information, we are seeing a continued downward pressure on the world sugar price for the next few years, followed by a price recovery.

This is due to several reasons:

- In the sugar world, Brazil is the biggest producer and exporter of sugar in the world (making up 23% of total production and 50% of total exports). It has a strong influence on world prices, but Brazilian costs of production are starting to increase as they are forced to farm further and further from the ports.
- The ability of the sugar cane plant to capture so much of the sun's energy makes it the most efficient feedstock for ethanol distillation. This is why Brazil, which ironically, is now on its way to becoming a major petroleum producer, has steered its domestic vehicle fleet towards ethanol since the 1970s. This means that increasingly less of Brazil's sugar crop will be available for export.
- The over-production of beet sugar in the EU, which led to dumping on the world markets, was banned by the WTO. In 2006, the EU began spending €7 billion to take 11m tonnes of sugar out of production. By 2009, it had cut EU prices by 36% and implemented reforms which will run until end September 2017.
- Sugar consumption and population growth have historically trended together, but recently sugar consumption has outstripped population growth, as the world's growing middle class starts to demand more fast food, soft drinks, candy, sweets and other items. Sugar is a staple as well as an aspirational purchase, so we are always going to be in demand.

The short-term oversupply and de-regulation of trade will therefore bring prices off until about 2016, when demand will outstrip supply, and prices will begin to climb again. By 2020, sugar producers will need to supply another 20m tonnes, but where will this come from? As shown above, it won't come from Brazil, nor will much come from Europe. Through our new lands, replanting and mill expansion programme, we are making sure some of it will come from Swaziland.

What else is on your radar of external drivers that you need to keep an eye on in the next year?

While we have enjoyed an excellent relationship with our Unions and worker representatives for many years, we cannot expect to be immune from the pressures that have been brought to bear in South Africa, Brazil and other parts of the world: rising inflation, a weakening currency, continued high levels of unemployment and HIV/AIDS. We expect that this coming year may be challenging in terms of wage negotiations, but we will need to continue to function as a team, through both the good and tough times.

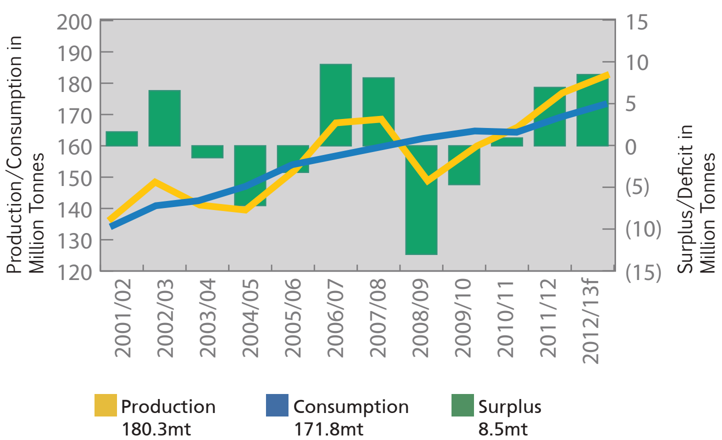


Figure 4. Global sugar balance 2001-2013
Sugar is one of the fastest growing soft commodities. Demand is increasing by some 2% per year as the world's population rises and those in emerging markets gain higher incomes. However, the pressure on Brazil to grow cane for ethanol and sugar will result in a significant gap in the world sugar market which others will be required to fill. Data obtained from Napier Brown Sugar Specialists.

Other issues that we are watching are:

- The restructuring of the sugar industry: This is going to be long and protracted, and we would encourage all players to take a long-term view for the benefit of the sector. Prices will rise and fall, but it's a longer term view that's needed to build a sustainable sector.
- Rising electricity prices: These continue to make energy self-sufficiency an increasingly attractive option. We plan to table a proposal before the Board to consider the expansion options at RSSC to expand milling capacity to crush an additional 1Mt of cane and to produce our own electricity with the possibility of exporting to the rest of the country.
- The mill expansion: This will, however, need more than just money. We will need 5 000ha of additional cane lands, more jobs in Agriculture and highly skilled Engineers in the mills. We still need to do a lot of feasibility study work, and water availability is one of the critical issues where a detailed study needs to be completed. We currently have 100Ml spare capacity of water, but there have been dry periods in the past when even the total 300Ml available to us each year was not enough to irrigate the current crop.
- Transportation of cane: This is also receiving a lot of attention and the use of multi-trailer road trains is being considered.

Competitive businesses never rest on their laurels, so what does RSSC need to focus on doing better?

We need more Swazi Engineers in our mills, and we are prepared to do all that is necessary to bring Swazi engineers back home and to work at RSSC.

Local talent is more sustainable but in some cases difficult to source. This is a long-term problem, and one that needs to be influenced at the grassroots level. School children seem to be shying away from maths and science, and those who do study the sciences usually go to big cities in South Africa or overseas for tertiary education, and we struggle to bring them back. Before, we thought we could go to the universities in South Africa and simply advertise jobs there, but we are now thinking that we need to sell RSSC before children even choose their subjects at high school. I am now serving on the Board of the UNISWA Foundation, and engaging with the government on several programmes to try and convince our children why they should be engineers in Swaziland. As they leave school, we will keep in touch with our children through internships and scholarships, all the while reminding them of the great careers that lie waiting for them here.

Just before last year's report was released, RSSC's great safety record was tarnished. Please share your views on this incident?

I sincerely regret that we have not yet established the truth of what happened to Mr Lucky Sifundza on the night of 23 May last year. This has been distressing for his family, his co-workers and for management. If we knew it was just a safety issue, then we could address this, but it is more complex than that.

What has become clear is the need to be more open and engaging with the press. RSSC is the biggest company in the country. We are a national brand and a touch point for many issues in the country.

I must also compliment my management teams on how they handled the issue: a lengthy shut down of the entire plant from Tuesday, 29 May and the whole of Wednesday 30 May, was scheduled to enable a comprehensive search of the premises. Every part of the mill was searched but no evidence was found. Pieces of cloth found in the mill did not match, and simulation tests conducted on hard hats and gumboots were inconclusive. We continue to follow all possible leads to establish the sequence of events. We have been in regular contact with Mr Sifundza's family and his colleagues to keep them informed of the progress of the investigation and made counselling available to all RSSC employees.

Closing words?

I think that the main lesson learnt from 2012 is that we need a paradigm shift at RSSC. We need to believe that we can reach 120tc/ha of cane, that we can crush all the cane in the season, and that we can produce all our own energy. The only limitations are self-imposed – and this year we have shown what can be done if we believe in ourselves.

I would like to thank the Executive Committee, management and all employees for their dedication and hard work which has enabled RSSC to deliver these results. I would also like to thank the Board for their guidance and support over the past year.

Nick Jackson

We rely on cane, soil, sunlight (energy) , and water for the production of sucrose and ultimately the manufacture of sugar.

Natural Capital

Our business and the success thereof is intrinsically tied to the natural resources (cane, soil, water, energy, and the environment) upon which we depend to produce quality sugar cane. The effective and efficient management of our natural capital over the long-term is therefore critical to our sustained competitiveness.

Rising populations, incomes and consumption across the world have resulted in increased demand for sugar and other agricultural commodities. However, our access to natural resources, such as land and water, is limited. Our strategy is thus designed to ensure increased access to the natural resources that we require for our growth and the responsible consumption of such resources.

Increasing Cane Supply

Cane supply is not only critical as a source of feedstock, it contributes to the full utilisation of the capacity of our factories. Increasing cane supply is therefore vital to ensuring our sustained growth. The journey to increase cane supply began in the 2011 season, when it was decided that this objective would be pursued through three parallel initiatives:

1. Increasing cane yields to 115tc/ha.
2. Securing additional land for cane.
3. Increasing Outgrower yields to 106tc/ha.

The implementation of the above initiatives during the season has seen great success.

Increasing Cane Yields to 115tc/ha

The 2012 harvesting season was a challenging one. Due to excessive rainfall, the season which normally starts in April and ends in November was extended to 19 January 2013. Although the season was extended, the Mills were unable to crush all available cane before they were closed for maintenance. Despite leaving some cane in the fields, the total cane volume and productivity are the best ever achieved by RSSC. This is attributable to the continued optimisation of the following key drivers:

- Implementing an accelerated replant programme and replacing all non-performing varieties with higher yielding ones;
- Optimising irrigation systems;
- Improving soil health practices, and
- Good management practices.

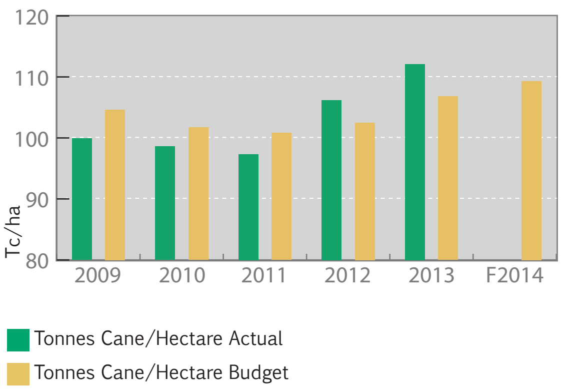


Figure 5. Cane Yield
In spite of the heavy rainfall experienced, we achieved cane yields of 112tc/ha. This is a marked improvement from the prior year.

Applying the correct irrigation methods is crucial to improving cane yields.

Accelerated Replant Programme

In 2011 RSSC began implementing its yield improvement strategy in response to the sharp decline in yields experienced in prior seasons.

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. However, the area replanted prior to 2011 was less than 10% and this resulted in a backlog and consequently declining yields, as a result of increasing ratoon age.

RSSC thus embarked on an accelerated replant programme whereby an additional 3 000ha per annum would be replanted over a period of three years.

As part of the accelerated replant programme, non-performing varieties were replaced with higher yielding varieties which are pest and disease resistant, have higher sucrose content and higher processability. These desired varieties are more adaptable and have a greater tolerance for adverse soil conditions. As such, preferred varieties have increased from 60.9% to 85% of total varieties in use.

As a result of the successful implementation of our strategy to increase cane yields, we harvested a record 2 083 103t of cane this year.

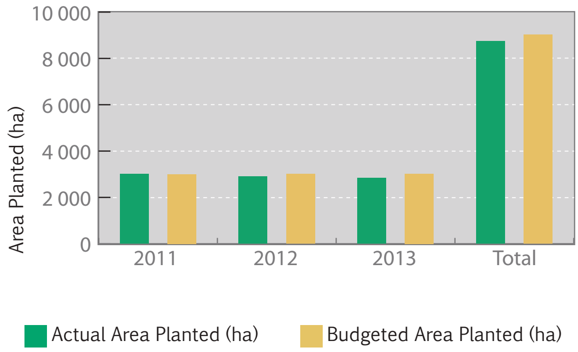


Figure 6. Accelerated Replant
A total area of 8 746ha has been replanted.

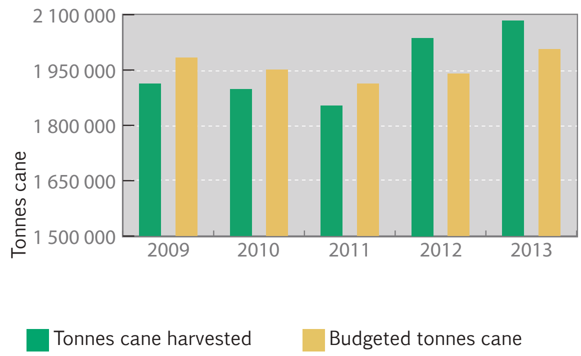


Figure 7. Tonnes Cane harvested
Tonnes cane harvested have increased from 1 852 722 in 2011 to 2 083 103 in the current year.

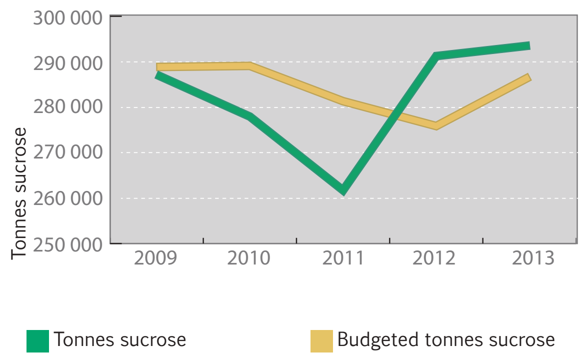


Figure 8. Tonnes Sucrose
The replacement of non-performing varieties with higher yielding varieties has resulted in an increase in sucrose content.

Natural Capital

Optimising irrigation systems

We remain among the largest integrated estates in the world that rely on subsurface drip irrigation for sugar cane, with 50% of the area under sub-surface drip irrigation while 2.5% is under surface drip which has had the following benefits:

- Targeted application of water, fertilizer and chemicals.
- Saving in water of up to 50%, contributing to higher efficiency in water usage.
- Less weed growth and savings in labour due to fewer weed control and plant protection operations.
- Decreased energy costs due to reduced pumping time required to irrigate a given design area.

Irrigation projects in the current year covered the replacement of 1 680ha of drip tape and the conversion of 130ha from furrow to a sprinkler irrigation system. The total cost of the drip irrigation system amounted to E22.9m.

At the start of the season, the Maguga and Mnjoli dams were nearly full and therefore, no rationing was expected for the season. Above normal rainfall and wet weather was experienced especially during the late winter and early spring periods, thus reducing irrigation requirements. The water usage for the 2013 season was exceptionally low, at 24% below budget and much lower than the amounts consumed in 2012.

Over and above this, we introduced a water deficit irrigation strategy which resulted in reduced water withdrawal. The deficit strategy introduced will not compromise the yield, but will ensure that water is available for the critical summer months when it is predicted to be hotter than normal.

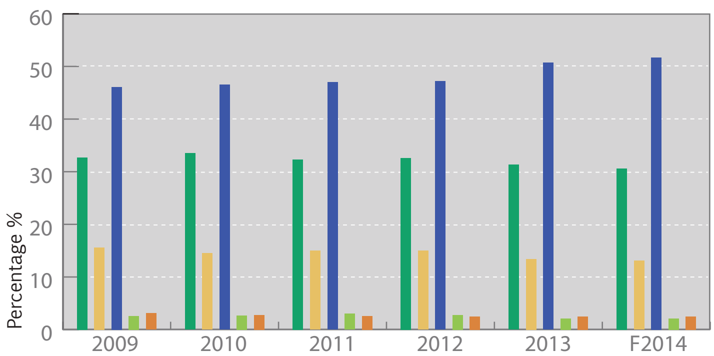


Figure 9. **Relative Composition of Irrigation**
We continue to increase the area under drip irrigation.

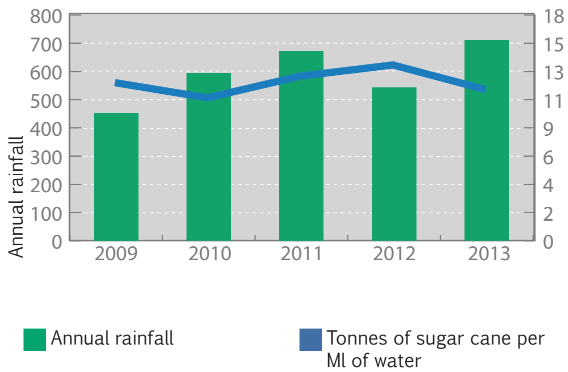


Figure 10. Water Usage
Above normal rainfall was experienced in the current year and this resulted in reduced irrigation requirements, and thus decreased water usage.

Construction of canals is under way at the new RSSC Citrus fields.

Below is one of the newly constructed pump stations at RSSC Citrus Estate. The pump station directs water from the source of supply, such as a canal or a river, into the irrigation system.

Improving soil health practices

Over the past three seasons there has been an accelerated drive to minimise on-row trafficking by aligning cane row spacing with the wheel track spacing of machinery. The adoption of precision farming techniques through the implementation of Geographical Positioning Systems (GPS) in irrigation installations and land preparation as well as control trafficking have contributed to soil health.

In the current year, GPS technology was extended to eight harvesting tractors and herbiciding operations.

People

The success attained in the past season has been principally a result of management and leadership skills within the organisation. There has been an increased focus on our people and creating a space for innovation. The agricultural team has achieved its success by engaging the minds and hearts of their teams through open communication and allowing each individual to understand their contribution to the attainment of strategic objectives.

At the end of the 2013 season the Agriculture Department celebrated its performance, having exceeded its targets despite it being a long season with high rainfall. Members of the Agricultural team were congratulated on their efforts in exceeding targets.

Recognition was given to the best performing section, Mlaula Agricultural Estate Section 4 which achieved 125tc/ha in comparison to a target of 105tc/ha.

"Our success is based on our ability to capitalise on the elastic capacity of people. If people are given the opportunity to stretch their imaginations, they are likely to find innovative solutions to problems." Patrick Myeni, GM: Agriculture.

Securing additional cane land

In 2012, a new department, Agriculture Development and Projects, was created with its primary focus being to achieve horizontal expansion for cane growing. This was done with the intention of increasing the cane area in order to ensure increased cane supply.

On 14 October 2011, we entered into an agreement with Swazican Fruit Canners (Pty) Ltd and Fertrade Swaziland (Pty) Ltd for the purchase of the entire share capital of Swazican Citrus (Pty) Ltd, and the assets used in the citrus growing division of Swaziland Fruit Canners (Pty) Ltd. Swaziland Citrus (Pty) Ltd holds a long-term lease over land where citrus growing activities were undertaken by Swaziland Fruit Canners (Pty) Ltd.

The conditions precedent were satisfied on 12 June 2012, which became the effective date of acquisition. An amount of E26m was paid in consideration for the assets acquired.

The planting of sugar cane on RSSC Citrus began in October 2012. In spite of the heavy rains we were able to complete the planting of 540ha by December 2012. The trees that were cut were offered to surrounding communities for firewood.

An estimated 60 000t of additional cane is expected from these areas in 2013.

Winile Vilane harvests grapefruit at the newly acquired RSSC Citrus fields.

Natural Capital

Biodiversity

Swaziland has only 3.5% of its surface area under conservation, and RSSC is surrounded by the largest game and nature reserves in the country. Tourism is also the second largest generator of foreign exchange for the country, after sugar production. We are cognisant that as we expand our sugar cane farming areas, we are moving from highly fertile soils to marginal soils, and that there is a threshold at which conservation will be a more sustainable and efficient use of these soils. We are mindful of the impact of converting these existing areas into cane area.

As such, pursuant to the Swazican acquisition, we entered into a citrus supply agreement whereby approximately 190ha of land leased through Swazican Citrus (Pty) Ltd, and on which only citrus produce was previously grown, would be retained for citrus growing in order to fulfil an annual supply contract for citrus produce.

Further, RSSC owns 50% of IYSIS which was historically part of a large cattle ranch. The development of IYSIS initially focused on growing rice, then sugar and eventually citrus over an area of good soil. The remaining area of the farm was not considered ideal for crop production and continued under cattle and game. In addition, the IYSIS business comprises tourism, property assets and irrigation water supply and management.

At RSSC, we are aware of the socio-economic importance of retaining this non-sugar component of the business:

- IYSIS has the largest cattle, game, feedlot and hunting operations in Swaziland and is therefore of national importance.
- 21 000ha of bush has been preserved for biodiversity. This is the only area of broad leafed bush on sandy soils in Swaziland.
- IYSIS is seeking to further develop its hunting, fishing, birding and other leisure activities and thus contributes to ecotourism in the area.

We believe in the importance of maintaining the diversity of life in surrounding areas and thus continue to monitor the impacts we have on our neighbours.

Potential impacts on neighbours:

IYSIS cattle ranch: Cattle ranching and game farming

Potential impact:

- Poaching
- Sugar cane expansion

Vuvulane Irrigation Scheme: Smallholder sugarcane farms

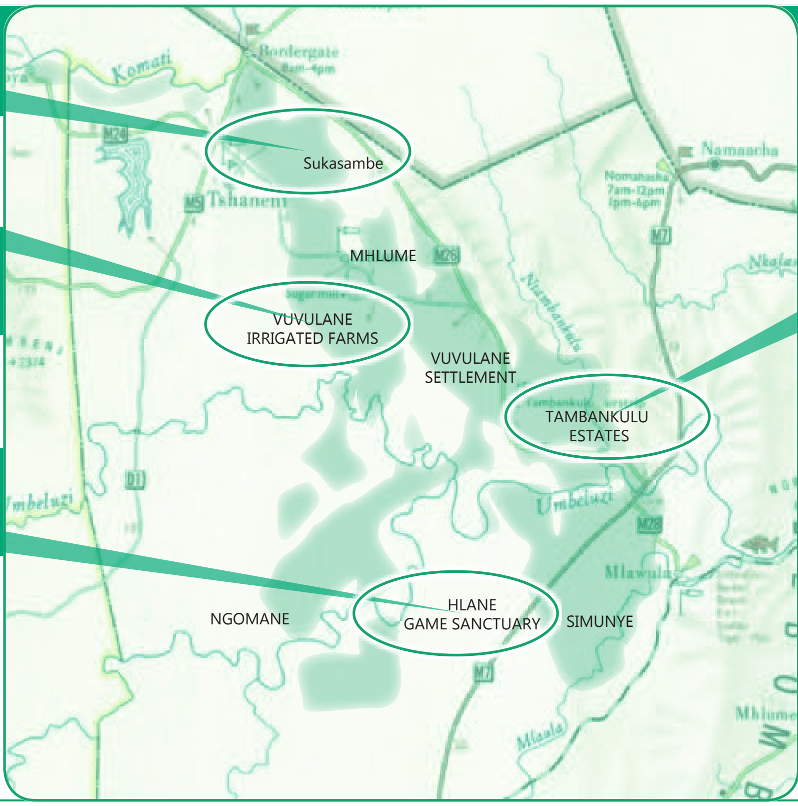
Potential impact:

- Water supply from the Mhlume water canal

Hlane Game Reserve: Nature Conservation

Potential impact:

- Poaching
- Sewerage and field drainage into the Mbuluzi and Mlawula Rivers
- Animals damaging estate cane



South Africa (Mbuzini): Communal grazing, Small cane growers

Potential impact:

- Field drainage
- Theft

Tambankulu Estates: Commercial sugar cane production

Potential impact:

- Effluent discharges into the Vondo Stream
- Drawing excessive water from the Mbuluzi River

Increasing and sustaining Outgrower yields

Outgrower cane makes up 40% of our cane supply. Our success is therefore linked to the sustainability of the smallholder sugar cane growing sector. Growers do not only form a critical link to Swazi economic empowerment, but they also contribute to the amount of cane available to our mills for crushing. We therefore continue to mobilize grower communities and empower them with skills and technical support.

We are aware that many of the growers supplying our mills are second generation farmers and have not had access to formal training. Over and above this, the provision of repairs to farming equipment and haulage at reduced rates has resulted in greater disposable income and security for the farmers.

The assistance provided by RSSC to Outgrowers includes:

- Agronomic guidance: This includes technology transfer; weekly visits by extension officers; on call services available on a daily basis workshops and seminars on cane growing practices; field days and demonstrations.
- Resuscitation of poor performing farms which involves the identification of poor performing farms, the assessment of the issues they face and development of turn-around strategies and business plans for these farms.
- Development assistance and agri-business mentoring.
- Technical support.
- Long distance assistance: This refers to discounted transport costs for farms more than 60km away from the mills. Transport and harvesting costs contribute 25% of total sugar cane production costs, hence containing increases in transport costs can contribute significantly to improving the competitiveness of the smallholder growers and the wider industry. The long distance assistance is paid in the form of inputs at E0.90t/km.
- Farm Management services.
- Other Services.

Whilst increasing Outgrower yield contributes significantly to increasing throughput to the mills, we find that the challenge lies with transforming the growers into an empowered group which will make business decisions on their own without an over-dependency on the Outgrower extension services. Through the services we provide, we thus strive to empower the growers.

In the current year, total Outgrower cane throughput went up by 5.2% to 1 295 589t compared to 1 231 647t in the previous season. This growth is mainly attributable to an increase in area harvested.

As a result of the European Union co-financed projects, we embarked on a replant programme with the Outgrowers which resulted in 394.5ha replanted in the current year. Yields and quality declined due to bad weather at the end of the harvesting season.

Total Outgrower area under cane remained constant this year at 12 300ha. Prospects of developing an additional 175ha at Calamuva Komati Downstream Development Project (KDDP) at the beginning of 2014 are at an advanced stage. This project is also co-financed by the European Union (EU) and the Swaziland Industrial Development Company (SIDC). The revolving fund at Vuvulane has been running for three years and productivity has improved from 62.0tc/ha to 85.7tc/ha. In the coming years, more area at Vuvulane will be replanted under this programme.

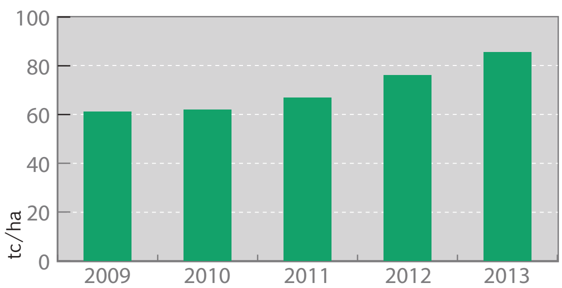


Figure 11. Vuvulane yield history
RSSC has been managing the Revolving Fund for this Outgrower community on behalf of the Ministry of Agriculture since 2008. Cane yields have been improving steadily.

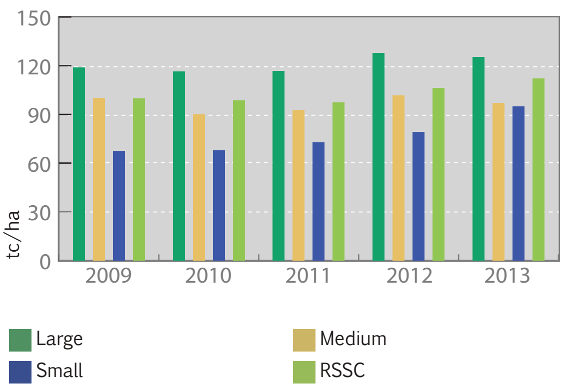


Figure 12. Cane yields by grower size
Cane yields for smaller Outgrowers remain significantly lower than that for large Outgrowers. The Outgrower assistance we provide is aimed at increasing the cane yields of the smaller Outgrowers.

Natural Capital

Petros Xaba is one of the Outgrowers receiving assistance from RSSC. Small Outgrowers cane yields have increased from 67.45tc/ha in 2009 to 95.05tc/ha in 2013.

Impact of changing weather patterns on our performance

The 2013 season was a difficult one due to the high rainfall experienced between October and December 2012. While we were able to successfully complete planting, the high rainfall significantly delayed land preparation works at the Citrus estate, in particular drip insertion.

This subsequently delayed other activities, such as pre-commissioning and planting. Over and above this, a revised crush schedule needed to be prepared to accommodate the high rainfall experienced. The crushing season ended in January 2013 instead of December.

RSSC has a sub-tropical climate and the Lowveld region is characterised by low rainfall and high temperatures. With climate change, relatively minor increases in productivity are affected, principally due to increased radiation levels and higher temperatures.

This will be as a result of CO^2 enrichment of the atmosphere which is expected to increase the rate of photosynthesis, and thus yields. It is further expected to reduce water use.

However, the beneficial effects of climate change on yields due to increased CO^2 concentration might offset the potentially negative impacts of increased irrigation needs, particularly in countries such a Swaziland where water resources are scarce.

Climate change is likely to bring higher rainfall variability, with heavy rains bringing down excessive amounts of sediment and surface nutrient enriched wash-off. During low flow periods there are likely to be increased proportions of irrigation leakages and effluent flows in our rivers and less dilution by natural streamflow.

The weather conditions experienced in the current year impacted on our performance and this was an indication that we need to invest more in:

- Enhanced planning and risk assessment;
- Infrastructural protections against floods, lightning and other weather-related risks;
- Drainage systems, dykes and canals;
- Irrigation systems, river and dam level monitoring; and
- Improved weather monitoring and forecasting.

The Simunye Mill.

Manufactured Capital

Manufactured capital is important for the sustainability of our organisation in two ways. Firstly, the efficient use of manufactured capital allows for more flexibility and innovation, consequently increasing our production outputs. Secondly, manufactured capital and technology can be used to reduce resources consumed, thereby enhancing our competitiveness and profitability.

Manufactured capital in RSSC's context refers to:

- The sugar cane and ethanol production process;
- The related plant, equipment and infrastructure required for manufacturing, and
- The technologies which allow for efficient conversion from natural capital to manufactured capital.

Optimising efficiencies and effecting cost savings remain core to our strategy. We have, however, found that our factories are still not operating at levels comparable to global best practice. As such, increased emphasis will be placed on improving overall productivity and utilisation of available assets, both in terms of production capability and sucrose recovery efficiencies.

The following productivity enhancement and cost-saving initiatives have been planned:

1. Improving factory efficiencies by:
    a. Keeping Loss Time Available (LTA) and thus percentage of unproductive time as low as possible.
    b. Improving mill throughput.
    c. Improving overall sucrose recoveries.
2. Improving conversion ratios in the distillery and increasing energy savings by vinasse filtration through the Reverse Osmosis Plant.
3. Reviewing and improving inbound and outbound logistics.
4. Optimising electricity usage/costs across RSSC.
5. Upgrading the IT infrastructure and an Enterprise Resource Planning (ERP) system.
6. Improving property infrastructure and efficiencies.

The upgrading of IT and property infrastructure will respectively be further discussed in the Financial and Social Capital sections.

GM Manufacturing, John-Mark Sithebe at the Simunye Mill.

Improving Factory Efficiencies

Total cane crushed for the 2013 season was 3.483Mt of cane, this being above the budget of 3.411Mt of cane, and well above the previous year's record crush of 3.377Mt of cane. This record cane crushed was achieved despite an extremely wet season, which forced the factories to crush until 19 January, 2013. Nearly 1 000 hours were lost at each factory due to no-cane stops as a result of rain.

The 2013 crushing season has been a challenging one for RSSC. As a result of rainy weather conditions, and other challenges such as the age of the mills, some cane could not be crushed within the targeted date.

The 2012 season was targeted to end on 22 November, 2012, however, rains caused delays in harvesting. To accommodate these delays, and therefore enable Outgrowers to deliver their cane to the mills, the milling of cane was initially extended to 9 January, 2013.

In spite of this extension, harvesting could still not be completed by this new date, and the milling season was further extended to 17 January, 2013. Following the second extension, harvesting could still not be completed, and a decision was made to again extend milling (this time to 19 January) to enable the Outgrowers to deliver cane for processing. During this period, we were in constant communication with the Outgrowers in order to ensure that as much of their cane as was possible was crushed.

Following the extended crushing season, the closure of the mills for maintenance was long overdue. It is important to note that the maintenance of the mills during the December to March period is critical to ensuring the reliability of the mills in the subsequent season. It must further be noted that with the increase in cane yields, our mills are now running closer to capacity and therefore at a greater risk of breakdowns and inefficiencies.

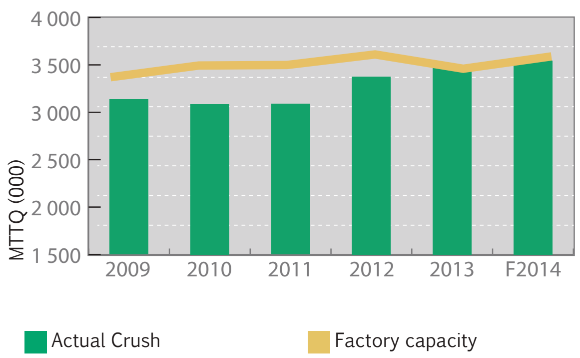


Figure 13. Factory Capacity
Our Mills are running close to capacity. This increases the risk of break-downs and impacts on Mill performance. We are therefore considering options for Mill expansion in order to increase the hourly throughput for Mhlume to 550tc/hr, thereby increasing the RSSC annual factories capacity to 4.6Mt. This will be at an estimated cost of E1 billion.

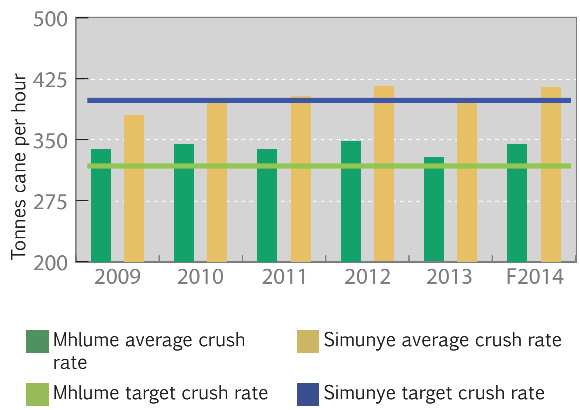


Figure 14. Cane throughput per mill
The nominal rated capacity of the Simunye mill is 400tc/hr and 300tc/hr for the Mhlume mill.

Refinery Shift Supervisor Desmond Mabuza.

Blending Bin Operator, Petros Ngobeni, at the Mhlume refinery.

Manufactured Capital

Engineering skills shortage

As reported in the prior year report, the two areas that remain a challenge and are below our targets are the factories' LTAs and factories' extractions. Both highlight an issue that continues to concern us; that is the attraction, development and retention of the necessary skills in the factories. The highest ranking risk on our risk register is that of people and skills, specifically the improvement of engineering skills, knowledge and experience.

At the beginning of the financial year, 11 critical positions were vacant. We embarked on a recruitment process to source requisite sugar manufacturing skills locally, then regionally and finally internationally. Through this process we learned that emphasis needs to be placed on matching the job with the right individual. We have learned that we need to better understand the nature of the role and the nuances required to successfully perform tasks. We have found this to be a weakness in the past and the inability to match the soft skills required for certain roles often resulted in the de-motivation of the incumbent, hence an inability to retain skills.

Six engineers have been successfully recruited from India and commenced work in December 2012. They were actively involved in the operations to complete the extended 2012 crushing season and in the early stages of the preparation and implementation of the off-crop maintenance. However, two engineers who had been with RSSC for four years resigned in January 2013, resulting in the ratio of filled positions being 70% to budget. While sourcing requisite skills internationally may serve as a short-term solution, the longer-term strategy for effective local skills development and retention needs to be in place.

Over and above this, both RSSC factories have been restructured to include the role of a Front-End Manager. The Front-End Managers will focus on improving LTAs in the mills and boilers. The Front-End Manager for Simunye started in December 2012 and recruitment for this position at Mhlume is still outstanding.

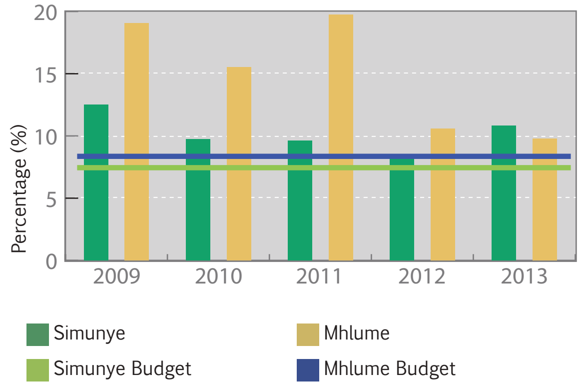


Figure 15. Loss Time Average
LTA targets have not been achieved. The factories have therefore been restructured to include the role of a Front-End Manager, whose key focus will be on improving LTAs.

Improving mill throughput

Total sugar production tel quel was 425 537t, an improvement from the previous year's sugar production of 422 633t, but slightly below the budget of 427 280t. Refined sugar production was 133 086t, in line with SSA's marketing requirements. Total 96° Pol sugar produced for the year was 458 134t, which improved on the previous year's 96° Pol sugar production record of 455 470t, but was slightly below the 96° Pol sugar budget of 460 101t. Due to the late finish of the season, and the stop-start nature of the crushing operations in the rainy part of the season, the overall recovery of sucrose from cane to sugar was negatively affected. The achieved overall recovery for the two combined factories was 86.59% compared to a budget of 87.94%.

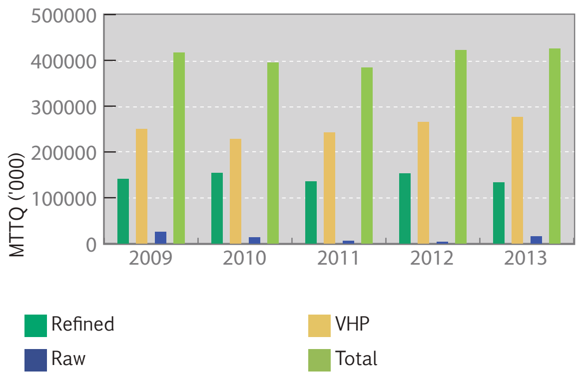


Figure 16. Total production per product type
Total sugar production tel quel was 425 537t, an improvement from the previous year's sugar production of 422 633t.

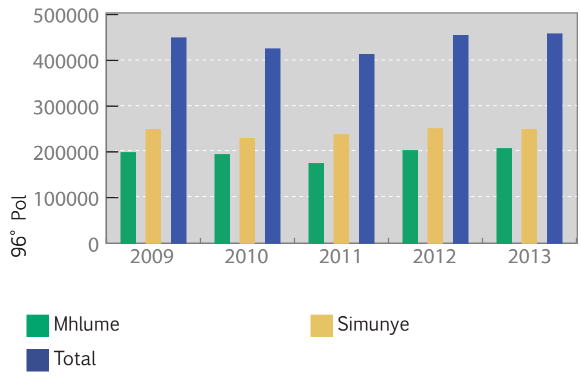


Figure 17. Sugar recoveries per mill
Recoveries are essentially about conversion efficiencies from raw material to finished product. In our sugar mills, this involves converting as much of the sucrose in cane to sugar crystals, thus increasing our overall recovery of sucrose in the cane into sugar.

Improving distillery efficiencies

Distillery ethanol production continued to show steady improvement, with 31.0 million LAA of ethanol produced, compared to a budget of 29.8 million LAA for the year, and a production of 29.9 million LAA for the previous year. Ethanol production was concluded in February, after the completion of the sugar factories' milling season. The yield of ethanol from molasses was generally very good, running above 225l/t molasses for much of the year. However, due to the poor quality of molasses at the latter part of the season, the overall to-date yield for the year dropped to 218l/t molasses, compared to a budget of 225l/t. Distillery throughput performance was excellent throughout the year, often exceeding the plant design capacity of 136kl/day.

The results achieved are largely attributable to the following:

- We increased our investment in staff training and the provision of technical support. Workers from all three sections of our operations (fermentation, distillation and evaporation) went on refresher training which ensured that all levels of employees understood Distillery processes and therefore improved efficiencies.
- A Distillery Operations Manual was prepared with the assistance of Praj Industries Limited which is a global company that offers solutions in bio-ethanol, alcohol, brewery plants, process equipment and water distillation and wastewater treatment systems. The Operations Manual is meant to serve as a knowledge capturing tool.
- We also employed a dedicated Mechanical Foreman, Instruments Technician, and Mechanical Artisan. This was done to ensure that the Distillery had dedicated maintenance staff that would facilitate timeous preventative and routine maintenance around the Distillery to affirm that efficiencies remain high.
- To further improve efficiencies we have planned for a technical audit to take place in the 2014 financial year. We would like to have a strong technical team perform an audit on the current fermentation, distillation and evaporation processes and in so doing obtain suggestions for improvements in plant performance, operation and product cost reduction.

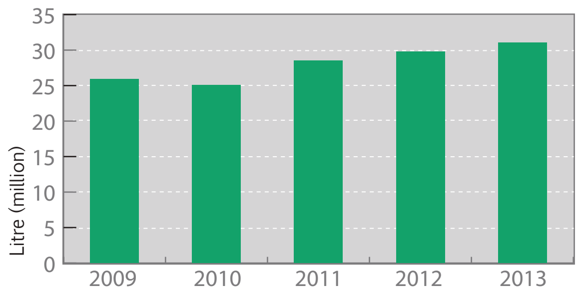


Figure 18. Distillery performance
Ethanol production at our distillery has reached 31 million LAA.

Musa Mkhumane, at the fermentation plant in our distillery.

Manufactured Capital

Reverse Osmosis

Capital Expenditure for a E28.8m Reverse Osmosis (RO) plant was approved in March 2012. This RO plant will be installed to treat the distillery's stillage through membrane filtration and thereby reduce the energy demand at the evaporators (which are the most energy intensive part of the ethanol production process) by as much as 50%. The RO plant will raise the solids content of the vinnasse by the equivalent to the first three stages of the five-stage evaporators, in a far more energy efficient manner. This will result in energy savings of about E8m per annum. The resulting waste-water will be 85% clear water and will be redirected to the Distillery for use in operations. The remaining 15% rejection water will be returned to the evaporation unit in the fermentation section. As such, the potential for treated water to be discharged to natural water courses or the agricultural fields will no longer exist. The Distillery's water consumption will be significantly reduced, as will the associated costs. The execution of this project has taken place throughout 2013 and commissioning is scheduled for August 2013.

Construction of the Reverse Osmosis plant is underway.

Reviewing and improving inbound and outbound logistics

Currently, we are moving the ethanol by road from Simunye to Durban port before it is shipped to the final destination by sea. However, we were badly impacted by the South African transport strike, wherein 10 days of production were lost as we were unable to bring drumming to RSSC for ethanol storage. As a result, production had to be stopped.

It became very apparent that we were at risk of the sporadic industrial climate in South Africa and that we required additional storage facilities that will ensure that in the event of another strike, we are able to absorb more than a month of production.

In order to retain our access to the SADC preferential market we need to comply with SADC rules of origin. These require that the product must be consigned directly from one member state to another without re-warehousing in a third party country. This requirement is a big challenge for landlocked countries like Swaziland.

It would be difficult to compete with cost-effective countries like India if we lose our preferential access status due to failure to comply with SADC rules of origin.

We are therefore in the process of establishing a drumming plant in Simunye to supplement the current product drumming activities in Durban. This will make it possible to ship some of the product via Maputo, thereby providing RSSC with an alternative port for drummed product. A possible opportunity for reducing distribution costs and improving efficiencies has been identified. This will involve the transportation of cargo by rail to Maputo and Richards Bay. The feasibility of this option is currently being investigated.

Drumming is currently performed manually at the distillery and ethanol is moved by road from Simunye to Durban.

Optimising electricity usage/costs across RSSC

Boiler control room at the Simunye factory.

A Comprehensive Energy Strategy was designed in 2012 to:

- Increase the 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, and
- Reduce costs of electricity usage and also eliminate production downtime at the distillery due to power failures from SEC.

The 30MW Turbo Alternator (TA) was commissioned at Simunye in December 2011. We continue to pursue energy self-sufficiency as energy costs are the second highest cost item to RSSC. Although some export of power from the factory to the Agriculture Division occurred during the financial year, power export has been limited by the wet season and low plant availability.

RSSC is committed to the strategic decision to embrace a Sustainable Green Energy Strategy and has made greater efforts to ensure improved energy efficiency within the factories through:

- Cost effectively controlling the steam in the factory;
- Ensuring that the cane preparation parts of the factory are modified to process higher fibre cane, and
- Increasing the usage of woodchips.

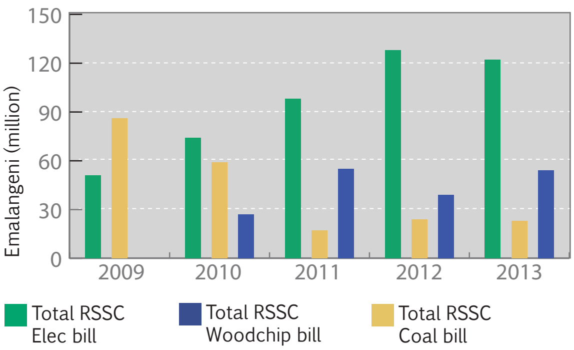


Figure 19. Energy costs
Over the years, our energy mix has changed. We have seen an increase in electricity and woodchip usage and a decrease in the coal bill. Following the implementation of a comprehensive energy strategy, we have seen a decrease in electricity costs.

Financial Capital

Over 90% of our revenue is made up of sugar sales. This year sugar prices increased to E4 757 per tonne.

Financial Capital

Financial Capital is the pool of funds obtained through financing such as debt, equity or grants or generated through operations or investments. The effective management of financial capital ensures that the other forms of capital continue to be owned and traded. It represents how successful we are growing our natural, human, social or manufactured capital.

Financial capital is managed by effectively managing our risks, assessing the wider economic impacts of our activities on society and maintaining a balance between good corporate governance and financial success. Our revenue is primarily obtained from the sale of sugar and ethanol to world markets. Our financial capital is therefore influenced by the global economic environment, sugar and ethanol prices and input costs of production.

Financial Performance Review

Five year review	March 2009	March 2010	March 2011	March 2012	March 2013
Production					
Sugar (96° Pol) (tonnes)	449 603	425 802	414 010	455 470	458 134
Ethanol ('000 litres)	25 853	25 072	28 924	29 857	31 031
Financial results (E' millions)					
Revenue	1 925	1 888	1 801	2 264	2 838
Operating profit before interest and taxation	294	242	126	396	546
Profit before taxation	288	237	115	403	547
Profit for the year attributable to owners of the Company	201	165	79	278	414
Total assets	2 031	1 980	1 975	2 265	2 538
Shareholders' funds	1 072	1 122	1 177	1 256	1 422
Net borrowings	209	174	226	116	35
Cash generated from operations	377	337	253	440	632
Capital expenditure	115	107	153	176	248
Annual depreciation charge	122	127	125	127	130
Financial ratios					
Return on shareholders' equity (%)	18.7	14.7	6.7	22.1	29.1
Return on sales (%)	15.8	12.8	7.0	17.5	19.2
Interest cover (times)	17.4	21.5	10.0	38.7	44.48
Assets to revenue (%)	0.9	1.0	1.1	1.0	1.14
Return on assets managed (%)	14.8	12.5	6.4	18.2	21.9
Gearing (%)	16.3	13.4	16.1	8.5	2.4
Basic earnings per share (cents)	208.1	171.1	81.8	288.7	429.5
Dividends per share (cents)	136.0	119.0	25.0	206.7	257.3

Jabulani Ngcamphalala at the Simunye Sugar Warehouse.

Mananga Sugar Packers' brand, First Sugar.

Financial Capital

Financial Performance Review (continued)

Earnings attributable to shareholders

RSSC has posted record results with earnings attributable to shareholders amounting to E413.8m compared to E278.2m in the prior year. This significant improvement in financial performance is attributed to a 29% improvement in the sugar price; an increase in cane delivered to the mills, and increased sugar production. Favourable exchange rates and positive hedging initiatives pursued by the Swaziland Sugar Association (SSA) have further contributed to improved performance.

Cane growing and sugar operations

The 2013 season experienced was an abnormally wet one. Consequently harvesting operations were negatively affected with the crushing season being uncharacteristically extended into January 2013. Approximately 200ha of cane were therefore not harvested given the need to cease milling operations and commence the annual off-crop maintenance programme. The harvesting cost per tonne cane increased by 31% due to high wet-cane-carry-out costs and higher roads maintenance.

Cane delivered to the mills was 3.48Mt, which was 3% higher than the prior year. RSSC Estate cane yields were 112.1tc/ha compared to 106.2tc/ha in the prior year.

With cane throughput being 3% higher, 96˚ Pol sugar production at 458 134t was 2 664t (0.6%) higher than in the prior year. Sugar recoveries were negatively affected by the inconsistent cane deliveries caused by the rains.

Sugar pricing

The graph below depicts the average sugar price achieved over the last six years plotted against the Euro-Rand exchange rate.

Approximately 50% of Swaziland's sugar production is sold into the European market, thereby increasing the sensitivity of the average 96˚ Pol derived sugar price to exchange rate fluctuations. Sugar from Swaziland continues to enjoy duty free and quota free access status into Europe.

Negotiations for a comprehensive Economic Partnership Agreement between Europe and the South African Development Community (SADC) continued and had not been concluded at the end of the year. Upon conclusion, the agreement shall regulate, among other things, the access of sugar from SADC into Europe and by implication affect the future of Swaziland's access into that market.

The current EU sugar regime is expected to expire in 2015. The SSA continues to monitor developments regarding a proposal in the EU for the abolishment of EU production quotas and is supporting efforts by governments in the SADC region for the quotas to remain. It is anticipated that if the quotas are abolished, the preferential status of Swazi sugar into that market will be adversely affected.

As a result of the prevailing zero tariff in the Southern African Customs Union (SACU) market, the market saw an influx of imported sugar, particularly from Brazil. Sugar imports negatively affect the SACU producers, as sugar importers do not make any direct financial or socioeconomic contribution to local economies. An added problem is that the world sugar price is distorted by government subsidies and other international factors.

Ethanol

Ethanol production amounted to 31.0m LAA compared to 29.9m LAA produced in the prior year. Despite the higher ethanol production, only 28.2m LAA were sold in the current year against 29.3m LAA in the previous year. The lower sales were due to unfavourable trading conditions mainly in the EU market due to the on-going Eurozone economic crisis. Ethanol prices in Europe have been falling since May 2012.

Ethanol sales were further exacerbated by the granting of duty free access to ethanol from India and Pakistan thereby increasing supply in an already depressed market.

In 2013, RSSC exported ethanol to different markets, namely EU, SACU and the regional market.

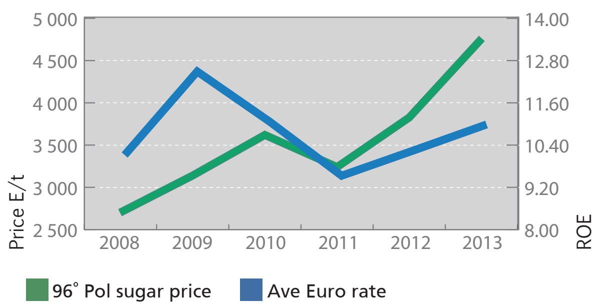


Figure 20. Sugar prices vs. Eur-Zar rate
Improved sugar prices and a favourable exchange rate at year end have resulted in improved earnings.

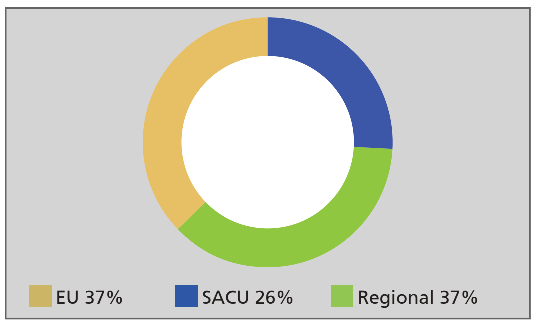


Figure 21. Ethanol sales by market
The sales contribution from the SACU market increased to 26% of total annual ethanol sales compared to 19% achieved in the previous year.

Financial Performance Review (continued)

Ethanol (continued)

In spite of unfavourable market conditions, total ethanol sales achieved were almost on target at 2% below the annual sales budget.

The sales contribution from the SACU market increased to 26% of total annual ethanol sales compared to 19% achieved in the previous year. This improved sales performance was attributable to diversification of our customer base. However, it remains difficult to increase our market share within SACU due to restrictive labelling requirements in the South African market, the biggest of the SACU economies. The costs of localizing origin through re-distilling in South Africa remain prohibitively high and therefore a non-tariff barrier into the South African economy. This makes non-South African companies within SACU uncompetitive in the South African market.

Total Assets

Total assets increased by E273m to E2.538b.

Non-current assets increased by E150m with investing outflows for the Group at E248m offset by depreciation for the year of E130m. Over and above normal replacement expenditures, E26m was spent on the acquisition of the Swazican citrus operations thereby expanding cane production area for 2014 by approximately 560ha and a further E30m on development of the new estate, E44m on energy efficiency improvement initiatives in the factories, and E24m on a Reverse Osmosis Plant in the Distillery which will be commissioned in 2014.

Current assets increased by E123m. Inventory increased by E34m due to higher ethanol, boiler fuel, and MSP sugar stocks. The value of standing cane increased by E44m as a result of higher than expected sucrose prices for 2014, offset partially by the crop at 31 March 2013 having a lower content of sucrose due to a shorter growing period. Trade and other receivables increased by E27m owing to higher sugar and ethanol debtors at year end. Cash and cash equivalents increased by E19m due to higher cash generation achieved in the season.

Total Liabilities

Total liabilities increased by E107m to E1.116b.

Non-current liabilities decreased by E23m due to a decrease in loans of E36m offset partially by an increase in the severance pay liability and other long term employee benefits of E15m. There were no substantive loan draw downs during the year due to improved cash generation.

Current liabilities increased by E130m. Trade and other payables were E46m higher owing to the delayed off-crop and a high volume of costs being incurred in March 2013 on credit terms. The short term portion of interest bearing loans decreased by E16m due to only one more instalment being due on the Distillery expansion loans and no new loans entered into during the period. The current tax liability and dividend creditors were E40m and E50m respectively higher based on the higher profits achieved.

Raw sugar at the Simunye warehouse.

Risk Management

The 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. Mitigating action plans are implemented in response to the identified risks. The following are the top risks and action plans identified:

Risk Issue	Actions For 2013	Status
People and Skills: Lack of Engineering skills, knowledge and experience	Source local, regional and international markets for requisite sugar manufacturing skills.	Six engineers commenced in December 2012. However, two engineers with a tenure of about four years resigned in January 2013, dropping the ratio of filled positions to 70% of budget.
	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.
A lack of adequate leadership capability/ to better prepare RSSC's current and future leaders.	Repeat the Climate survey in order to determine progress against 2010 survey results on Leader/ Manager capability. Assess impact of implemented structured interventions.	The climate survey was launched in January 2013.
Employee attraction and retention: staff turnover exceeding 5%.	The development and evaluation of HR metrics to track key human capital trends and communicate to the business for management planning and decision making.	HR Metrics currently track recruitment time-to-fill positions, turnover rate, staff budget utilisation, staff complement, sick leave and elements of health and wellness. The development of talent management metrics are work-in-progress for completion by June 2013.
	Review benefit-rich remuneration structure to ensure RSSC competitiveness to enable talent attraction and retention.	Annual competitiveness remuneration surveys were conducted in October 2012.
	Develop a recruitment plan to ensure availability of skills, track and manage progress to ensure timely delivery of required skills	A recruitment tracker has been developed. This will be discussed by HR Managers with respective GMs and HoDs to ensure effective attraction of skills. Recruitment plans signed off by GMs will be implemented in 2014 financial year.
	Develop an integrated talent management framework to effectively align attraction, development and retention processes to RSSC skills requirements with sustainable performance of RSSC.	The talent management framework development is currently in progress.
Fires	Fire risk assessment is to be completed.	Complete.
	An alternate fire engine needs to be put in place.	A second fire engine has been bought and is stationed at Mhlume.
		The fibreglass cover on the bagasse conveyor has been replaced with a steel cover. The transfer points will be done next off crop. There is a concern that with the steel covers visualization has been reduced and access for maintenance is more difficult.
		Many fire hazard items highlighted by the Alexander Forbes report have been included in the Capex Budget.

Risk Management (continued)

Risk Issue	Actions For 2013	Status
Fluctuating Currency	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.
LTA (efficiencies)	Recruitment of appropriate skills to ensure improved efficiencies.	Some vacancies in Manufacturing remain unfilled. A Front End Manager for Simunye started in December 2012. The recruitment of a Mhlume Front End Manager is still outstanding.
Baan and 52 other disparate systems	A new ERP is required to offer a single integrated solution to the business.	A new SAP ERP system has been approved in the 2014 budget.
Compressed Molasses Stillage Storage	Ensure additional storage of Compressed Molasses Stillage.	Discussions for the construction of additional stillage storage are at an advanced stage. Agriculture has developed a plan to extend irrigation to other fields. By so doing, they will be using more of the compressed molasses stillage.
Sugar Pricing	Pricing reviewed at SSA MEC meetings for SACU. New contracts in place for EU.	SACU prices are expected to increase. EU contracts are currently under discussion for 2013/14.
Power Management and related costs	Establish a power shedding system to ensure a reduction in electricity costs.	A power shedding system has been developed for Simunye.
HIV/AIDS	Prevalence survey to take place.	The prevalence survey took place and indicated to a 4% decrease in HIV/AIDS prevalence in the region.

In developing our strategy, we must take account of the uncertainty over the timing and impact of the next stage of EU sugar reforms. As such sugar pricing features as one of our top risk issues.

We produce compressed molasses stillage with rich potassium content. It is blended with nitrogen and phosphoric acid to make liquid fertilizer, which is a good substitute for granular fertilizer.

Financial Capital

Upgrading IT Infrastructure and the Enterprise Resource Planning

As part of the strategic objective of optimising efficiencies and effecting cost savings, a process was started to review whether RSSC continued to derive benefit from its current IT system. It was found that RSSC faced a number of IT related risks, these included:

- Outdated technology;
- Systems customised to the extent that they could no longer be upgraded;
- Data integrity could be compromised as a result of the numerous interfaces and integration touch-points that had proliferated over a period of time;
- A significant disconnect between the functionality available within the current system and our corporate business requirements; and
- The integration of systems was complex, manual and with limited integrity.

In response to the identified IT related risks, a two phase tender was conducted for the selection of an appropriate product and a Systems Integrator (SI). Business requirements were extracted and a cross-functional evaluation team was formed. The first phase of the tender resulted in SAP being selected as the lead product. The second phase of the tender resulted in SAP SI being selected as the Systems Integrator. A total of E112m has been budgeted for this project.

IT Projects Manager, Paul Wasswa.

The new ERP system is envisioned to allow RSSC to:

- 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.

Project Resourcing

It is anticipated that the move to a new ERP system will result in a number of business changes. This creates a risk that the system will not be accepted as a result of the fear of changes. Three Change Management specialists will be employed to assist in making the transition seamless.

Over and above this, the project will comprise the following:

- Steering Committee: This Committee will sit outside the project and be responsible for setting targets (and tolerance levels) for the project.
- Project Management Team: This team will have day-to-day control of the project and will manage the various stages of the project.
- Cross Divisional Team: This team will consist of 15 part-time Departmental Heads, 11 full-time Business Team Leads, eight full-time Project Team members and 15 part-time project members. This team will serve as a centre of knowledge for the project and will contribute the informational needs of each department. Business Team Leads will be seconded to the project for a period of two years and will work hand-in-hand with the IT project team in developing the new ERP System.

Staff will therefore be required for both the project and to support the business as replacements. However, there is a risk that as a result of the skills shortage we already face, we may not be able to recruit the requisite skills. The recruitment process commenced in April and is expected to continue until July, when the project is expected to kick-off.

Below is Winile Vilane who works at the citrus estate.

Human Capital

In order for RSSC to remain at the forefront of sugar production, we need to strengthen our investment in our people. The success and attainment of our strategic objectives is dependent on a healthy, engaged and skilled workforce.

We have taken a renewed focus on the optimisation of human capital and related processes.

This investment in human capital is further aligned to the strategic objective of improving operational efficiencies which is closely linked to a healthy and productive workforce.

Talent attraction and retention

To develop and apply the new technologies and processes that we require to meet our growth ambitions, we need to recruit and retain talent with the requisite knowledge, skills and experience. To ensure the sustainability of the business, the retention of critical, scarce and mobile skills is imperative. Over and above this, we require seasoned managers with extensive experience to execute major projects. However, we continue to face a challenge of attracting and retaining the skills critical to our success. This has resulted in a shortage of critical skills.

At year end, there were a number of vacant critical senior positions. This highlights the need to attract and retain skills.

Critical Senior Vacancies					
2012/2013			2011/2012		
Senior vacancies	Grade	Required	Senior vacancies	Grade	Required
Human Resources Manager – Agriculture	T17	1	IT Project Manager	T15	1
Plant Engineer – Services	T15	2	Human Resources Manager	T17	2
Front-End Manager	T17	1	HR Manager Learning and Talent	T17	1
Plant Engineer – Back End	T15	2	Senior HR Consultant	T15	1
Projects Engineer – Water Resources	T15	1	Instrument Engineer	T15	1
Group Risk Manager	T17	1	Plant Engineer – Boilers	T15	1
IT Business Process Team Leader	T15	1	Plant Engineer – Services	T15	1
Agricultural Development and Projects Manager	T17	1	Front End Manager	T17	1
			Engineering Manager –Services	T17	1
Total		10	Total		10

RSSC is known as a leader in providing development opportunities in the Engineering fields. However, we are negatively impacted by the intensifying competition for the limited number of skilled candidates.

Our stakeholder engagement processes have indicated that this may be a result of a lack of recognition within the organisation as well as outdated remuneration structures. Of particular concern is that the turnover rate for senior employees (who include departmental managers) has, in the current year, exceeded the 10% threshold. Although an average turnover of 10% in large companies is deemed acceptable, senior staff exits of 10% or more constitute sufficient cause for concern. This exceeds the budgeted turnover rate of 5%. Together with the existing shortage in skills, a high employee turnover rate will result in decreased productivity. The high turnover rate means that RSSC is not able to retain institutional knowledge and wisdom, which further impacts on production inefficiencies.

Talent attraction and retention (continued)

In order to manage these challenges, the following initiatives have been put in place:

- A review of the current remuneration approach will be conducted by a sub-committee to the Remuneration Committee which has been established to review available options. This sub-committee, comprising of staff members from the various RSSC Divisions and Human Resources practitioners, will seek to ensure the competitiveness of remuneration packages for senior staff. The sub-committee expects to present its findings and recommendations to the Remuneration Committee in the new financial year.
- The Human Resources Division has been re-engineered to ensure that Human Resources delivery is aligned to the needs of the business. As such, a decision has been taken to up-skill all Human Resources (HR) practitioners to ensure that they become effective and credible business partners.
- The HR practitioners have joined the Swaziland Institute of People Management (IPM) where they will gain and share HR experiences. They will remain abreast of key developments through networking and attendance of relevant professional seminars offered by this institution. Our HR practitioners have therefore remained abreast of worldwide researched trends, tools and training.

At RSSC, we value our people and want to retain skills such as those of Pan Boiling Assistant at the Simunye Factory, Mzwandile Ndlovu.

To increase the talent pool available to us, we have embarked on the following initiatives:

- We have participated in school visits, wherein we encourage students to follow the critical maths and science fields which will enable them to enrol in critical engineering disciplines.
- We have participated in career expos where we provide career guidance to prospective employees, and also market the opportunities currently available at RSSC.
- RSSC entered into a partnership with Bosch Ulwazi, an organisation experienced in the development of Engineers, in a three-year contract to provide mentoring, discipline-specific technical training, and project management exposure and experience. This investment is estimated at just over E800 000 over a three year period. It will allow engineering graduate trainees to secure an Engineering Certificate of Competence (GCC).
- Vacation, training and internship programmes have been strengthened through the increase in line manager involvement and improved assessment of the performance of students.
- Increasing, year-on-year, the number of apprentices employed by RSSC.

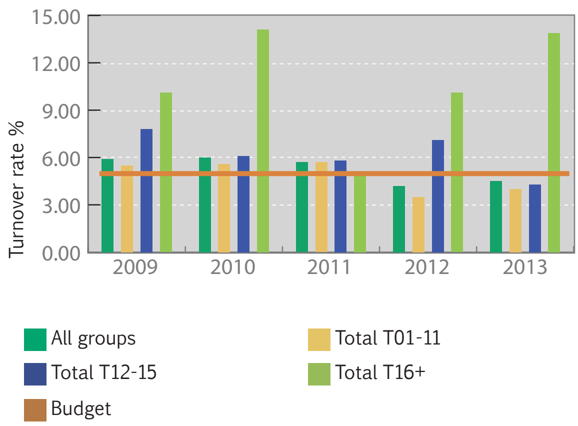


Figure 22. Employee turnover
Senior staff exits of 10% constitute sufficient cause for concern.

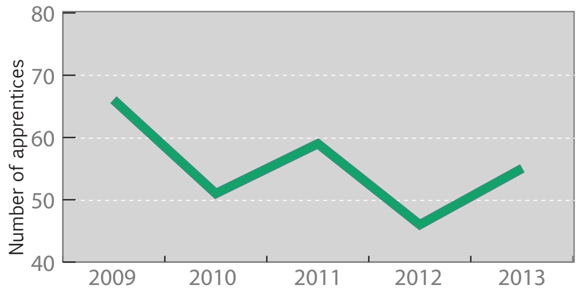


Figure 23. Artisan development programme
The artisans developed through our training programme are some of the best in the country. The turnover rate at this level is only 4%.

Human Capital

Talent attraction and retention (continued)

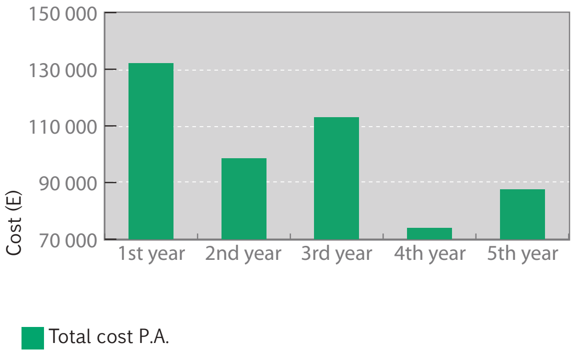


Figure 24. Cost of training apprentices over a 5 year period
The artisan development program runs over a five year period. The cost of training an apprentice over this five year period is a cumulative average of E500 000 which includes training (locally and in SA), accommodation and wages.

Discipline	Number
Section Manager	2
Irrigation Agronomist	1
Foundation Education	1
HR Consultant	1
Senior Support Analyst	1
Total	6

Depending on the availability of positions, graduates are appointed into permanent positions on successful completion of the graduate development programme. Six graduates were appointed into substantive positions in the past 12 months.

Filling Critical Engineering Vacancies

The shortage of Engineers has resulted in the Manufacturing Division operating with 30% of the total number of Engineers required to enable the business to operate efficiently. There is a general shortage of Engineers within the Southern African region because there is insufficient supply from the education system to cope with the demands of the corporate market. We further find that the pipeline of new talent is shrinking, and does not have the necessary managerial and leadership skills. While the qualifications may be in place, we find that the managerial and leadership skills we require are scarce.

Having exhausted attempts to secure Engineering skills within Sub-Saharan Africa, we embarked on a world-wide search for skills. In this search, priority was given to economies with well-established sugar cane production. One such country is India, which is the second leading economy in sugar cane production.

Following two separate recruitment missions to India, we were able to secure six Engineers who joined RSSC in December 2012. These Engineers have been employed with a specific focus to turnaround factory operations based on the experience they have gained from some of the largest sugar manufacturing companies in the world.

The widening of geographic locations from which we source our talent has necessitated the development of new management practices. This has required improvements to our recruitment process, on-boarding process as well as how we manage diversity. A team-building and synergy initiative was thus developed for the new recruits from India. The General Manager - Manufacturing clarified the Division’s vision, challenges and expectations. Through a number of internal, social and team-building functions, the new managers were provided the opportunity to meet and interact with their local colleagues.

We continue to utilise every available opportunity to ensure that new employees integrate into the new work environment. This will ensure that they are able to reach productivity levels quicker and add value to RSSC.

Water Resources workshop, where maintenance is performed by our staff.

Corporate Values Roll-out

The corporate values were reviewed and rolled out to employees to ensure that they were more concise and understandable. A workshop was held using the World Cafe approach where stakeholders from across the business deliberated on the behaviours required to promote the values. Graphic recordings which involved capturing people's ideas and expressions, in words, images and colour, were developed into a Values Storyboard.

This Values Storyboard depicts the common values message which will be communicated across all divisions. Participants were appointed as Value Champions and these champions have committed to sharing the values story across the business.

Our values are:
- Integrity: We are fair, honest and open.
- Respect: We value and care for each other.
- Delivery: We meet our targets and deadlines.

Employee Wellness

To improve efficiency and drive productivity, an Integrated Corporate Health and Wellness Department has been established. The main theme of the department is "Good Health is Good Business". This links the importance of having a healthy workforce for the attainment of our strategic objectives. The integrated programme aims to proactively maintain and enhance the health of employees. RSSC will provide a holistic view of the overall organizational health and wellness and will assist management in implementing measures to improve individual employee health and wellness to impact positively on productivity.

The Integrated Corporate Health and Wellness Programme is currently in its infancy stages. Progress thus far includes:

- The recruitment of a Wellness Consultant to coordinate the programme and assist in the development of a wellness programme strategy and framework;
- Benchmarking trips to leading South African organisations have taken place in order to improve our understanding of wellness programmes;
- A situational analysis, knowledge, attitude, behaviour and practices study, and behavioural and health risk assessment with business aligned interventions will be commissioned in July 2013, and
- A specialist wellness consulting firm has been appointed to assist with the development of the Health and Wellness framework, strategy and policies.

Over and above this, Occupational Health now falls within the Health and Wellness Department. This improved linkage between Occupational Health and Medical Services has increased the responsiveness of the two sections to business requirements and streamlined medical referrals.

The Occupational Health Unit is pivotal in maintaining the health of employees in the workplace by conducting a variety of health examinations including:

- Pre-employment tests to ensure that the right person is in the right job;
- Routine tests to determine that employees remain healthy while in employment and are not exposed to health hazards in the workplace;
- Specialist tests on employees exposed to noisy environments (Audiometry); and
- Exit examinations for all workers leaving the organization.

New gym at Mhlume.

Occupational health training at the Mhlume Clinic.

Human Capital

Health and Safety

We are deeply saddened by the passing of one of our employees, Mr Lucky Sifundza who was employed as a Juice Raker on a seasonal basis and had been in our employ for the past two years.

Mr Sifundza was reported missing at 19h30 on 23 May 2012. A task team was then set up to conduct thorough investigations to ascertain his whereabouts and the sequence of events leading to what was presumed to have been an accident within the Mhlume plant. The entire plant was shut down from Tuesday, 29 May and the whole of Wednesday 30 May, to enable a lengthy and comprehensive search of the premises. Every part of the mill was searched, including the Mhlume boilers, but no evidence was found. After an extensive search, forensic tests were conducted. The results of these tests indicate that Mr Sifundza tragically lost his life while on duty.

Following this unfortunate fatality, a number of training courses were initiated in order to increase vigilance around work spaces. As 88% of accidents occur as a result of unsafe acts, we felt it was important that each and every person within the organisation be empowered and thus play a role in the eradication of unsafe practices. We are dedicated to providing our employees with a safe working environment to ensure their continued wellbeing. We continue to track the Disabling Injury Frequency Rate (DIFR) as a measure of safety performance.

Year	Disabling Injuries	Fatalities	DIFR	Corporate DIFR Target
2013	45	1	0.71	1
2012	45	0	0.62	1
2011	56	0	0.84	1
2010	64	0	1.08	1
2009	40	0	0.67	1
2008	56	0	1.11	1

Description of safety training programmes	Number of participants
Implementing Environmental Management Systems (ISO 14001)	3
Integrated SHE IMS Audit: Internal Auditor Course	4
First Aid training	74
ISO9001:2008 Awareness	19
Incident Investigation	11
SHEQ Representative	48
Swimming Life saving	26
Other	1591

Wood Chipper, Zwai Nxumalo, at the Simunye Factory.

Maintenance being performed at the Simunye plant.

Industrial Relations

Currently, SAPWU (Swaziland Agricultural and Plantation Workers' Union) and SAMASA (Swaziland Agricultural and Allied Staff Association) are run separately at two Estates. For purposes of consistency and ease of administration between the Estates, negotiations have commenced with respect to unification with the possible outcome being one union for T1 – T11 (i.e. SAPWU) and one for T12 – T15 (i.e. SAMASA) for the whole of RSSC.

Over the years RSSC has maintained a good relationship with its unions. We have not experienced a strike action in more than five years. The strength of this relationship has been to a large degree as a result of RSSC having mature and empowered unions. Although we achieved another year without a strike, negotiations with the unions were more challenging. Our stakeholder engagement processes indicate that while the unions have expressed an interest in having a more consultative approach, there is room to improve on the timeous delivery of negotiated items.

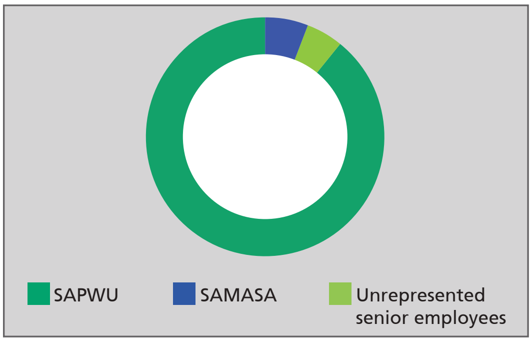


Figure 25. Employees covered by the Collective Bargaining Agreements.

Cane cutter, Chiko Makama.

Social Capital

Social Capital

Social capital is the value added to the activities and economic outputs of RSSC by human relationships and is often referred to as the value of connections within and between social networks. At RSSC, we are aware of the impact that our success has on surrounding communities and that our success and profitability are directly linked to the health and prosperity of these very communities.

Swaziland's economic growth has remained one of the lowest in sub-Saharan Africa. Coupled with an expanding population, HIV and AIDS, and an increasingly uneven distribution of resources, this contributes to the growing number of Swaziland's rural poor people. With over 3 500 employees, RSSC is one of the largest employers in Swaziland. We therefore appreciate that RSSC plays a key role in the Swazi economy.

We are aware of the socio-economic challenges facing surrounding communities and by implication our employees. The social services we provide are thus not only beneficial to communities but they guarantee us a healthy and motivated workforce.

To enhance social capital we:

- Provide safe, supportive living and working conditions, including family friendly policies;
- Adhere to regulatory standards that protect the consumers of our products; and
- Support the development of the communities in which we operate through our investment in infrastructure, schools, and health services.

Medical Services

Swaziland has one of the world's highest levels of HIV/AIDS prevalence (25.8% of all adults). With the life expectancy at 49 years (fourth-lowest) a significant number of children are orphaned as a result of the illness. Tuberculosis is also a significant problem, with a 18% mortality rate. Many patients have a multi-drug resistant strain, and 83% are co-infected with HIV.

These problems, together with a general shortage of skills, create a great burden on organisations in Swaziland. We therefore believe that as a responsible citizen of Swaziland, it is imperative that we collaborate with government in the fight against HIV/AIDS and TB.

HIV/AIDS

The effective management of HIV/AIDS is a strategic business focus area and related initiatives receive recognition and support from the highest levels within the organisation. The creation of awareness, distribution of free condoms, support programmes for the Peer Education Programme, availability of VCT centers and the provision of free Antiretroviral Treatment (ART) Programme are integral to the integrated approach of managing health and wellness.

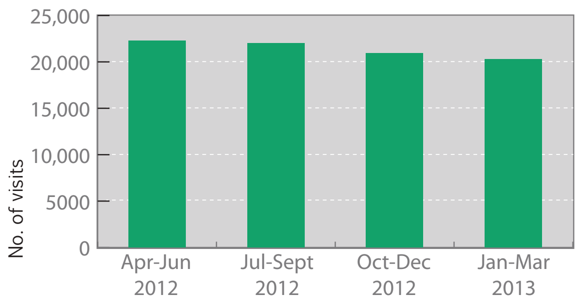


Figure 26. Number of visits per quarter: 2012/13FY.

The Public Private Partnership between RSSC and the Ministry of Health has resulted in Medical Services being a centre for the roll-out of Antiretroviral therapy and TB treatment to employees and members of the surrounding community. Currently 1 870 patients (593 employees) receive free ART treatment from Estate clinics. The government provides the medication and RSSC runs the Programme.

In spite of treatment available, there were eight employee deaths attributed to HIV/AIDS in 2013. Most were a direct result of TB co-infection. Although this is discouraging, the number of deaths has decreased from 21 in 2010, to 15 in 2011. The World Health Organisation (WHO) target of zero deaths seems more attainable, given the gradual reduction in HIV/AIDS related deaths over the years.

Medical services are available to RSSC staff, their dependents and members of the community.

Medical Services (continued)

Tuberculosis (TB) control

The prevention and control of TB is a key focus area. As such, UV lights have been installed in almost all rooms occupied by patients in our clinics. This improvement has been implemented in order to reduce the transmission of TB within the clinic environment. We expect this process to continue until all designated sites have UV Light units installed. At the Mhlume clinic, a new TB Ward and TB clinic area have been constructed. This isolation area will assist in the reduced transmission of TB within the clinic waiting areas by separating people proven to be infected with TB from the general public. This is in line with World Health Organisation Guidelines on the management of TB and is necessary as a result of the infectious nature of the disease.

A TB Laboratory is now functional and serves as a critical step taken by RSSC in conjunction with the National TB Control Programme - Public Private Partnership (PPP) to:

- Improve safety in the laboratory;
- Improve the quality of results coming from the laboratory, and
- Reduce turnaround times for results.

With the installation of the Bio-Hazardous cabinet, the TB Laboratory now meets required quality standards.

Bongani Dlamini at the Mhlume Clinic, inspecting a sputum sample slide for TB.

Recreational Facilities

A wide range of recreational facilities are provided through two RSSC owned country clubs, as well as through other facilities that are located within the villages. Participation in all the recreational and cultural activities is open to employees' dependants and the community members residing within the sugar estates. Through the provision of recreational facilities, employees' and dependants' welfare is provided and this enhances social cohesion, and leads to increased productivity. The Mananga Golf Course was refurbished and is now amongst the top three golf courses in Swaziland. Not only will this refurbished Golf Course contribute toward improved tourism in the area, it will serve as a recreation and entertainment facility for our own staff.

State-of-the art wellness centre has been established at Mhlume.

The Mananga Golf Course is now amongst the top three golf courses in Swaziland.

Property Services

RSSC provides and manages housing for 3 500 employees (of which 1 647 are seasonal) and a further 20 000 people living on the estate. This does not only reduce employee travelling time (and thus improve the quality of life and wellbeing), but it also enables us to attract talent to our remote location.

Other services provided by the Property Services include the maintenance and management of:

- Roads , culverts and drains;
- Reservoirs, pipes, and treatment plants;
- Sewers and oxidation ponds;
- Landfill and incinerators;
- Power plants, transmission and distribution lines; and
- Recreational facilities, stadia, and parks.

The Nsukuwansuku stadium was revamped in the current year.

Our impact on the environment

We are aware of the environmental impacts associated with the activities of growing sugar cane, the manufacturing of sugar and alcohol. To ensure that we continually improve our environmental performance we have implemented the requirements of the ISO 14001 standard across all the business units.

Specific projects undertaken in 2013 for the reduction of our impact on the environment include:

Sanitary Engineered Landfill

Over the last few years, we expended E15m toward a sanitary engineered landfill. This made RSSC the first corporate in Swaziland to build and operate a state of the art sanitary engineered landfill.

An engineered landfill site allows for the final disposal of solid waste in a secure manner by minimizing impacts on the environment. The waste is spread out in a thin layer in the waterproof cells where it is levelled, compacted and covered periodically with soil. Ditches all around the site deviate the surface water before it comes in contact with the waste. This is done to prevent any leaching into the ground or groundwater system.

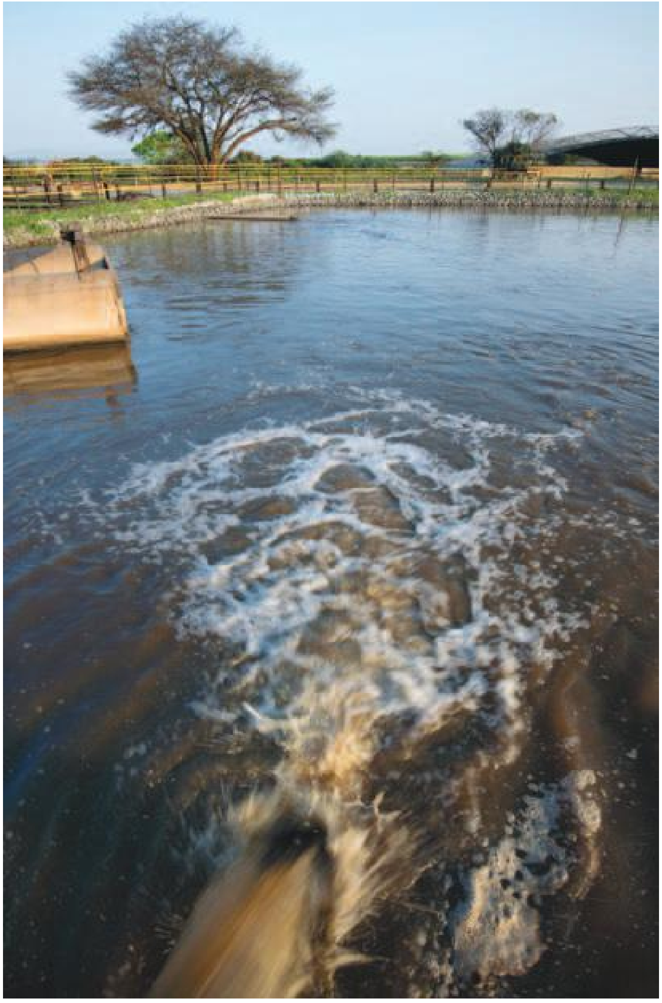
Protecting Waterways

There are 35 oxidation ponds across RSSC, of which eight are effluent ponds, and these are regularly monitored to prevent direct discharge into water bodies. Oxidation ponds, also called lagoons or stabilization ponds, are large, shallow ponds designed to treat wastewater through the interaction of sunlight, bacteria, and algae. Algae grow using energy from the sun and carbon dioxide and inorganic compounds released by bacteria in water. During the process of photosynthesis, the algae release oxygen needed by aerobic bacteria.

A program for improving the performance of sewer ponds is currently being rolled out at the Property Services Department. This year, one pond in Mhlume was totally rehabilitated, while another in Tshaneni was given a facelift. This will improve the performance of the aerobic ponds.

Distillery Lab Technician Vusi Sibanyoni gathers effluent samples.

Revamped effluent plant at the distillery.



Product Responsibility

At RSSC, we seek to consistently provide high-quality products to our consumers. As such, Mananga Sugar Packers (MSP) operates under a Quality and Food Safety Manual. This manual outlines the policies and procedures necessary to ensure conformance to quality and food safety principles. MSP has been certified by the South African Bureau of Standard (SABS) in the following:

- ISO/SANS 22 000 Food Safety Management Systems
- SANS 10330 Hazard Analysis Critical Control Point System (HACCP)
- PAS 220 Food Safety PRP

MSP has also been audited by:

• Islamic Council of South Africa	Halaal Certified
• South African National Halaal Authority	Halaal Certified
• Beth Din of Johannesburg	KOSHER

REACH compliance

REACH (Registration, Evaluation and Authorisation of Chemicals) is the European Community Regulation on chemicals and their safe use. It is a hazardous materials management regulation with the objective of protecting human health and the environment. It places greater responsibility on manufacturers to manage the risks from chemicals and to provide safety information on such substances.

We achieved full registration for REACH, and are now able to sell to any importer in the EU market, regardless of their REACH status.

The Mananga Sugar Packers' brand, First Sugar, being packed for distribution.

Corporate Governance

Corporate Governance

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, who are assisted by senior management 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. The main areas that were addressed during the period relate to; commissioning of an external quality assurance review on internal audit function; the development and adoption of policies on: matters reserved for the Board and delegated authority; stakeholder relations management and legal and regulatory compliance. A further improvement has been the development of an annual work plan which has served to ensure that the Board addresses all its responsibilities on an annual basis and at appropriate times. 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 are 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 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 aimed at ensuring 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 stakeholders. 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 Group effectively. In spite of the directors' extensive knowledge base and skills-set, where necessary, the Board is able to utilise expert advisors to assist it in carrying out its duties. 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 Group, 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 promoting the highest standards of corporate governance.

During the year under review, the Board provided ethical leadership, 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 governance structures and processes as well as ensured that ethical standards were being upheld throughout the Group.

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 of Directors (continued)

Board Responsibilities (continued)

The Board meets quarterly and special meetings are convened from time to time when considered necessary. Each meeting is conducted in accordance with a formal agenda 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 Group initiatives.

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

Director's Name	Date of Meeting			
	July 2012	August 2012	December 2012	March 2013
AT Dlamini	✓	✓	✓	✓
Chief ZN Ndlangamandla	✓	✓	✓	✓
JM du Plessis	×	✓	✓	✓
TA Davidson[1]	✓	✓	-	-
IG van der Walt[2]	-	-	✓	✓
HRH Princess Phumelele	✓	✓	✓	✓
JO Otunla	×	✓	×	×
Z Magagula	✓	✓	✓	✓
V Nxumalo	✓	✓	✓	✓
M Shongwe	✓	✓	✓	✓
J Gule	✓	✓	✓	✓
D van Niekerk	✓	✓	✓	✓
M Khumalo	✓	✓	✓	×
N Jackson	✓	✓	✓	✓

Legend: × :Apology/Non attendance
✓ : Attendance
- : Not a Director as at date of meeting

1. : Resigned 7 December 2012
2. : Appointed 7 December 2012

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 31 August 2012, Messrs TA Davidson, JN Gule, M Khumalo, and HRH Princess Phumelele were due and retired by rotation and having offered themselves were re-appointed by the appointing shareholders, except for Mr TA Davidson who was replaced by Mr IG van der Walt. Messrs JM du Plessis, ID van Niekerk, V Nxumalo and JO Otunla are due to retire by rotation at the next Annual General Meeting to be held on 5 September 2013.

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 formalised 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 to consult 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.

Chairman and Managing Director (continued)

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

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 Messrs JM du Plessis (Chairman), JN Gule, V Nxumalo and 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 Auditors and internal Auditors, 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 six-month period ended 31 September 2012 and the year-end financial statements for the year ended 31 March 2013 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 fairly present the financial position of the Group as at the end of the financial year;
    - Confirmed the going concern as the basis of preparation of the interim and annual financial statements;
    - Considered accounting treatments, significant unusual transactions and accounting judgments (more specifically in relation to the purchase price allocation of Swazican Citrus and the valuation of standing cane);
    - Reviewed the external Auditors' report;
    - Reviewed any 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.

Audit Committee (continued)

- In respect of the external audit function
  - Reviewed the external audit 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 Auditors' report to management and obtained assurances from the external Auditors 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 Auditors.

- 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 control, business risk management and maintenance of effective internal control systems;
  - Reviewed adequacy of corrective action 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 2013;
  - Assessed the adequacy of the available internal audit resources to enable it to discharge its responsibilities and made recommendations in connection therewith;
  - Ensured that the Group's internal audit function had the necessary resources, to enable it to discharge its duties; and
  - Considered a report on the independent quality assessment review performed on the RSSC Internal Audit Activity (IAA) to assess RSSC's IAA's conformity to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing Standards and Code of Ethics; evaluate IAA's efficiency and effectiveness in carrying out its mission as set out in its Charter and in line with management and the Audit Committee's expectations and to provide advice and make recommendations to enhance management and work processes of the IAA.

- 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 all 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; and

- Considered the appropriateness of the expertise and experience of the head of the finance division and concluded that the General Manager Finance has the necessary expertise and experience. The Committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

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; and monitor the performance of 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 Auditors' 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, 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. Below is a record of Audit Committee meetings attendances during the year.

Director's Name	Date of Meeting			
	July 2012	August 2012	December 2012	March 2013
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 Messers M Khumalo (Chairman, non-executive), ID van Niekerk (non-executive) , NM Jackson (executive) and Chief ZN Ndlangamandla (non-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 severity and probability of occurrence and applies a rating based on the quality of control, 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, legislative changes, and changes in the business environment that could affect the Group.

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. Priorities addressed during the year under review include a review of disaster recovery plans for critical information management systems that could have a material impact on the Group's continuing operations; IT connectivity between the various RSSC sites and IT frameworks that are being put in place to address relevant governance requirements. Moreover, in line with RSSC's strategic objective, work was started to source an enterprise resource planning (ERP) system to address technology risk and more specifically to enable RSSC to become a flexible and agile business that is able to quickly respond to changing business parameters and 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 terms of its TOR, this Committee meets four times per year and all meetings were fully attended. The table below shows attendance at the Committee's meetings during the year of this report:

Director's Name	Date of Meeting			
	July 2012	August 2012	December 2012	March 2013
M Khumalo	✓	✓	✓	✓
Chief ZN Ndlangamandla	✓	✓	✓	✓
ID van Niekerk	✓	✓	✓	✓
NM Jackson	✓	✓	✓	✓

Legend: ✓ : Attendance

Committee on Non-Executive Director's Remuneration

In terms of the Articles of Association of the Group, a committee comprising of the Chairman, Mr AT Dlamini (non-executive), the Managing Director Mr NM Jackson and the Group Secretary Ms LS Masango 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 as and when necessary, 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 Group in between meetings plus an attendance fee for Board or subcommittee attendances. As part of its evolving governance practices, a decision was taken to introduce a special rate 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

There is a Remuneration Committee, which comprises of three non-executive directors in order to ensure sufficient impartiality. These are Messrs AT Dlamini (Chairman), JM du Plessis and ZR Magagula. The Managing Director together with the head of the Finance Division and the head of the Human Resources Division attend meetings by invitation. To avoid conflicts of interest they always excuse themselves from discussions where there is sufficient justification to exclude them, such as debates relating to their remuneration. The Committee's TOR, 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's remuneration structure is designed to not only attract, retain and motivate competent members of the executive management of the Group, but also to reward them for their contribution to the Group's operating and financial performance, taking into account relevant and prevailing market conditions. In addition to a fixed remuneration, an element of variable remuneration is provided for the achievement and outperformance of specified targets and objectives. Independent external studies and comparisons are used to ensure that remuneration is market related.

The Committee met three times during the year and all meetings had full attendance by members, as shown in the table below:

Director's Name	July 2012	December 2012	March 2013
AT Dlamini	✓	✓	✓
JM du Plessis	✓	✓	✓
ZR Magagula	✓	✓	✓

Legend: ✓ : Attendance

The Company Secretary

The Company Secretary plays a pivotal role in the company's governance processes and is responsible for among other things the duties outlined in the King III Report. The Company Secretary is not a Director of the company and maintains an arm's-length relationship with the Board. All Directors, individually and collectively have access to the advice and services of the Company Secretary.

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

Compliance with laws, rules, 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.

During the period under review the Board adopted a Legal and Regulatory Compliance Policy as part of a process to develop an enterprise wide legal compliance framework, which will provide assurance to the Board that risks posed by non-compliance with legislative and regulatory obligations are being addressed.

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 the Group's 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 control 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 review period. The Group operates a comprehensive annual planning and budgeting process. The financial reporting system compares results with plans, budgets and 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 report 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 constantly 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 judgments 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, 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.

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

Management (continued)

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 ongoing basis.

To facilitate an understanding of the Group's investments, a site visit of the Citrus section, which is the Group's recent acquisition was arranged to coincide with the Board meeting held in July 2012. Directors had the opportunity to gain firsthand knowledge on the Group's operations 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 in King III and has in this regard adopted a Stakeholder Management Policy, which is applicable to all RSSC's operations and the management of relationships with stakeholders. The Policy sets out acceptable behaviors for all RSSC employees who engage stakeholders and is a personal commitment to principled, values-based engagement. Going forward an annual stakeholder management plan will be adopted by the Board with a view to improving engagement with stakeholders and enhancing the integrated and sustainability reporting process.

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.

The Group's engagements with each of its stakeholders are set out in the section on Stakeholder Engagement.

Ethics

Key to the Group operations is the Group's 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 of Conduct 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 of Ethics, the Group commits to applying the highest ethical standards in all its dealings with all stakeholders; carrying on business through fair commercial 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 declaration of conflict 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 to the Risk Committee.

Abbreviated consolidated financial statements

Directors' Report

for the year ended 31 March 2013

The directors have pleasure in presenting their report together with the abbreviated financial statements for the year ended 31 March 2013.

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:

- A first interim dividend for the year ended 31 March 2013 of 33.0 cents which was paid in September 2012;
- A second interim dividend for the year ended 31 March 2013 of 82.3 cents which was paid in November 2012; and
- A final dividend for the year ended 31 March 2013 of 142.0 cents which is payable in June 2013.

Board structure

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

Directorate

The directors of the Company during the year were:

Directors

- A T Dlamini (Chairman)
- N M Jackson (Managing Director)
- J M du Plessis
- HRH Princess Phumelele
- T A Davidson (resigned 07 Dec 2012)
- 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 (appointed 07 Dec 2012)
- I D van Niekerk

Alternates

- M K Dikwa (to J O Otunla)
- 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

Risk

- Vacant Group Risk Control Manager

Agriculture

- P Myeni* General Manager - Agriculture
- C Crick Agricultural Manager - Production
- Dr L S Ndlovu Agricultural Manager - Water Resources
- M Tshawuka Agricultural Manager - Services
- Vacant 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
- D Dhliwayo Financial Manager - Management Accounting
- A Hlatshwayo Financial Manager - Financial Accounting
- R Coombe Group IT Manager
- J Khumalo Property Services Manager
- P Mweli Finance Projects Manager

Management structure (continued)

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
- B Z Radebe Health and Wellness Manager
- M Magagula Learning and Talent 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
(Chairman)

N M Jackson
(Director)

Independent audit opinion

The Group auditors, KPMG, have issued an unmodified audit report on the consolidated financial statements for the year ended 31 March 2013 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 it is incorporated in the full annual financial statements.

Extract from the consolidated statement of financial position

as at 31 March 2013

	Group 2013 E'000	Group 2012 E'000
Assets		
Property, plant and equipment	1 149 187	1 041 537
Goodwill	295 550	295 550
Intangible assets	7 155	6 000
Investments in joint ventures and subsidiaries	-	-
Equity accounted investees	6 389	4 733
Deferred tax assets	48 729	44 487
Deferred expenditure	10 848	11 588
Biological assets – cane roots and citrus	194 788	159 382
Total non-current assets	1 712 646	1 563 277
Inventories	131 457	97 481
Biological asset – growing crop	441 904	398 354
Biological asset - livestock	7 656	5 795
Trade and other receivables	156 181	129 490
Loans receivable	-	1 668
Cash and cash equivalents	88 213	69 215
Total current assets	825 411	702 003
Total assets	2 538 057	2 265 280
Equity		
Share capital	128 639	128 639
Share premium	632 379	632 379
Preference share redemption reserve	78 104	78 104
Other reserve	6 389	4 733
Retained earnings	576 476	412 244
Total equity	1 421 987	1 256 099
Liabilities		
Deferred tax liabilities	363 601	365 873
Interest bearing loans	79 543	115 387
Employee benefit liabilities	78 211	63 227
Total non-current liabilities	521 355	544 487
Trade and other payables	234 466	188 438
Short term employee benefits	76 329	55 398
Bank overdraft	5 929	16 316
Current portion of interest bearing loans	37 566	53 959
Current tax liability	103 123	62 946
Dividends payable	137 302	87 637
Total current liabilities	594 715	464 694
Total equity and liabilities	2 538 057	2 265 280

Extract from the consolidated statement of comprehensive income

for the year ended 31 March 2013

	Group 2013 E'000	Group 2012 E'000
Revenue	2 837 858	2 263 847
Cost of sales	(2 102 199)	(1 741 367)
Change in fair value of biological assets	71 935	129 208
Gross profit	807 594	651 688
Other income	30 969	26 947
Distribution expenses	(22 708)	(19 545)
Administration expenses	(269 769)	(263 431)
Operating profit	546 086	395 659
Finance income	11 486	15 878
Finance costs	(12 534)	(10 635)
Net finance (costs)/ income	(1 048)	5 243
Share of profit of equity accounted associate companies (net of income tax)	2 031	1 896
Profit before taxation	547 069	402 798
Tax expense	(133 282)	(124 603)
Profit for the year attributable to owners of the Company	413 787	278 195
Total comprehensive income for the year attributable to owners of the Company	413 787	278 195
Basic and diluted earnings per share (cents)	429.5	288.7

Extract from the consolidated statement of changes in equity

for the year ended 31 March 2013

	Share Capital E'000	Share Premium E'000	Preference Share Redemption Reserve E'000	Other Reserve E'000	Retained Earnings E'000	Total E'000
2013 Group						
Balance at 1 April 2012	128 639	632 379	78 104	4 733	412 244	1 256 099
Total comprehensive income for the year	-	-	-	-	413 787	413 787
Transfer to other reserve	-	-	-	1 656	(1 656)	-
Transactions with owners recorded directly in equity						
- Dividends	-	-	-	-	(247 899)	(247 899)
Balance at 31 March 2013	128 639	632 379	78 104	6 389	576 476	1 421 987
2012 Group						
Balance at 1 April 2011	128 639	632 379	78 104	3 087	334 843	1 177 052
Total comprehensive income for the year	-	-	-	-	278 195	278 195
Transfer to other reserve	-	-	-	1 646	(1 646)	-
Transactions with owners recorded directly in equity						
- Dividends	-	-	-	-	(199 148)	(199 148)
Balance at 31 March 2012	128 639	632 379	78 104	4 733	412 244	1 256 099

Extract from the consolidated statement of cash flows

for the year ended 31 March 2013

	Group 2013 E'000	Group 2012 E'000
Cash flows from operating activities		
Cash generated from operations	631 987	439 547
Interest paid	(12 534)	(10 635)
Taxation paid	(102 920)	(44 822)
Net cash generated by operating activities	516 533	384 090
Cash flows from investing activities		
Finance income	8 620	11 576
Dividends received	375	250
Proceeds from sale of property, plant and equipment	87	271
Acquisition of property, plant and equipment	(221 899)	(176 207)
Acquisition of SwaziCan Citrus operations	(26 000)	-
Acquisition of biological assets - cane roots and growing crops	-	(708)
Loans receivable advanced	(5 449)	(5 943)
Loans receivable repaid	7 117	7 903
Net cash utilised in investing activities	(237 149)	(162 858)
Cash flows from financing activities		
Interest bearing loans raised	4 559	58 545
Interest bearing loans repaid	(56 796)	(32 893)
Dividends paid	(198 234)	(111 711)
Net cash utilised in financing activities	(250 471)	(86 059)
Net increase in cash and cash equivalents	28 913	135 173
Cash and cash equivalents at beginning of year	52 899	(82 336)
Effect of exchange rate fluctuations on cash held	472	62
Cash and cash equivalents at end of year	82 284	52 899

Mission

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

Values

Integrity:	We are fair, honest and open
Delivery:	We meet our targets and deadlines
Respect:	We value and care for each other

Corporate Objective

To improve our Return on Shareholders Equity (ROSE) to a sustainable 20%

www.rssc.co.sz